EXCELLENCE EXEMPLIFIED

CONVENIENCE FOODS (LANKA) PLC
ANNUAL REPORT 2020/21

CONTENTS

EXCELLENCE EXEMPLIFIED

As an entity renowned for its exceptional range of food products, Convenience Foods has long exemplified excellence with a wide-ranging product portfolio, and a reputation for innovation, quality and responsible manufacturing practices.

In the year under review, your company demonstrated extraordinary performance, showcasing what a dynamic combination of foresight, resilience, and unwavering focus can achieve. Throughout our journey, our priorities have shaped our progress and excellence in all we do, and the pages that follow describe our achievements in great detail; how our stakeholder-centricity and purposeful vision enabled us to dominate an incredibly challenging arena, while enabling us to uphold our promise to nourish the people, sustain the environment and integrate lasting value to lives.

VISION

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

MISSION

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

GROUP PURPOSE

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

GROUP CORE VALUES

Caring

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

Quality

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

Innovation

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

Integrity

We act honestly, responsibly and ethically.

ABOUT THE COMPANY

Starting operations in 1991, Soy Foods Forbes and Walker Limited, a public quoted a subsidiary of Forbes and Walker Limited, was the Sri Lankan pioneer in textured vegetable protein (TVP), and popularly termed, soya meat. The locally manufactured product was originally introduced to domestic consumers in bulk form, under the brand name 'LankaSoy,' as an alternative source of protein.

A paradigm shift occurred in 2000, when Ceylon Biscuits Limited (CBL) acquired a 79% controlling stake of the Company and re-launched the Company as Soy Foods Lanka Limited. In 2001 and 2002 CBL revolutionized the slow-moving soya meat market by introducing nugget shaped fish, chicken and vegetarian flavoured soya products, in attractive and convenient package sizes, that appealed to non-vegetarians as well as vegetarians. The new, flavoured soya products transformed and expanded the domestic soya market, leading to many accolades for Lankasoy.

In 2008, the company changed its name to Convenience Foods Lanka PLC (CFL), to reflect its growth plans of diversifying beyond soya based foods, into the convenience foods segment. The Company then expanded its product portfolio to manufacture extruded snacks, nutritional cereal, soups and other convenience products, under the brand names of Lankasoy, Tetos Snack, Sera Soup and Nutriline Cereal. The Company exports a range of products to the Middle East, Europe, USA, Asia and Australia and thereby contributes a notable percentage towards CBL exports.

In 2017, CBL Investments Limited purchased 71.38% of the issued share capital of CFL from Ceylon Biscuits Limited, thereby transferring majority ownership of CFL, to CBL Investments Limited. The Company has further diversified its product ranges by adding Sera Kottu, Sera Salt, Sera Coconut oil and Sera Coconut Milk to the portfolio.

As we look to the future, we remain committed towards our mission of bringing healthy and convenient food to Sri Lankan tables.

ABOUT US

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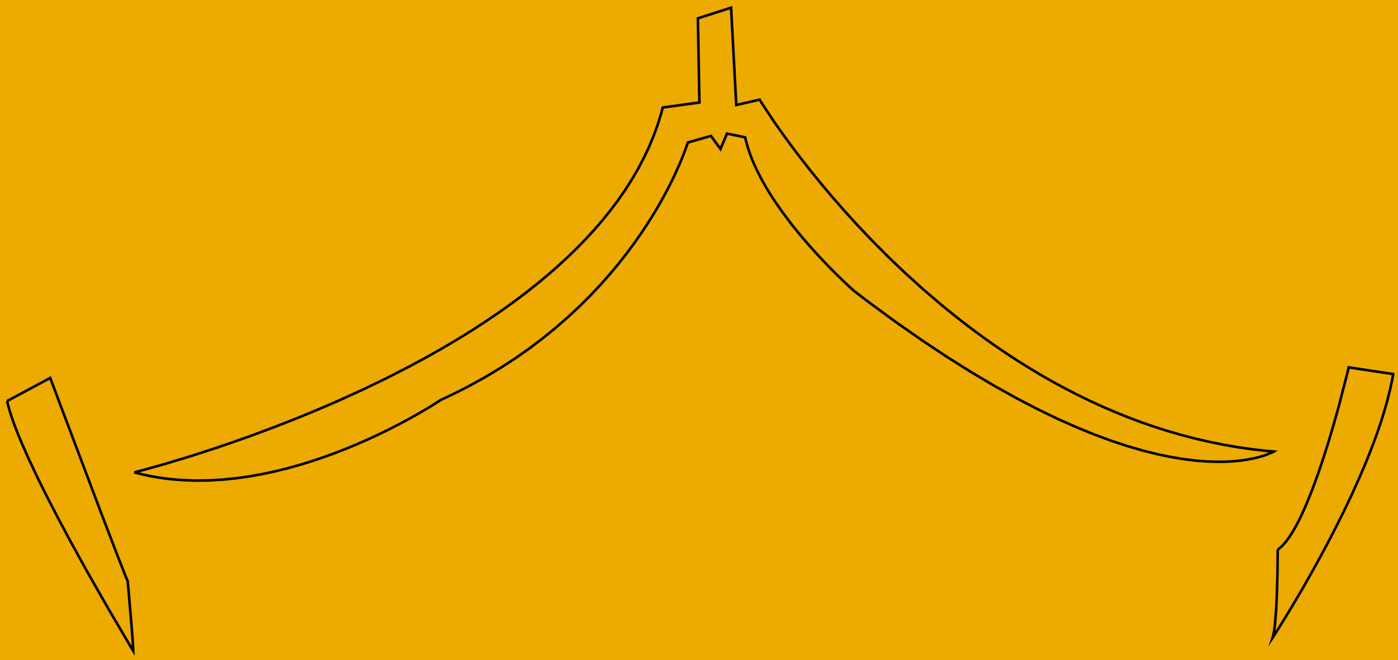


A TRUSTED **BRAND**

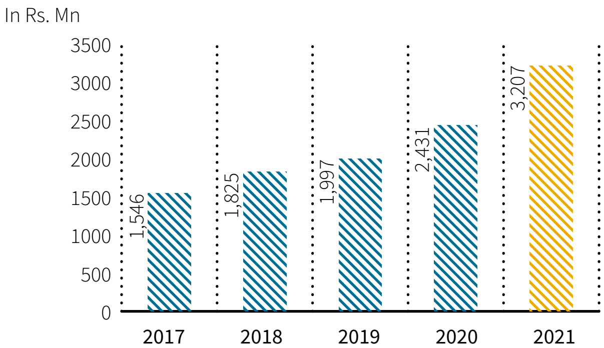
Our continued commitment to deliver innovative and quality products has won us the trust of households across the nation.

FINANCIAL HIGHLIGHTS

Group Data	For the year ended 31.03.2021 Rs.	For the year ended 31.03.2020 Rs.	Change Favourable/ (Unfavourable) %
Profitability			
Turnover (Net)	3,207,282,244	2,430,828,555	31.94%
Results from operating activities	575,972,199	251,901,185	128.65%
Finance income	62,158,719	65,956,787	(5.76%)
Finance expenses	(5,183,148)	(1,850,860)	(180.04%)
Profit before tax	632,947,770	316,007,112	100.30%
Income tax expenses	(117,042,986)	(86,567,859)	(35.20%)
Profit for the year	515,904,784	229,439,254	124.85%
Per Share Data			
Earnings per share (Rs.)	187.60	83.43	124.85%
Net assets per share (Rs.)	623.12	444.46	40.20%
Market price at year end (Rs.)	1,245.00	337.40	269.00%
Profitability Ratios			
Return on capital employed (ROCE)	36.43%	25.81%	41.15%
Profit before tax margin	19.73%	13.00%	51.81%

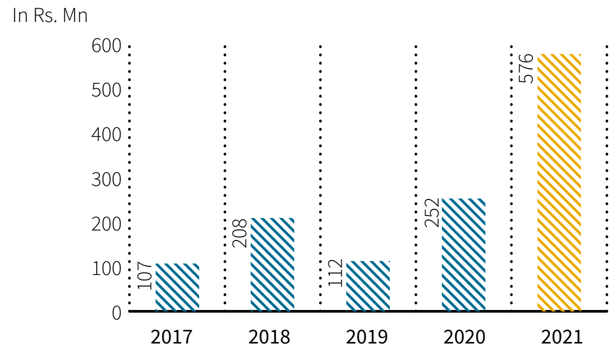
Turnover

3,207 Mn 2019/20: Rs. 2,431 Mn



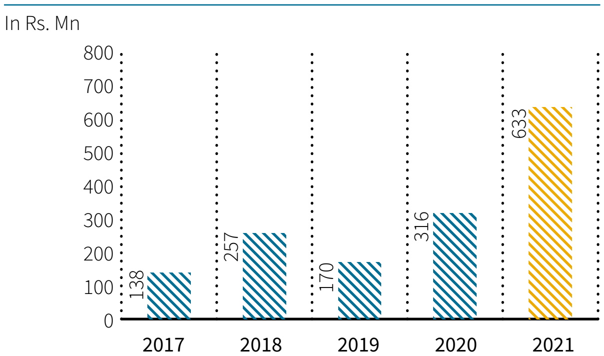
Operating Profit

576 Mn 2019/20: Rs. 252 Mn



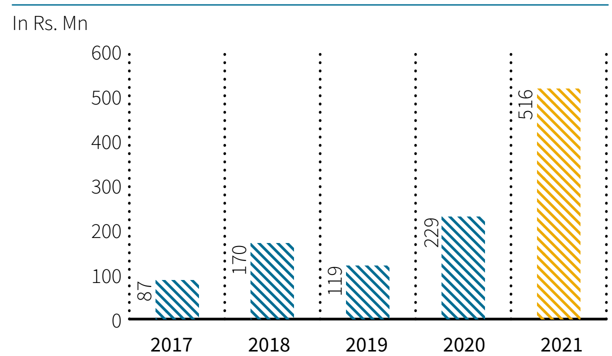
Profit Before Taxation

633 Mn 2019/20: Rs. 316 Mn



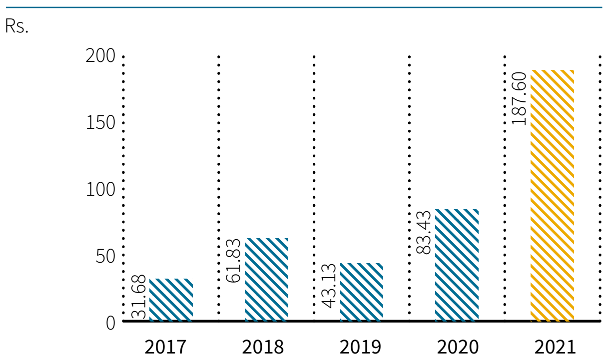
Profit After Taxation

516 Mn 2019/20: Rs. 229 Mn



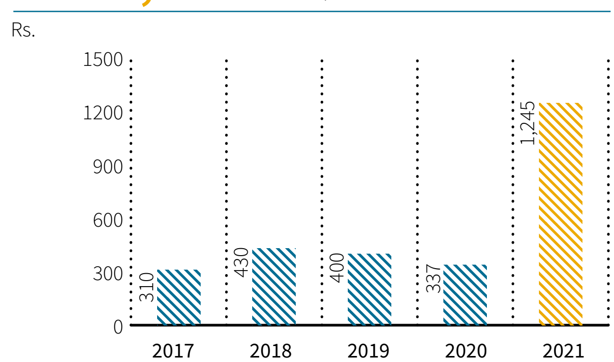
Earnings Per Share

Rs. 187.60 2019/20: Rs. 83.43



Market Price Per Share

Rs. 1,245 2019/20: Rs. 337



KEY MILESTONES

1991	Commencing of Operations of Textured Vegetable Protein (TVP) under the name Soy Foods (Pvt) Ltd.
1992	Company listed under Colombo Stock Exchange (CSE).
2000	Ceylon Biscuits Limited (CBL) stepping in to guide operations under its wings and change the perception of Soya meat in the local marketplace.
2001-2002	Introduction of new shapes and authentic flavours to revolutionise the slow moving Soya meat in the marketplace.
2003	Lankasoy won awards at the SLIM Brand Excellence Awards and Sri Lanka Food Processors Association. » Gold Award - 'Turnaround Brand of the Year' » Silver Award - 'Innovative Brand' » Bronze Award - 'Brand of the Year'
2004	Soy Foods Lanka Limited expanded its operations with the introduction of modern technology to the factory by investing in new machinery.
2006-2007	Introduction to Lean Manufacturing Practices. Certification of ISO 9001 for the new high tech factory. Won SLIM 'Brand Excellence' award and 'Productivity and Quality' award from the National Productivity Secretariat (NPS).
2008	Soy Foods Lanka Limited was transformed to Convenience Foods (Lanka) PLC as the Company expanded with diverse range of food. Won SLIM 'Brand Excellence' award and 'Productivity and Quality' award from the National Productivity Secretariat (NPS).
2009	Won SLIM 'Brand Excellence' award and 'Productivity and Quality' award from the National Productivity Secretariat (NPS).
2010	Certified with SLS certification for Soy food products by making Lankasoy the first Soya food brand to qualify for the certification.
2011	Certified with ISO 22000, GMP and HACCP.
2012	Bronze award and secured position among the Top 10 Awards of Extra Large category at CNCI Achievers awards.

2013

Introduction to State of the Art Machinery for production of variety of flavours and snack range.

Won the following at SLIM Brand Excellence Awards

» 'Brand of the Year'
» Gold Award for 'Product Brand of the Year'
» 'Local Brand of the Year'
» Gold Award 'Innovative Brand of the Year'

2014

Implementing of SAP ERP System and & HRIS System

Silver Quality Circle Award at the National Business Excellence Summit

Bronze Award - Brand of the Year at SLIM Brand Excellence Awards

Gold Award - Manufacturing Food & Beverages at National Business Excellence Awards

2015

Introducing Nutriline Cereal with three different varieties

Certification of ISO 14001 - Environment Management System

Gold Award - Manufacturing Food & Beverages at National Business Excellence Awards

2016

Introducing of Tetos snack range

2017

Ownership transfer of CFL with majority shares to CBL Investments Limited

Certification of OHSAS 18001

Introduction of easy to make Kottu range

2018

Introduction of Sera Coconut Milk

CBL celebrated its' 50th anniversary

Existing system upgrade to SAP HANA ERP System

Recognised with Business Excellence Award for New Product Initiatives/ Innovations at the Chairman's Awards organised for the first time by CBL Group

Runners Up - Manufacturing Food & Beverages at the National Business Excellence Awards

Sri Lanka's Best Brand Award at CMO Asia Brand Leadership Awards

2019

Launching of Sera Coconut Oil

Gold Award - Quality and Productivity at National Convention conducted by Sri Lanka Association for Advancement of Quality & Productivity

Gold Award for Lankasoy 'Kiri Malu' in the Best New Entrant category at SLIM Brand Excellence Awards

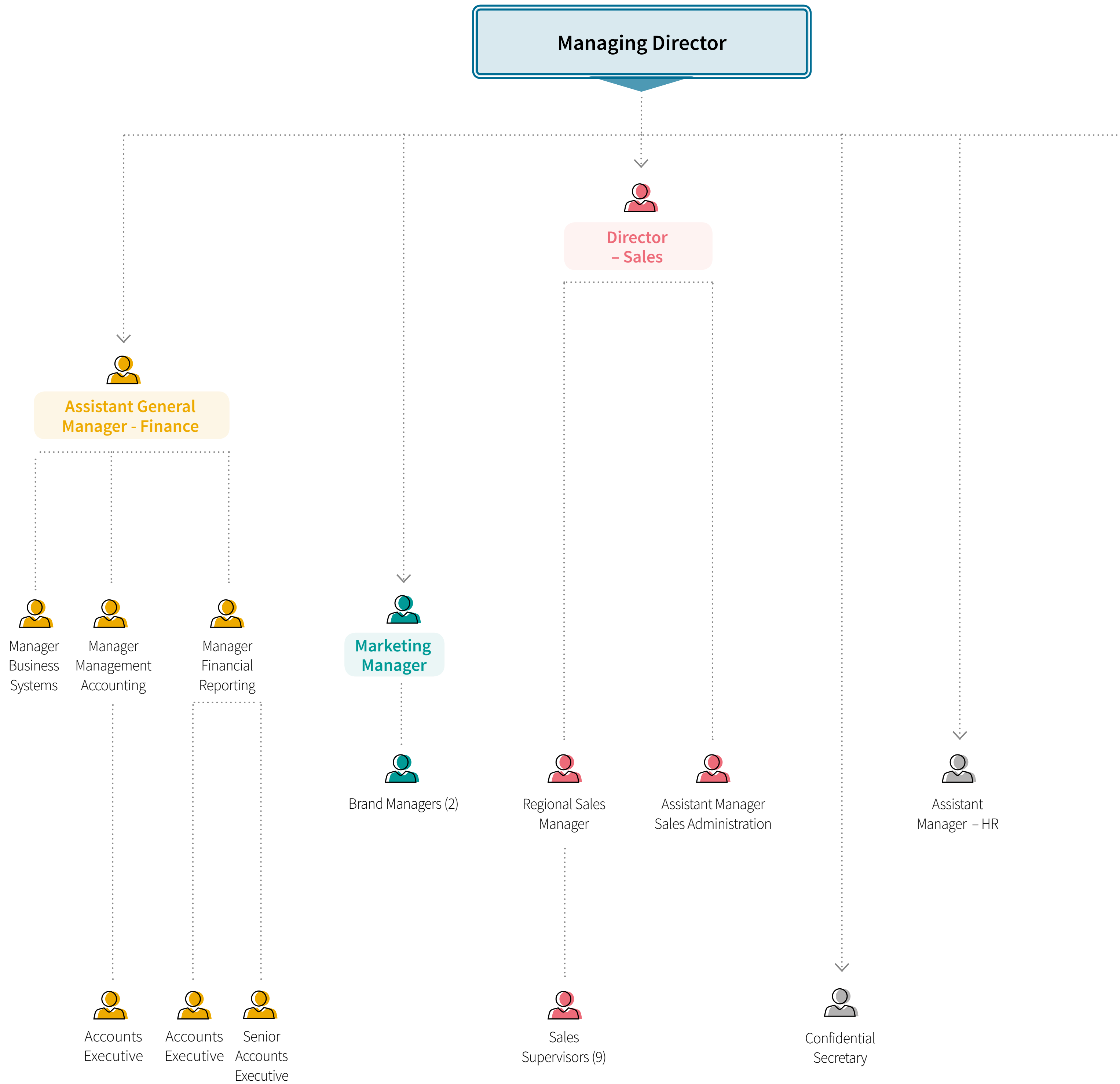
2020

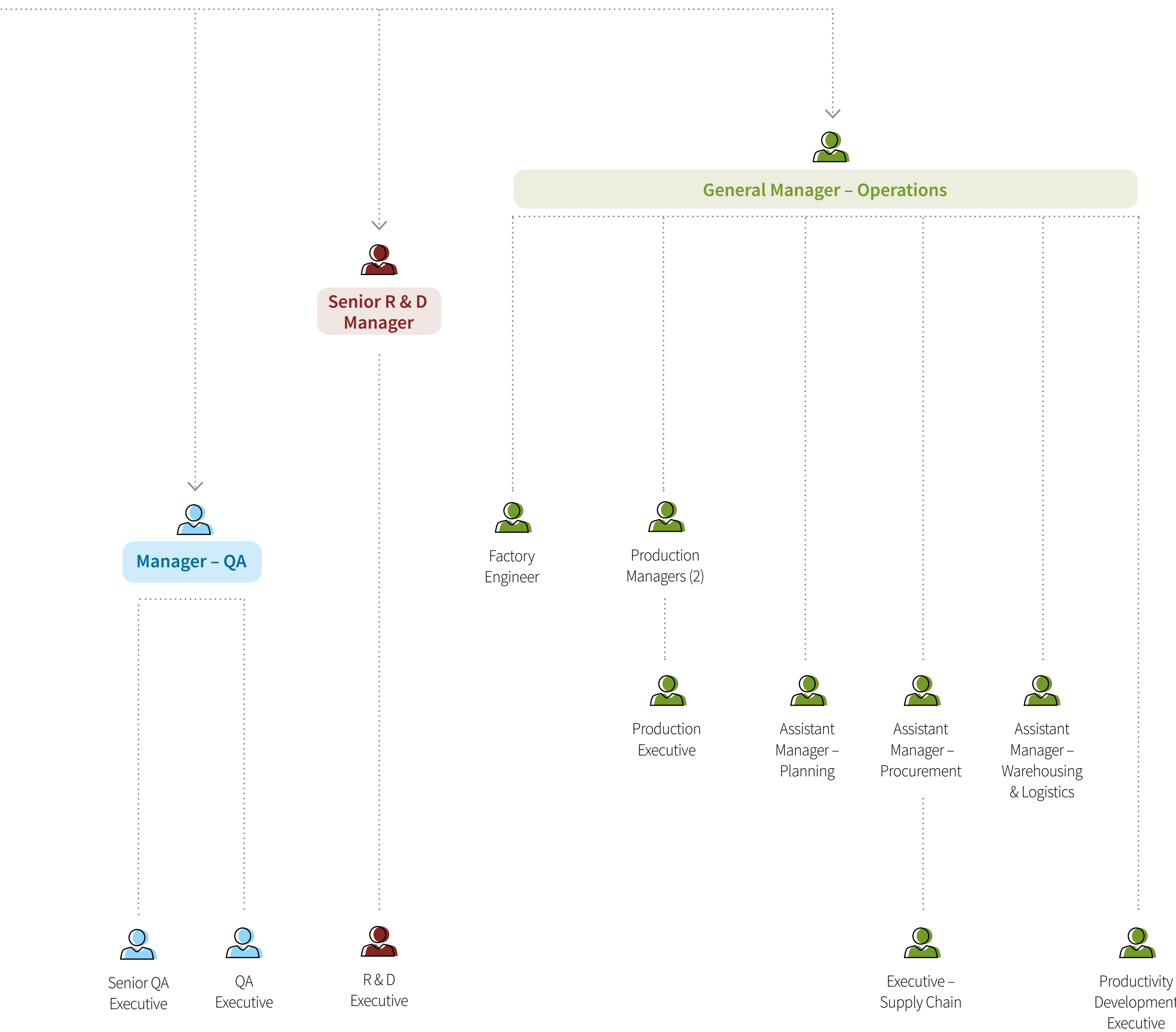
Introduction of refined and iodised Sera Salt range

2021

The company recorded highest ever price of a single share of Rs. 1,999 during the year.
The company also recorded the highest ever turnover and profit after tax.

ORGANISATIONAL STRUCTURE




General Manager – Operations
Senior R & D Manager
Manager – QA
Factory Engineer
Production Managers (2)
Production Executive
Assistant Manager – Planning
Assistant Manager – Procurement
Assistant Manager – Warehousing & Logistics
Senior QA Executive
QA Executive
R & D Executive
Executive – Supply Chain
Productivity Development Executive

CHAIRMAN'S MESSAGE

Dear Shareholders,

I warmly welcome you to the 30th Annual General Meeting of Convenience Foods (Lanka) PLC (CFL) and place before you the Annual Report and Audited Financial Statements for the financial year ended 31st March 2021. The financial year being reviewed has been unprecedented due to the COVID-19 pandemic which has affected every citizen, company, the country and the world at large in a manner that has never been witnessed before. Standing in solidarity, the Board of Directors of CFL and I extend our sincere wishes and prayers to those affected by the pandemic in every corner of Sri Lanka. Though initially speculated, the pandemic persisting into the Financial Year 2020/21 and beyond has now become a stark reality.

Your Company's strong performance in 2019/20 despite the challenges faced in that year seemed merely fortuitous to observers, but repeating the same performance and improving on the overall performance even further in 2020/21 reflects the resilience, fortitude and preparedness of the company to surmount any odds. Despite such challenges, I am pleased to report that Your Company delivered its best-ever financial performance during the financial year 2020/21 despite economic conditions which were not conducive to business and commerce.

Your Company's strategy of being the first choice in nutritious foods to the Sri Lankan consumer, by offering a wide choice of products accessible even during a crisis, has proven to be correct, thus enabling our range of products to be accessed with a degree of ease, even during the Covid pandemic.

I am proud to note that we were able to achieve this by adopting a proactive approach from the outset, by devising various growth strategies that would serve to meet original plans for expansion and enter into new geographies despite restriction to mobility, while maintaining the integrity of the supply chain. We are confident this will translate into higher levels of turnover and growth in market share and a ever growing loyal customer base.

It is important to highlight that the noteworthy milestones were achieved whilst complying with all health and safety protocols issued by Health Authorities periodically and not only by assuring job security to all staff but also by ensuring all forms of remuneration including those based on performance being paid in a timely manner. This has resulted in the cultivation of a workforce, which is both loyal and committed towards the causes of the company even during the challenging times and unfavourable operating conditions faced during the year under review and thereafter. In conducting operations, the Team at CFL also displayed a sense of empathy and community mindedness which was appreciated by those in the surrounding areas.

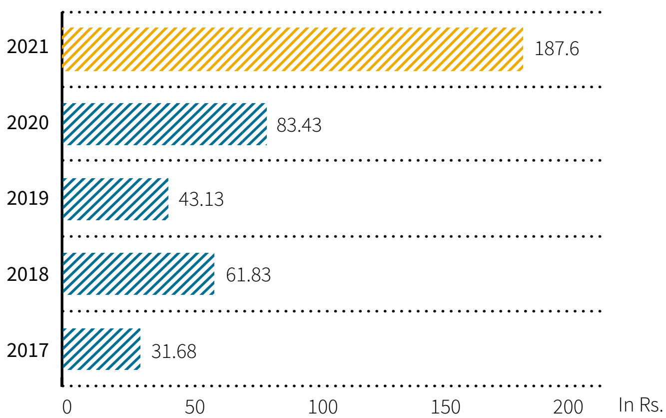
Sri Lankan Economy

The Sri Lankan economy contracted by 3.6% in 2020, compared with a 2.3% growth recorded in the preceding year. All sectors of the economy contracted during 2020 (agriculture, forestry and fishing by 2.4%, industries by 6.9%, and services by 1.5%), compared to the previous year largely attributed by the Covid pandemic which prevailed during most parts of the year. Of the agricultural sector, the subsectors of growing vegetables, rice, fruits and cereals, other than rice, recorded a healthy performance during 2020, enabled by the Government's policy initiatives of promoting domestic agricultural production. Likewise, manufacturing of food and beverages products recorded a growth during the year as in the case of wholesale and retail trade. Subdued demand conditions, well-anchored inflation expectations and downward revisions of administered prices, aided in maintaining inflation at the targeted level, despite upward pressures from food inflation, particularly due to elevated prices of certain essential food items.

Company Performance

Despite a challenging economic condition and an operating environment less conducive to businesses, I am pleased to highlight that Your Company recorded a growth in Turnover of 32%, consolidating its milestone of Rs. 2 Bn achieved in the previous year. The Operating Profit grew by an extremely healthy 129% to Rs. 576 Mn with Profit before Tax (PBT) reaching Rs. 633 Mn, a 100% increase and Profit after Tax (PAT) recording Rs. 516 Mn, a 125% increase over the previous financial year.

Earnings per Share



Volatility in exchange rates continued to affect cost of production as the Sri Lankan Rupee depreciated sharply against the US Dollar during the year under review. However, this impact was partially mitigated by competitive raw material prices resulting from a glut in the supply of soy flour in India and with strong relationships with suppliers.

By continuously monitoring the pulse in consumer preferences and changing tastes, Your Company leveraged on innovation and astute marketing and sales strategies to provide seamless access to its products while supporting the distribution channels throughout the period of challenges and hardships experienced due to the pandemic. Your Company succeeded in unlocking growth opportunities through digital channels and penetrated new market segments by expanding the distribution network and by conforming to Government regulations to keep those in the distribution value chain and our consumers safe from COVID-19.

Creating Value for Shareholders

Having recorded the most outstanding performance in the history of our operations, Your Company is pleased to record a 20% Return On Assets (ROA) compared with 13% during the previous financial year, and a 30% Return On Equity (ROE) |compared with 19% in 2019/20.

Earnings Per Share

Due to the extremely encouraging performance during the year, the company recorded Earnings per Share (EPS) of Rs. 187.60 compared with Rs. 83.43 in 2019/20.

The Company continued to invest in marketing and branding by carrying out a number of impactful marketing campaigns. The highlight among them was the Nutriline communication campaign and the Lankasoy corporate campaign which captivated existing and potential consumers, and enhanced brand visibility.

During the year under review, brand building efforts to enhance the brand equity for Lankasoy, the flagship brand, were sustained, and it continues to dominate the share of the soy food segment. The company which was totally reliant on soy-based products for the inception, has now reduced its dependence on soy to 72% during the financial year 2020/21 from 79% in the previous year, by expanding its product portfolio into non-soy foods and culinary aids whist marinating the growth trajectory in soy in a sustained fashion.

The Sera brand too continues to make headway into households across the island, by leveraging on the goodwill reflected from CFL and parent, the CBL Group of companies. both a trusted and respected name in the market. Aligning with the growing focus on concept of Health and Nutrition, Nutriline cereals also grew, making its way steadily to people's breakfast tables.

Upholding Ethics and Governance

I am pleased to inform that the Company did not compromise on compliances with any applicable laws and other statutory regulations during the year under review. As always, the Board and Board Sub Committees met at designated intervals in a timely manner in order to carry out their respective duties and wish to confirm that CFL's Financial Statements for 2020/21 are fully compliant with all financial reporting regulations. There were no changes to the composition of the Board of eight (08) Directors.

It is pertinent for me to dwell on the diligence and the resilience displayed by the CFL team who surmounted the challenges

CHAIRMAN'S MESSAGE

CFL will make every effort to reduce its carbon footprint while furthering its sustainability agenda to be more purposeful while meeting customer needs and driving economic growth through innovation.

posed by the pandemic, led by the Senior Management and all the employees rallied around to accomplish the tasks assigned, despite the numerous constraints and challenges which prevailed through the year.

Future Outlook

The manner we produce and offer food solutions will matter more and more in the years ahead as society demands safer and healthier choices and seek out for brands which ensure responsible and sustainable methods and practices in its supply chain. I believe CFL is well positioned to leverage on its ethical manufacturing practices to be one of the most sought for food and beverage companies at the forefront in Sri Lanka. CFL will make every effort to reduce its carbon footprint while furthering its sustainability agenda to be more purposeful while meeting customer needs and driving economic growth through innovation.

Respect for human rights, promoting diversity and inclusion in our workplaces will define our Human Resources journey, as our employees have been the force, which has influenced the sustained Growth the company has witnessed from its inception. Their ability to unreservedly face unprecedented challenges amidst a global pandemic and deliver superior results during the year under review.

While certain logistical challenges will remain, considering that the Company source for the key raw material from neighbouring India, which is presently experiencing a devastating affect from the pandemic. However, Your Company is prepared to meet any eventuality and have drawn up necessary contingency plans to meet such future challenges.

Acknowledgments

I wish to thank my colleagues on the Board, the CEO and Senior Management team for delivering an exceptional performance against insurmountable odds. The heart of our operations – "our people" – need to be commended for their outstanding personal sacrifices, hard work and endurance displayed to deliver the most outstanding performance the company has recorded thus far and to build on that in the year ahead.

R. S. A. Wickramasingha
Chairman

7th July 2021

MANAGING DIRECTOR'S MESSAGE

The theme of this year's annual report, 'Excellence Exemplified', is a fitting reflection of the exceptional performance achieved by Convenience Foods (Lanka) PLC (CFL) amidst the outbreak of the COVID-19 global pandemic and its devastating impact on the economy, which severely affected lives and livelihoods. Resilience has been the hallmark of the Company, having faced several crises in the past, although there was no way of preparing for a global pandemic which has stretched for over a year in Sri Lanka – and yet, CFL responded with its characteristic strength of deconstructing any challenge at hand, gathering insights, and then building back up, fast.

The theme of this year's annual report, 'Excellence Exemplified', is a fitting reflection of the exceptional performance achieved by Convenience Foods (Lanka) PLC (CFL) amidst the outbreak of the COVID-19 global pandemic and its devastating impact on the economy, which severely affected lives and livelihoods. Resilience has been the hallmark of the Company, having faced several crises in the past, although there was no way of preparing for a global pandemic which has stretched for over a year in Sri Lanka – and yet, CFL responded with its characteristic strength of deconstructing any challenge at hand, gathering insights, and then building back up, fast.

Challenges Faced

The year under review was, simply put, one of the best years recorded by CFL despite the many challenges encountered along the way. Managing the supply chain despite various disruptions, sourcing raw materials in the face of import restrictions imposed by the government and driving sales at a time when people are more focused on avoiding non-essential expenditure and staying indoors - the company achieved a seemingly impossible task.

CFL was one of the few companies to keep 'feet on street' through the year while taking all the possible safety precautions for staff safety. This heightened brand visibility enabled us to penetrate the market further by adding new distributors to our portfolio and successfully replacing competitor brands, since we were one of the few companies to fulfil stocks throughout the period, even when competitor products on shelves were scarce.

Further, imports of raw material posed another challenge due to import restrictions. Our main suppliers are based in India, which was badly affected by the pandemic in 2020/21. Nevertheless, the strong relationships with our Indian suppliers ensured our raw materials reached us on time and in order to mitigate such a risk, we have proactively maintained forward stocks to provide for any pandemic induced supply chain disruptions in the near future.

This colossal achievement would not have been possible without the support and contribution of our team members. Our approach to overcoming the various risks hepled to clear obstacles from our path and we believe this positive experience of operating under intense pressure that the Company faced this year will hold us in good stead in the future.

Financial Performance

The financial performance recorded in the year under review is a testimonial to the brand strength of the Company, its superior product portfolio, and aggressive sales and marketing strategies. The topline of the Company improved by 30% compared with the previous year while Turnover rose by 32%. Operating Profit increased by 129% in the year under review and Profit After Tax improved by 125% despite capital expenditure in expansion projects.

During the year, the Total Investment Base of the company increased by 55%, which is fixed deposits that the company holds, valued at almost Rs. 1 billion levels. Being a listed company, one of the indicators for investor confidence is liquidity and growth in share price, both parameters against which we performed strongly, achieving the highest share prices in the history of the company in 2020/21.

Meanwhile, Return On Assets increased from 13% to 20% and Return On Equity rose from 19% to 30%. Overall, all CFL brands performed exceptionally well during last year despite facing many hurdles. The Company has been truly resilient in achieving all major indicators of financial performance in the year under review.

Strategy and Execution

Despite the uncertain environment that prevailed, the Company took a strategic decision to forge ahead with expansion plans which included appointing new distributors, penetrating new markets, increasing the number of redistribution points, and expanding the sales force through recruitment. These proactive strategies helped us to carve out a greater share of the market.

The salient directive given to sales and marketing staff was to heighten consumer engagement activities to keep the brands close to consumers via trade visibility and digital platforms to compensate for the inability to conduct sampling and brand

MANAGING DIRECTOR'S MESSAGE

Most of our products are in a highly-competitive segment and as a result, retaining top of the mind brand recall and retail shelf visibility are essential to retaining market.

Rs. **516** Mn
NET PROFIT AFTER TAX
(2019/20 - Rs. 229 Mn)

Rs. **3,207** Mn
NET REVENUE
(2019/20 - Rs. 2,431 Mn)

activations. By disseminating the brand message across various channels, we succeeded in driving top of mind recall for our brands. Along with our creative campaigns we included messaging about safety precautions for COVID-19 as a public service. CFL sales teams promoted social distancing in outlets by painting feet marks in 20,000-25,000 outlets along with an educational poster campaign at point of sales.

Plowing ahead with other marketing communication activities to enhance brand visibility, CFL launched a new Lankasoy corporate campaign highlighting brand values, quality and standards while capturing the consumers' heart share. The campaign highlighted the brand as a responsible, high quality ethical brand for the consumer. Nutriline launched a new corporate campaign with a strong value proposition 'Podi Waddenta'. Activations for other brands such as Sera Coconut Milk and Nutriline were sustained through the year. The brand strength of parent company, Ceylon Biscuits Limited (CBL), provided the support and goodwill in the market to ensure heightened brand presence. Most of our products are in a highly-competitive segment and as a result, retaining top of the mind brand recall and retail shelf visibility are essential to retaining market.

Brand Performance

Lankasoy

Lankasoy being the market leader continued to dominate the category by driving key brand values in above the line communication and demand generation activities, setting high standards when it comes to loyalty building programmes and promotions for both customers and traders. All brand health parameters reflected an overall increase of Lankasoy's market share in 2020/21. Leveraging on its core strengths, Lankasoy launched its new corporate communication emphasizing its brand values and quality standards while portraying the brand as a responsible, ethical brand that spearheads the category. A research study commissioned to Neilsen revealed that the Lankasoy market share (32.5%), numeric distribution (63.9%), weighted distribution (79.4%) and Share Amongst Handlers (42.5%) all showed an increase over the previous year. Achieving this feat in a fiercely contested market of 137+ players coupled with new companies foraying into the sector is commendable. It is encouraging to note that presently the nutritious soya is rising to the stature of a preferred standalone dish unlike in the past when it was viewed as a protein substitute. More and more households are consuming soya as part of their daily diets, indicating that soya is becoming a dish of choice.

Nutriline

Consumers are increasingly making healthier and convenient breakfast choices, packed with nutrition for both needs across demographics of adults and children. The cereal market is expanding with convenient solutions and provides an opportunity for market expansion in the future. We continue to examine market insights to strengthen the brand and develop new product segments which reflect our ongoing R&D and innovation initiatives. The import restrictions of the recent past are showing a consumer shift towards locally produced goods. In modern trade, despite stiff competition from international brands, Nutriline capitalised on all opportunities to gain market share. The new "Podi Vaddanta" brand proposition for CBL Nutriline created an impactful brand presence and relevance which supported the growth of the brand and category. The campaign created significant brand awareness by building a strong lifestyle associated with the children and mothers.

In keeping with these trade findings, Nutriline cereals achieved recorded sales growth over the last year, becoming very prominent against the international and local players in the marketplace. All 3 Nutriline SKUs really performed well across general trade and modern trade channels. Further, we expanded our consumer base and extended our market share, supported by market campaigns, market penetration drives and expansion of distribution network.

Sera

A concerted effort was made to create strong brand association with culinary and other related events for the Sera brand which enabled the brand to reach over 300,000 consumers. Sera Coconut Milk achieved recorded sales growth of 10% over the last year and keeping in mind consumer needs, the company delivered affordability through the 180ml 'Pol Kiri' mass market pack for category conversions via general trade, Laugfs and Sathosa channels. Other products under the Sera brand, including soup, kottu and salt are showing a satisfactory uptake amongst consumers.

Tetos

As an innovative product, the Tetos brand performed well against foreign entrants. CBL Tetos recorded its highest-ever sales this financial year with a value growth of 95%.

Its variants and sizes are now widely available in all leading modern trade outlets and is further penetrated in general trade.

Leveraging on IT and Digital Platforms

Automation and digitalisation are disrupting the traditional modes of doing business and in order to stay ahead of the curve, CFL has invested in various IT systems and processes to enhance efficiency. The sales force is equipped with handheld tabs to move towards e-invoicing in real time, while also reducing paper usage. The company is also harnessing Business Intelligence (BI) tools for automation of the sales process so that the entire sales operation is seamlessly connected while manual invoices have been eliminated 100%. Other BI processes are accumulating real-time data about consumers and we intend to harness this better to improve targeted marketing while delivering superior experience to customers.

Social media communication played a critical role in the 2020/21 financial year for the Company and for businesses in general and we sustained customer engagement and brand visibility for Lankasoy, Sera and Nutriline, through several digital communication campaigns which helped in brand building and demand creation.

Environmental, Social and Governance (ESG)

Our Environmental, Social and Governance (ESG) commitment includes ethical, sustainable and corporate governance issues to ensure we have sound systems in place to ensure accountability and for managing our carbon footprint. The company closely tracks energy and water consumption.

In terms of governance, CFL's auditors changed during the year with the appointment of KPMG who replace SJMS. In addition, Ernst & Young were engaged as internal auditors to look at our internal controls during 2020/21. There was no change in the governance structure or board during the period under consideration.

Having a portfolio of household brands which are market leaders in their categories, CFL engages closely with local communities, coming to their aid in times of need. During the year, the Company engaged in various impactful CSR projects amongst local communities. The scholarship project we embarked on 3 years ago is proving to be a success, giving underprivileged children a chance to translate their dreams for a better future to reality. In the year under review, CFL sponsored 6 students via the scholarship programs, to gain knowledge and exposure in graphic designing at the vocational training institution and is also helping them to find jobs. I am proud of this, our first GRI-Integrated annual report which will lay out exactly how our inputs are generating value for all stakeholders. I am confident that our reporting standards will improve with every passing year.

Future Outlook

While the Company may have surmounted the immediate challenges during the year under review, we foresee some of the challenges to persist in the year ahead. Keeping abreast of the changing regulatory environment and new ad-hoc regulations warranting changes in ingredients and packaging can be time-consuming and leads to some disruption.

Complying with COVID-19 regulations will remain a requirement for some more time in the foreseeable future. Another challenge is the fluctuation in foreign exchange rates which makes it difficult to predict costs while importing raw materials, since the Company imports its soya flour requirement.

Expanding our brand positioning on nutrition and convenience platforms, we plan to include new products under the Sera brand. The Rs. 460 Mn investment to commence production of spices, with state-of-the-art machinery, new portfolio and value-added products will further consolidate the company's existing market share even further. All the categories CFL has diversified into are presently showing promising growth and we will continue diversification efforts as part of our five-year strategy.

Appreciation

I take this opportunity to thank the Chairman and the Board of Directors for their expert guidance during the year. The senior management has also been extremely supportive and my entire team deserves to be commended for the high levels of collaboration and innovation shown by them to find a solution to any problem. Our business partners are pillars of support for the Company to innovate and reach new heights, while our customers are at the heart of every CFL brand which has been designed to fulfil their needs on our journey of excellence.

E. T. De Zoysa
Managing Director

7th July 2021

BOARD OF DIRECTORS

Mr. R. S. A. Wickramasingha

Chairman

Mr. R S A Wickramasingha was appointed as the Chairman of Convenience Foods (Lanka) PLC from 24th June 2015 having served on the Board since 10th May 2000. He is currently the Chairman of Ceylon Biscuits Limited Group, the largest 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 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, U.K”. 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 is the patron of the Lanka Confectionery Manufacturers Association.

Mr. Thilanka 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, now 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 1st April 2011. Subsequently he was appointed as CEO of the Food Cluster of the CBL Group with effect from 1st May 2020.

Ms. Sheamalee Wickramasingha

Director

Ms. Wickramasingha was first appointed to the Board of Soy Foods (Lanka) Limited (Now Convenience Foods (Lanka) PLC) in May 2000. She is the Group Managing Director of CBL Investments Limited and the Managing Director of Modern Pack Lanka (Pvt) Limited She also serves on the board of subsidiary companies of CBL Investments Limited.

She has been a member of the main committee of Ceylon Chamber of Commerce since 2013 and was a Board member of the Institution’s first Board from June 2015 to May 2017.

Presently she is a member of EDB Advisory Committee on Processed Food and Beverages, Council of the Employer’s Federation of Ceylon and the Board of American Chamber of Commerce in Sri Lanka.

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

Ms. Nishka K Wickramasingha

Director

Ms. N K Wickramasingha is a Director of CBL Investments Limited and serves on the board of some of the subsidiary companies of CBL Investments Limited

She holds a BSc. Degree in Food Science from Purdue University, USA and is also CIM qualified. Ms. Wickramasingha joined CBL as a Management Trainee (R&D) in 1993 and worked across various management positions in the company.

Ms. Wickramasingha was appointed to the Board of CBL in 1999 and counts over 28 years of experience with the CBL group.

Mr. L. J. M De Silva

Director

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

Presently, in addition to serving as a Non-Executive Group Director of CBLI Investments Ltd, he is also a Non-Executive Director of Convenience Foods (Lanka) PLC & Plenty Foods (Pvt) Limited.

Mr. De Silva is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA) and completed his articles at Torqued Young's (now Ernst & Young) and qualified as a Chartered Accountant in June 1970.

Dr. D. M. A. Kulasooriya

Director

A BSc Graduate from the University of Peradeniya. Dr. Kulasooriya has a PhD in lean management from JNTU, India and a MSc in Management at the University of Sri Jayawardanapura 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 23 years of experience in the field of Quality and Productivity Management, 12 years of which dealt directly in Lean Six Sigma implementation and Data Analytics.

Mr. Udara Thilakawardana

Director

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

Mr. Mahesh Shirantha Nanayakkara

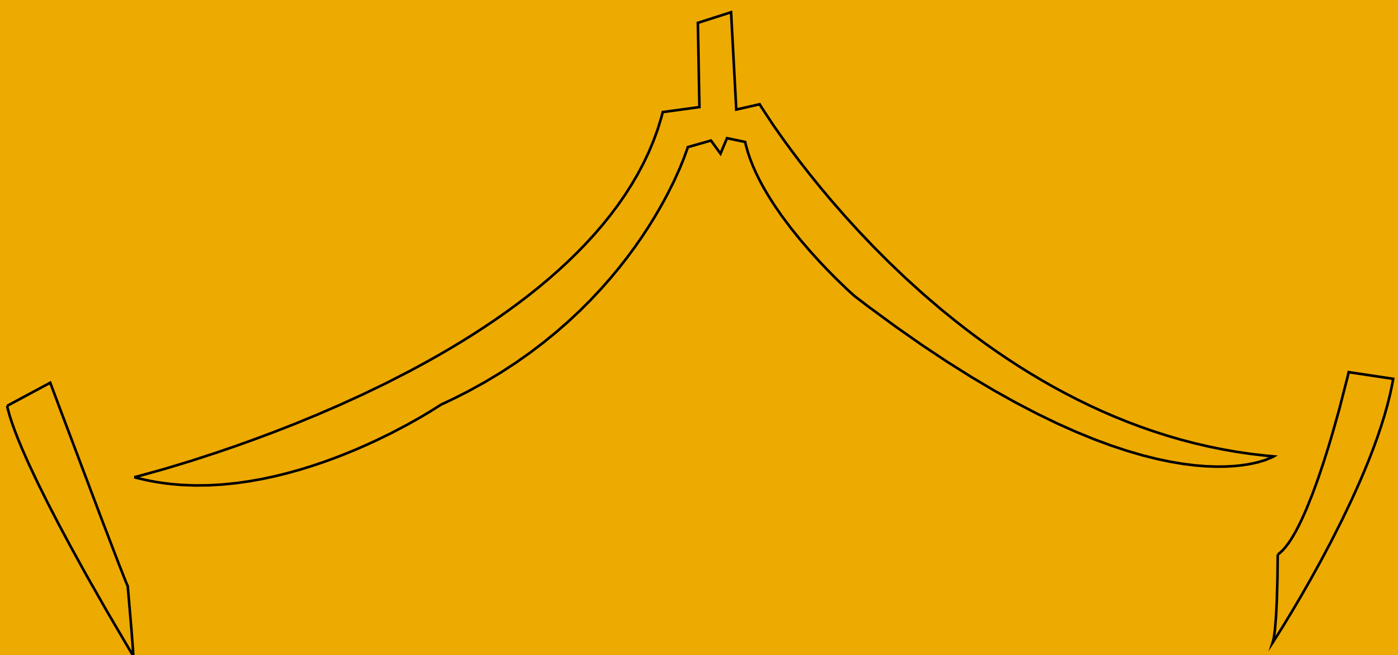
Director

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

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

MANAGEMENT DISCUSSION & ANALYSIS

02



AN INNOVATIVE **LEADER**

Our drive to create innovative products that reflect modern life has made us a leader in the industry, making wholesome, easy to prepare food solutions.

KEY COMMUNICATION CAMPAIGNS

New Lankasoy Corporate Communication

Lankasoy has won the hearts of consumers as a trusted and responsible brand amongst all walks of life. This is due to the innovations, no MSG or artificial enhancers and not being made using genetically modified Soya. Leveraging on those core strengths, Lankasoy launched its new corporate communication emphasizing the brand values and quality standards while portraying Lankasoy as a responsible, ethical brand that spearheads the category. The communication executions done in Sinhala and Tamil portrayed the Sri Lankan culture and lifestyle whilst presenting the key products segments and Lankasoy as Range Brand. The communication was well accepted by the consumers and was able to gain consumer heart share.

Lankasoy TVC 01


Lankasoy TVC 02

Lankasoy TVC 03


Lankasoy TVC 04

Nutriline New Communication Campaign

The new "Podi Waddanta" brand proposition for CBL Nutriline created an impactful brand presence and relevance which supported the growth of the Brand and Category. The campaign created significant brand awareness by building a strong lifestyle associated with the children and mothers. CBL Nutriline has created a prominent position in the breakfast cereal category by competing with International Brands whilst being locally sourced and manufactured.


Nutriline TVC

Leveraging Digital across our Brands

Social media communication played a critical role in the financial year 2020/21. The COVID-19 Pandemic resulted in changes in the consumer lifestyle and behavior which made digital media communication a key focus area for brand building and demand creation for our key brands. Our Brands carried out exciting and engaging campaigns to stay close to the consumer, whilst educating them with important insights, information on applications, recipes, cooking tips and staying safe during the pandemic.





Sera Kitchen Now “On the Move”

The Sera Kitchen Concept promotes the total Sera Range - building “Sera” as a household kitchen solution provider amongst housewives. During the year, Sera Kitchen concept launched “Sera Kitchen On the Move“, a mobile kitchen that goes from town to town promoting the range, attracting new consumers and carrying out consumer engagement activities. This innovative consumer activation gives a realistic kitchen experience to the customers by allowing them to experience Sera products under a well-trained chef. Adding to this, a valuable recipe book “Sera Rasa Rahasa” was distributed among the core audience which gained positive feedback.



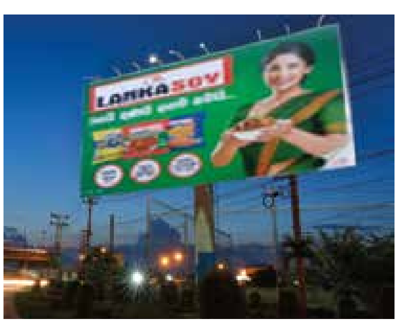
Sera Mobile Kitchen


Sera Kitchen

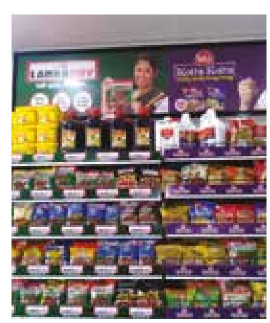

Sera Recipe Booklet

Creating Impactful Brand Recall and Awareness

To effectively further establish the Brand’s Top of Mind recall and presence, Convenience Foods Lanka PLC strengthened the outdoor trade visibility by strategically placing hoardings for Lankasoy, Nutriline and Sera brands. Visibility generating exercises were done by the sales team to increase visibility at Point of Purchase. Key trade outlets were provided with in-store merchandising with branded display racks and special visibility racks to further entrench and strengthen the brands and business relationships with the Trade.





RANGE OF PRODUCTS

CBL LANKASOY

Being a pioneer in introducing soy nuggets to Sri Lankan consumers, Lankasoy has been instrumental in developing and shaping the textured soya protein category and has revolutionized the market with different varieties, nugget shapes and attractive communication strategies over the years. Establishing Lankasoy as a trendsetter and providing inspiration to others to uplift the category, the brand offers its variants under the original range, Malusoy, Chickosoy, Vegesoy, Meatysoy, Minced Mix, and novel products such as Kiri Malu, Polos, Umbalakada, which have captured a large share of the market in a short period. Our products have been accredited both locally and internationally with ISO 22000, HACCP, ISO 9001, OHSAS 18001 and GMP certification in addition to SLS.

CBL Sera

Sera is the gastronomic food brand under the CBL brand portfolio. Within a very short period, Sera was able to penetrate homes of Sri Lankan consumers and become a household brand name, that stands for quality and trust. With busy lifestyles requiring innovative solutions that deliver convenience, Sera offers a range of functional and easy-to-use food products. With the vision to be the aspirational kitchen partner for the convenience-seeking homemaker, Sera continues to extend the portfolio to capture the market through the introduction of different culinary aids - coconut milk, coconut oil and salt, meal accompaniments - soups and family meals - Kottu and value additions to provide consumers with high quality trusted products that make meals delicious and enjoyable.

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

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

OPERATING REVIEW

Consumption expenditure, which accounted for 81.1% of the aggregate expenditure of the economy at current prices in 2020, grew at a moderate pace of 2.1% during the year compared to the growth of 7.3% in 2019.

Macro-economic Backdrop

The COVID-19 global pandemic, together with related restrictions to contain its spread, dragged down the performance of economies all over the world and Sri Lanka was no exception as its economy recorded negative growth of 3.6% in the year under review. Some of the business sentiment indices compiled by the Central Bank of Sri Lanka recorded their lowest values in 2020, particularly during the second quarter, reflecting the adverse impact of the nationwide lockdown. The pandemic situation severely affected economic activities such as construction, manufacturing and transportation, in addition to the whole ecosystem built around the tourism industry. The setback in construction and manufacturing activities caused the contraction in Industry activities, while services activities were adversely affected predominantly due to the contraction in transportation, other personal services and accommodation, food and beverage services activities. Agriculture activities also recorded a decline largely due to the pandemic-related disturbances, though the conducive policy environment supported the continuation of most agriculture activities even during the lockdown periods.

The exchange rate came under significant pressure during March–April 2020 and the latter part of 2020. Interventions by the CBSL on the domestic foreign exchange market through the supply of foreign currency, execution of short-term swaps with licensed commercial banks and measures implemented to limit foreign exchange outflows helped ease the pressure on the exchange rate. Whilst the exchange rate depreciated by 3% against the USD in 2020, prolonged shortage of foreign currency in the market resulted in the exchange rate further depreciating by 7% from December 2020 to March 2021.

Investment expenditure contracted in 2020, mainly due to the uncertainty on the recovery timeline of the pandemic, locally as well as globally, whilst consumption expenditure recorded a slower growth. External demand also weakened during the year on the grounds of a loss of growth momentum across geographies with the pandemic. However, the rationalisation of non-essential imports curtailing the merchandise imports during the year, partly contributed to buffer the deterioration in net external demand amidst the contraction in exports. A possible prolonged downturn in the tourism sector and significant debt repayments due to take place in 2021/22, together with tight credit access and subsequent waves of COVID-19 pose downside risks to the outlook for the economy.

Industry Review

Consumption expenditure, which accounted for 81.1% of the aggregate expenditure of the economy at current prices in 2020, grew at a moderate pace of 2.1% during the year compared to the growth of 7.3% in 2019, hampered by the lockdowns and the cautious consumer spending due to income uncertainty. This moderation is mainly attributable to the considerable slowdown in private consumption expenditure (PCE), which is the main consumption expenditure category, while prices of most of the consumer goods categories remained high during the year. Reflecting the negative impact on consumer behaviour from the COVID-19 pandemic, PCE at current prices grew only marginally by 1% in 2020 compared to the growth of 7.3% in 2019. The pandemic formed adverse conditions in many consumer markets during the year led by restrictions on mobility, working-from-home arrangements and other health-related precautions which made consumers stay away from the markets, contracting most PCE categories such as transport, restaurants and hotels, and clothing and footwear. However, being essential goods and services, PCE on food and non-alcoholic beverages, housing, water, electricity, gas and other fuels, health and communication categories expanded during the year even amidst a pandemic.

Within the food category, prices of volatile food items, which increased at the beginning of the year as a result of supply shortage due to crop damages, instigated by the prolonged rainy conditions prevailed in the latter part of 2019, displayed mixed movement during 2020, alongside the prices of other food items, which exhibited an overall increasing trend. However, the pressure emanating from higher food prices on the general price level was partially moderated by the marginal increase observed in the prices of the items in the Non-food category, which accounts for a larger share in the official price indices.

Company Performance

The Company recorded an exceptional performance given the various constraints in the operating environment. Trusted brands and their unique value propositions, such as nutrition, quality, strategic marketing and brand recognition all helped to deliver growth in Turnover by 32%. Operating Profit increased by 129% in the year under review and Profit after Tax improved by 125%. Overall, all CFL brands performed exceptionally well during last year despite facing many roadblocks. The Company has been resilient in achieving all major indicators of financial performance despite challenges faced. Unfazed by the pandemic, the Company progressed ahead with pre-pandemic growth plans such an investment in machinery, expansion of distributor base and increasing sales force to reach wider geographical regions in the country. These strategies helped the Company to capture market share from other players in the segment.

Managing the flow of funds is imperative to ensure the efficient utilisation of resources, liquidity and solvency. This year, managing the sources and uses of funds required extra effort with the onset of the COVID-19 pandemic and the consequent uncertainty arising from business and movement restrictions.

Future Prospects

The growth prospects for the Company remain strong after the impressive performance during a year of the pandemic. Some logistical challenges will remain but the Company is geared with business contingency plans and expects to deliver an even stronger growth in the next financial year by leveraging on its recent investments in the new project - Spices, which will be launched under the Sera brand.

32%
TURNOVER GROWTH

129%
OPERATING PROFIT GROWTH

FINANCIAL CAPITAL

Convenience Foods (Lanka) PLC's financial capital funds its growth ambitions and helps achieve strategic objectives in order to generate wealth for shareholders in a sustainable manner. The Company aims to continuously grow its financial capital.

Overview

Overcoming a challenging external environment, CFL delivered a historic financial performance with Revenue, Profit before tax and Profit after tax growing significantly to record the best-ever financial results in the Company since its inception 30 years ago. As a result of the highest-ever profit recorded in the 2020/21 financial year, the Company demonstrated its commitment to grow shareholder wealth and ensured equitable distribution among valued stakeholders in the form of substantial dividends.

Supply shortages and import restrictions which prevailed during the financial year took a toll on what could have been an even higher profitability, as a majority of the raw materials in the production process have to be imported. However, the Company was quick to mitigate the impact of these constraints to a large extent by stocking soy flour in bulk to protect against the trend of rising soya flour prices and a potential stock out situation.

Revenue

The Company recorded a Revenue of Rs. 3,207 Mn for the year ended 31st March 2021, denoting a 32% increase over the Rs. 2,431 Mn reported in the previous year. This is a commendable achievement especially as it was challenging to operate for the full 12 months due to pandemic-induced lockdowns and travel restrictions. However, modern trade and general trade channels continued to generate sales and higher demand for the Company's products due to the ability of CFL sales teams to maintain visibility at all outlets and expand its distribution channels during the year.

Interest Income

As a direct consequence of the short term economic shocks during the year, interest rates in the market declined and interest income contracted marginally. Despite the interest rate reductions, the Company managed to increase short term investments from Rs. 606 Mn in 2019/20 to Rs. 940 Mn in the year under review. Unfortunately, the unfavourable rates did not allow the Company to maximise it returns.

Gross Profits

The Company reported a healthy Gross Profit of Rs.1,133 Mn for the year under review, compared to Rs. 805 Mn in 2019/20. Consequently, the Company's Gross Profit margin grew 35% as compared to 33% in the preceding year.

Operating Profit

The Company registered Operating Profit of Rs. 576 million compared to Rs. 252 million in the previous year, reflecting an increase of 129%.

Profit After Tax

Profit after Tax for the year 2020/21 grew from to Rs. 516 Mn from Rs. 229 Mn, which denotes a 125% increase from the previous financial year.

Total Assets

The Total Assets in the period under review rose to Rs. 2,525 Mn from Rs. 1,736 Mn in the preceding year. This growth can be attributed to expansion of short term investments and growth in asset base due to the investments in spices project amounting to Rs. 460 Mn.

Funding Profile

The company's capital base is equity funded.

Dividends

On account of the historic profitability achieved in the year under review, the Company has announced a first and final dividend payment of Rs. 10/- per share compared to Rs. 5.50/- paid in the previous year. This reflects shareholder value maximisation by the Company in the year under review. Accordingly, reflecting the profitability of the company, the total dividend payout amounted to Rs. 27.5 million for financial year 2020/21 which will be distributed after the AGM.

The year-end share price of the Company as at 31st March 2021 was Rs. 1,245/- per share as compared to Rs. 337.40 in 2019/20 which reflects the immense appreciation in share value on account of the historic profitability recorded by the Company.

Future Outlook

The Company's prime goal is expanding shareholder wealth. The Company is focused on expanding financial capital by investing in profitable projects which have the potential of giving positive returns on investment and the short term investment base will be expanded for further shareholder value maximisation.

MANUFACTURED CAPITAL

The Group's businesses involve significant investments in Manufactured Capital which comprises of property, plant and equipment and right of use assets. CFL operates 02 manufacturing facilities in 02 locations. The total carrying value of the infrastructure amounted to Rs. 534,892,316 by 31st March 2021.

Details below:

Net Carrying Value (Rs.000)	2021	2020
Buildings	172,686	163,537
Plant and Machinery	29,042	18,017
Furniture and Fittings & Office Equipment	10,755	10,191
Capital work in Progress*	266,731	39,962
Right of Use Assets	40,279	13,738
Other Assets	15,400	23,147
Total Value of Depreciable Assets	534,892	268,592

** Year 2021 figure includes the investment undertaken for the new spices project which is scheduled to be rolled out in the next financial year.*

Management Approach

CFL has been a centre of innovation which is evident in its product diversification from purely 100% soya-based products into a wide range of products, reducing the reliance on soya to 75%. The Company aims to diversify further to bring about a greater balance in its product portfolio. The high quality of its products and certifications reflects the superior systems and processes used in the manufacture of our products in strict hygiene conditions. CFL values the product distribution tools, internal processes, approach to risk management, infrastructure, including automation and advanced technology to drive cost efficiency and higher productivity.

What We Do

Convenience Foods Lanka PLC is Sri Lanka's pioneer and the largest manufacturer of textured soya nuggets, cereals, kottu, soups and snacks under the brand names of Lankasoy, Tetos, Sera and Nutriline. The Company exports a range of products to the Middle East, Europe, USA, Asia and Australia.

Today the Company further diversified its product ranges by adding Sera Salt, Sera Coconut oil and Sera Coconut Milk to the portfolio.

Value-Addition in 2020/21

CFL invested Rs. 271,632,264 to enhance manufacturing facilities during the year for 2020/21 including the manufacturing facilities in work-in-progress stage.

Sustainable Manufacturing Methods

Dedicated to sustainable manufacturing, the company has innovated the following practices.

We do our business through **economically-sound processes** by minimizing negative environmental impacts while conserving energy and natural resources. (Optimizing material usage, energy and other resources, waste reduction, practicing 3R concept) eg. reduce and maintain fuel consumption by modifying machineries. This is also done by maintaining moisture levels. Wastages are minimized by setting targets (KPIs).

Skills Training

The company trains its employees annually to ensure the shopfloor workers are fully trained in machinery usage and health and safety. The company is improving structures, centralising cost management functions, unifying systems, automating, digitalising and simplifying processes and creating process lines in a manner that organisational efficiency translates into higher quality and competitive prices. Hence, efficient operational processes are just as important as innovative products and contact channels.

Our Distribution Network/Supply Chain

Coverage spans to 120,000 outlets for general trade and 1,100 modern trade outlets across the country.

Market Share

Despite the uncertain environment that prevailed, the Company took a strategic decision to forge ahead with expansion plans which included appointing new distributors, penetrating new markets, increasing the number of redistribution and expanding the sales force through recruitment. These proactive strategies helped us carve out a greater share of the market.

Future Strategy

The Company's strategic emphasis on developing Manufactured Capital will focus mainly on enhancing its manufacturing standards while infusing sustainable practices thereby reducing the carbon footprint.

HUMAN CAPITAL

Aligning to our Group purpose statement of "creating enriching moments of happiness for people by being a caring global entity with a true Sri Lankan identity", at Convenience Foods, our aim is to create a high performance, caring culture where employees thrive to perform at their best while supporting others to be their best.

Recruitment

The company prides itself on providing equal opportunity, ensuring human rights and dignity to its employees and follows a code of ethics in the recruitment process. Internal promotions are prioritized however some vacancies are filled through local communities based on the skills, knowledge and experience.

Equal Opportunity Employer

(GRI 405)

As an equal opportunity employer, CFL is committed to a far and transparent recruitment without discriminating on the basis of race, color, gender, ethnicity, religion, marital status, sexual orientation, disability or any other factors that are not job related. This is supported by our CBL Group Talent Acquisition policy which covers all subsidiaries.

Performance Management

The company has a streamlined Performance and Development Plan (PDP) process where ASMART objectives are set prior to a financial year, which are agreed upon by the employee and their Line Manager. Our PDP process not only evaluates the achievement against the set objectives, but also whether those achievements are in line with the set values and behaviors of the Company. The document is reviewed every 6 months by the employee and their line manager to evaluate the progress. The final rating affects the annual increment percentage.

Training & Development

(GRI 404-1)

CFL has a comprehensive Training and Development function where Training and Development needs are identified through the performance management process to address current and future competency requirements. Training opportunities provided to employees include Technical, Behavioral and Leadership competency development.

The employees who are serving on Permanent and Fixed Term Contract cadre of employment are governed and covered by the Training & Development Policy and Standard Operating Procedures (SOP). In addition, all employees should undergo the following training hours; Executives a minimum of 24h per year and non-executives a minimum of 8h per year.

Trainings are carried out in categories under Technical Skill building, Behavioral Skill building and Leadership Development. With the 70:20:10 mechanism in place, other than the formal learning interventions, employees are encouraged to practically imply the theories learned through the formal learning on the job. Our robust post training monitoring mechanism ensures that the Return on Investment (ROI) of the learning interventions.

Total Workforce
(GRI 401-1)

290	282
(2020/21)	(2019/20)

Investments in our people in 2020/21:

Total Remuneration & Post Employment Benefits	Rs. 466,242,823
Staff Welfare	Rs. 30,078,437
Training & Development	Rs. 1,293,714
Training Hours	488.5 hours

Key Programmes:

Programme	Objective
Middle Manager Development	Strengthening the competencies of the existing managers to take up future senior manager roles.
Senior Manager Leadership	Building and further strengthening the competencies of the existing senior managers to take up future CEO/ Director Roles.

A process for creating individual development plan is in place where HR has conversations with employees and their line manager together to identify the employees' career aspirations and areas of development.

In addition to the training, there exists a platform for the identification of critical roles and assigning suitable successors for the roles through functional talent reviews.

With regard to promoting all-round wellbeing, employees are sent for internal training programmes on mental health and on how to practice present moment awareness which was conducted by Professor Piyanjali De Zoysa - aligning it to the prevailing pandemic situation.

E-Learning Opportunities

In order to sustain training and development despite work from home mode, a webinar series was conducted by the Group with the purpose of Building Business Mangers where internal facilitators conducted sessions creating awareness on different functions in the business. Policy awareness sessions were conducted for employees where specific company and HR policies were explained via an E-platform.

Occupational Health and Safety

(GRI 403-1, 403-5)

As a sustainable company we recognize the importance of continuously investing in Occupational Health and Safety (OHS) practices and we conduct regular awareness generation activities throughout the year. Well-established OHSAS procedures ensure that workplace health and safety practices are in check and we also undertake third party audits of the Health and Safety practices.

Our employees being in good health is of utmost importance to us. CFL obtained OHSAS 18001 Certification - OHSAS 18001 OH&S management system is the requirement to identify workplace hazards that could adversely impact the health and safety of the organization's employees and/or of other people who may be affected by the organization's activities.

All injuries are recorded and statistics are monitored regularly to assess the effectiveness of the safeguards in place. Employees are trained regularly on health and safety aspects and adherence is mandatory with line managers held accountable for enforcement.

Total Lost Time Accidents (GRI 403-9)

Health and Safety at the Workplace	2020/2021	2019/2020	2018/2019
Injuries (occurring within the Organization)			
Lost Time Accidents During the year	2	8	12
Lost (Hours)	45	585	1404
Lost (Days)	5	65	156

Health and Safety statistics for 2020/2021

Total No. of injuries

02

Total No. of lost days due to injuries

45 hours (5 days)

HUMAN CAPITAL

Child Labour and Forced or Compulsory Labour

(GRI 408 -1 and GRI 409-1)

CFL has a strict policy on child labour and forced or compulsory labour. The Company conforms to the labour laws of Sri Lanka and as such, does not employ any person under the age of 18 years. This policy is also followed when it comes to contracts. There have been no incidents of child labour reported to-date.

Safeguarding Employees during COVID-19

Safety of internal and external stakeholders was a priority for the company during the reporting year. Apart from providing personal protection equipment and educating staff on social distancing and other measures to combat infection, work from home was initiated to allow staff to work remotely.

Employee Wellness

Employee wellness plays a critical role in the company's strategy with awareness programmes on 04 dimensions: Physical, Emotional, Mental and Spiritual. We encourage our employees to choose for a better lifestyle, and to support that we conduct regular medical camps such as measuring of Body Mass Index (BMI), eye site testing camps and spectacles on installment basis, playing badminton and cricket which encourage employees to monitor their progress.

Benefits

(GRI 401-2)

Employees can avail an Insurance Cover for different categories along with OPD cover, Bonus (2 Fixed, 4 Variable) and Annual Increment. Further, they are eligible for a quota of company products which is given free of charge monthly. In addition to that employees can also get the Group products at a discounted price through the employee welfare.

Rewards and Recognition

At CFL, we believe appreciating and acknowledging employee contribution in a timely manner goes a long way in boosting productivity and generating loyalty towards the organisation, while motivating employees to reach their true potential. The annual Chairman's Awards are conducted to recognizes new projects, innovations and achievements by employees at an award ceremony. Projects are called for from all SBUs under categories of Business Excellence Awards, Sustainability Awards and Spirit Awards. The projects are evaluated by a panel of judges comprising of Board Directors, Internal Audit and Corporate HR and the best projects are awarded at the ceremony. The Spirit Awards mainly recognizes individuals who have contributed and have gone out of their ways to support the business.

Number of Incidents of Child Labour

None

Number of Incidents of Forced or Compulsory Labour

None

Way Forward

Our human capital remains our greatest strength and by providing a motivational workplace atmosphere, CFL is able to attract and retain the best and brightest talent in the industry. Our valuable employees are at the heart of our operations and the company is committed to enhancing their experience and benefits by creating a truly great place to work.

INTELLECTUAL CAPITAL

Intellectual Capital represents the tacit knowledge, brand value and operating processes and how we use these facets to create a competitive edge for the business. As an organisation operating in a competitive industry, our ability to understand customer preferences and fulfill their expectations now and in the future is critical in our pursuit to be the leading food manufacturer in the country.

Management Approach

The development of our Intellectual Capital is one of the pillars of our strategy as it gives the Company a competitive edge. At the same time we are aware that our expertise and know-how comes from our employees which is why we attract industry best talent and invest in product innovation and research and development for the development of new products and solutions.

Our management team closely follows customer trends and changing tastes through surveys and then we are able to devise new formulas and recipes to cater to them. At the same time, we also benchmark our products against international brands available in the market when it comes to quality, taste and packaging so as to carve out a share of that market.

Systems, Procedures and Protocols

As part of the respected Ceylon Biscuits Limited Group, CFL has inherited operational skills and knowhow which has been developed in-house and with support from international principles. In order to build trust amongst consumers, CFL follows high quality manufacturing systems and processes underscored by ethical operations. CFL has implemented systems aimed at generating process efficiencies and optimising resource utilization.

List of Brands

A description of our brand portfolio can be found in range of products section.

Brand Building

Brand building efforts in 2020/21 proved challenging amidst the global pandemic and its fallout on the economy as disposable incomes shrank. Other challenges such as food inflation added to the challenge. However, CFL brands performed exceptionally well. Despite most products being in highly competitive sectors, the strength of the CBL corporate brand ensured customer loyalty. Our products are priced optimally to give customers value for money while still offering the highest quality. Throughout 2020/21, the Company focused on retaining top of mind brand recall and retail shelf visibility.

Brand Building Activities in 2020/21

» Lankasoy being the market leader continued to dominate the category by driving key brand values in Above the Line (ATL) communication and demand generation activities including loyalty programmes and promotions for both customers and traders. Nielsen research revealed that the Lanka Soy market share, numeric distribution, weighted distribution and share among handles have all increased.

» The SRL consumer track showed that all brand health parameters (Brand Awareness, Brand Penetration, Brand Preference, Brand Adaptation and Brand Loyalty) have increased.

» Lankasoy conducted series of activities in Towns and Small & Medium and Modern Trade (SMMT) Outlets targeting rural and urban consumers Islandwide, promoting

Compliance Certifications
SLS 898 : 2017 Product Certification
SLS ISO 9001 : 2015 Quality Management System Certification
HACCP Hazard Analysis and Certification Control Points System
GMP (SLS 143 : 1999) Practice for General Principles of Food Hygiene
ISO 22000 (SLS 22000 : 2018) Food Safety Management System (FSMS)
SLS ISO 14001 : 2015 Environmental Management System
OHSAS 18001 : 2007 Occupational Health and Safety Management

INTELLECTUAL CAPITAL

brand values and increasing brand awareness through product sampling, selling and live cooking demonstrations, while entertaining the audience. It was done adhering to all COVID-19 regulations whilst giving the Product and Brand Experience.

» Culinary applications and product experience: Lankasoy regularly takes part in many consumer engagement campaigns in order to impart proper knowledge on nutritional values of foods, cooking methods and applications.

» The Sera Range continued to build strong brand association with culinary products as a trusted, quality and convenience product solutions provider through Digital Media and Consumer Activations. The range was driven further into the market through digital market campaigns, Trade visibility drives and expansion of distribution network.

» The brand Nutriline leveraged its strong lifestyle association with its new ATL Campaign and Brand Proposition "Podi Vaddanta" to create significant awareness among the Mothers and Children.

Digital Campaigns

Social media communication played a big and critical role in 2020/21 financial year and was an important communication medium. With the change of consumer behavior due to the pandemic digital media communications were a key focus area for Lankasoy, Sera and Nutriline brand building and demand creation.

Way Forward

CFL is committed to nurturing intellectual Capital by enhancing brand value, improving systems and processes and driving digital and technology transformation which will lead to optimum resource utilisation, customer centricity and profit growth.

Industry Associations

Sri Lanka Food Processors Association

Industrial Association of Sri Lanka
(IASL)

The Employers' Federation of Ceylon
(EFC)

Lanka Confectionery Manufacturers' Association
(LCMA)

SOCIAL AND RELATIONSHIP CAPITAL

Social and Relationship Capital refers to key stakeholder relationships that the company has built up over the years. Key stakeholders of the company are customers, suppliers, business partners and the community.
By engaging with these key stakeholders, the company aims to create shared value.

Management Approach

The Company is committed to maintaining the highest degree of transparency and integrity in all its stakeholder dealings through various platforms for generating shared value and to build trust with consumers. The Company also adopts the highest product responsibility standards in packaging and communicating nutritional qualities so that consumers can make an informed choice. During the year under review, no incidents of fraud or non-compliance with laws and regulations were reported.

CUSTOMERS

Customers are at the heart of our operations. Operating in the highly competitive Fast Moving Consumer Foods (FMCG) sector, the company is dependent on garnering a wide customer base by offering a competitive advantage to consumers. Over the years, the Group has leveraged its customer insights, R&D and knowledge management to deliver customer satisfaction. By managing our social capital well, we are able to drive the Group's financial capital. The Group has enhanced its presence across various channels to better connect with existing and potential customers.

Customer Relationship - Enhancing Activities

Offering Convenient yet Nutritious Products

CFL continues to advocate health and nutrition for consumers and towards this goal the Company launched healthier, convenient breakfast options for all age groups. CFL cereals are slowly and steadily gaining share over competitors by leveraging on the growing trend to seek locally produced foods, with higher credibility. CFL has revolutionized the soya meat market as the dominant player. Soya is a nutritious and healthy choice for families with busy lifestyles. Today, Lankasoy's soya meat flavours are increasingly popular and a must-have in every kitchen along with Nutriline and Sera products.

Product Responsibility

Our products are labelled responsibly and in a transparent and comprehensible manner for customers to understand clearly. All products undergo quality & food safety standards in line with ISO certifications to ensure the products are fresh and meet customer expectations for quality of the food & food safety. The Company uses the best quality ingredients in its manufacturing process, in a semi-automated process.
The Company's operations comply OHS & environmental regulations.

Handling Customer Complaints

Customer Complaints are handled by the Quality Assurance Department under the Quality Assurance Manager, where all the complaints are recorded in the Customer Feedback/Product Complaints Register and transferred to Customer Feedback/Product Complaints report. All complaints are handled within 24 hours as our Territory Sales Officers are available throughout the country. Depending on the nature of the complaint, an Area Sales Manager visits the consumer. If the need arises, a Quality

SOCIAL AND RELATIONSHIP CAPITAL

Assurance Officer also visits the consumer. When a customer communication is classified as feedback, it is handled by Brand Managers in an appropriate way. All customer complaints are reviewed during ISO reviews and monthly management review meetings and necessary remedial action is taken.

Marketing Communications

The Company leverages the brand equity and invests further to enhance brand image and awareness by conducting effective marketing campaigns which include consumer engagement driven brand activations, press campaign and advertisements on mass and digital media.

Lankasoy being the market leader continued to dominate the category by driving key brand core values in its new communication campaign, demand generation activities, trade visibility initiatives and consumer activations.

The Sera Range continued to build a strong brand association with culinary products as a trusted, quality and convenience product solutions provider through Mass Media, Digital Media and Consumer Activations. The launch of a new brand concept "Sera Kitchen- On the move", a mobile outdoor kitchen operation focused on educating the consumers on the wide product range whilst being engaged with exciting ground level activities. Engaging consumer activations, visibility drives and product and consumer-centric digital campaigns enabled to further establish Sera as a household brand in the hearts of the consumers.

The Brand Nutriline leveraged its strong lifestyle association with its new comunication campaign and Brand Proposition "Podi Waddanta" to create significant awareness among the Mothers and Children. Social Media played a significantrole for the Brand in creating Top of Mind Recall and establishing Nutriline as Sri Lanka Made Brand that believes in creating healthy and nutritious breakfast habits in children.

Digital Customer Engagement

Sera

During the COVID-19 period, mobility restrictions made pre-planned seminars, cookery demonstrations and exhibitions difficult. Therefore, 'Sera' took a step ahead to educate target consumers through digital platforms. Customers were provided convenient and economical ways of preparing meals hygienically with the support of their family members during the stay-home period. Tips for reducing food wastage were shared through the concept of 'At Home With Sera' and a large crowd of homemakers were educated through cookery videos, recipes, tips and cookery posts.

Tetos

Tetos launched its digital page last year to engage with the consumers and create awareness about the brand. Tetos hosted its annual movie screening project in March, Godzilla Vs. King Kong which was well-attended.

The Tetos brand is inherently a more innovative product competing with foreign entrants into the market and recorded its ever highest sales this financial year with a value growth of 95%.

SUPPLIERS

As a food manufacturer, CFL values its supplier relationships since it procures raw materials from a wide variety of suppliers, including growers, large/ small scale producers and small scale manufacturer as well as wholesalers. A vast majority of our suppliers within our supply chain operate through 3, 6 or 12 month contracts depending on the nature of the product they supply. In the current year we took steps to further streamline the selection process.

A new supplier has to undergo a series of requirements which are described under ISO standards before being allowed to supply products with commercial value:

- Supplier specifications are analyzed by CFL QA team to establish suitability.
- Samples are requested for lab trials.
- Subject to samples complying with the requirements, a batch trial is done to ensure requested parameters match.
- Upon receipt of a larger sample quantity and subject to approval, a supplier qualifies for registration.
- Audits are conducted at supplier's premises.
- Priority is given to those who possess management systems like GMP, QMS, FSMS and EMS.

Quality of the Raw & Packing Materials

Product quality is given more weight over other categories when supplier selection is made. A new supplier has to go through a stringent quality assurance procedure in order to be listed as an approved supplier.

Once a supplier of a key material is selected, following a complete background check on their financial status / stability, credibility, market reputation, capacity levels and the quality certifications awarded, a comprehensive audit is carried out at their factory premises to establish if they maintain desired quality standards. Periodic audits are carried out according to a planned schedule to ensure that the supplier is adhering to contractual obligations.

As for quality evaluation, each & every delivery is inspected and tested before releasing to the processing area. Depending on the level of compliance products are accepted, rejected or concessionally accepted. Marks are then allocated in the system for final evaluation. Similarly, deliveries are monitored by the Warehouse. Procurement department monitors the supplier's financial position and credibility.

If the average is above 80 marks, the supplier qualifies as an approved supplier. If the average is between 50-80, the supplier is notified to improve in the identified weaker areas. Suppliers falling below 50 marks will be warned and requested to improve during a specified time period. Failure to do so will lead to black listing of such suppliers.

Measurement & Evaluation

Suppliers are assessed annually based on a predefined criterion in line with the business needs. Quality, on-time delivery, financial stability and credibility are currently assessed to evaluate supplier performance. Marks are allocated for each criterion depending on the impact to business.

Creating value for suppliers

- Assist suppliers to improve by conducting regular audits.
- Share knowledge both technical and administrative, and providing information on industrial standards and benchmark statistics.
- Senior management meets suppliers regularly and communicates to them the importance of maintaining stringent quality standards.
- Motivate suppliers to perform better by constantly reminding them that quality could result in having a sustainable income and could also secure long term contracts with the entire CBL Group.

BUSINESS PARTNERS

In the process of its operations, the Company engages with business partners who play a critical role in our supply chain. CFL is committed to build mutually beneficial relationships with its business partners.

COMMUNITY

The Company adopts a strategic approach towards sustainability and strives to embed the principles of sustainability to its strategic agenda and daily operations. Group Sustainability projects are conducted under 4 main pillars:

- Building better nutrition practices
- Empowering communities
- Greening our business
- Strengthening the agriculture sector

The Company's sustainability objectives, governance structures and reporting mechanisms are set out thus ensuring that the sustainability agenda is fulfilled. The Corporate Sustainability Committee is responsible for the implementation of the sustainability policy and reports to the Board of Directors on all related projects. The Committee is assisted by sustainability coordinator and departmental representatives, thereby ensuring that the Company's sustainability philosophy is propagated among all employees in the organization.

CSR

CFL's Corporate Social Responsibility (CSR) strategy is mainly focused on uplifting the future generation by imparting knowledge and conducting social development programs. CSR activities are organized by the CSR committee and sales and marketing teams with the help of employees and the management. Committee members represent all levels from the Managing Director to the factory employee. As part of our wider commitment to CSR, CFL reaches out to the community through corporate philanthropy as well. A separate budget is allocated for CSR activities.

Key CSR highlights for 2020/21

- Shishyathwa Program: This programme is conducted for underprivileged students in rural areas, to support them to face scholarship examinations. CFL contributes towards and sponsors this programme.
- Cookery demonstrations: Conducted to educate students and mothers to improve diets while enhancing brand awareness of CFL products.
- Pre-school Library Project: This project was started to develop preschool libraries by providing books. Funds received from recycling efforts are used for purchasing books for pre-school libraries. The project helped them to start a new library to inculcate the reading habit. This project was run by the Sales Team. In 2020/2021, the sales team completed two such projects at Pokunuwita Little Flowers and Papiliyana Sunethra Devi Pre-school to coincide with World Children's Day.
- Upskilling students of Ceylon School for the deaf and blind: The school is attempting to bridge the special skill

SOCIAL AND RELATIONSHIP CAPITAL

gap for impaired children through provision of suitable training via establishment of a Vocational Training Centre for Industrial Training in Graphic Designing after completion of their studies, with the Collaboration of Vocational training center, Rajagiriya. CFL sponsored selected students for a graphic designing course at the Vocational Training Authority (VTA) Narahenpita. As a result, the students (1st Batch) managed to complete the course successfully and the Employers' Federation of Ceylon was able to place them at prominent companies and institutions in the country for paid six-month internships. Currently, all students secured jobs and are working in reputed companies. The 2nd batch has also completed classroom sessions. CFL aims to benefit 30 students through this training by 2025.

- Home Agriculture Project: The CFL sales team has initiated a project to promote home gardening among its members. Through this project, employees were encouraged to grow vegetables and other useful plants in their gardens to promote healthier habits and enhance food security, while shifting the nation towards a more resource-efficient economy.

Way Forward

At CFL we believe we need a social license to operate and this must be earned through cooperation with the local community while also sharing our prosperity. We believe in having a positive impact on the communities in the vicinity of our manufacturing operations.

NATURAL CAPITAL

The company is dependent on natural resources such as energy and water which are key inputs in our manufacturing process. Therefore, the company monitors these inputs to ensure it's usage remains within optimal environmental standards while also improving ways to reduce usage by recycling and using renewable sources through reduce, recycle and reuse philosophy across the organization.

Management Approach

Convenience Foods (Lanka) PLC, the pioneer in manufacturing of Textured Soya Protein (TSP) in Sri Lanka, constantly focuses on sustaining and satisfying the triple bottom line, namely, planet, people and profit, also known as environment, social and economic aspects. The 3R concept (Reduce, Reuse, and Recycle) including avoid, recover and dispose is practiced in order to support the environment for its sustainability. We also follow sustainable consumption and production practices to comply with ISO Standards and SLS Standards. We have been recognized as a company which believes in long term sustainability and have been recognized for taking productivity initiatives. Focus is accustomed to optimizing the use and effectiveness of all resources throughout the organization. As a good corporate citizen we have a comprehensive corporate governance policy that sustains commitment to environment and CSR initiatives. The ISO 14001:2015 certification demonstrates the company's commitment towards environmental management.

Environmental Policy

As part of its Environmental Policy, CFL is committed to protecting the environment and minimizing any impact of our operation on the environment by adopting sound environmental practices in all our activities, products and services. To meet our environmental objectives, CFL will:

» Communicate the policy to all persons working for or on behalf of the company.

» Sponsor programs and provide training.

» Manage operations in a cost effective manner and reduce potentially adverse environmental effects.

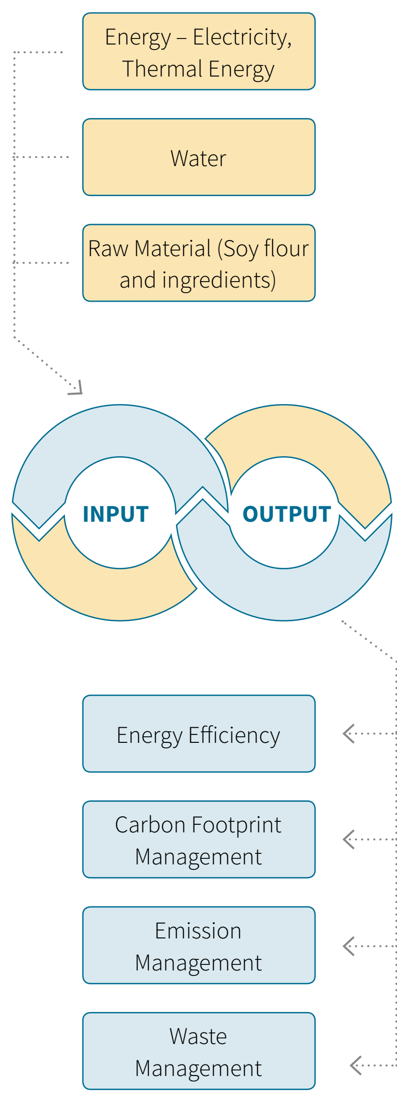
» Meet or exceed all environmental laws and regulations and other environmental requirements and concerns of all interested parties.

» Set objectives and targets for pollution prevention and continual improvement and review the goals periodically for progress and effectiveness.

» Conserve the use of materials, supplies and energy where practicable recycle items and/or use recycled items.

» Maintain a reporting system that advises senior executives immediately of any serious incident detrimental to the environment.

» Promote informational exchange and the adoption of similar environmental protection policies by suppliers, vendors and contractors.



All processes are performed profitably, productively, qualitatively and competitively to align with UN Sustainable Development Goals.

NATURAL CAPITAL

Ongoing Environmentally-friendly Initiaves

Minimizing Dust	» A dust collection system was introduced to minimize dust within the premises.
Reducing Energy Consumption	» Increase energy efficiency in order to lower usage and conduct proper monitoring. » A range of eco-friendly initiatives have been taken to reduce energy consumption (see below). » Boiler efficiency monitored annually and necessary corrective actions are taken (Flue gas analysis).
Noise Pollution	» Noise; Noise levels are measured annually and noise reducing improvements are done (PPE are provided for necessary areas).
Reducing Carbon Footprint	» Co_2 levels are monitored. » Reducing emissions, effluent and waste.
Water Consumption	» Reducing water consumption and to recycle whenever possible.
Waste Management	» Reducing material consumption and recycle and reuse of materials. We effectively implemented Resource Efficient and Cleaner Production (RECP) practices.

Environment friendly practices and adoptions contribute towards tangible and intangible benefits to the company. Through above practices, production cost was reduced drastically and revenue was increased resulting in environmentally-friendly high quality products.

Energy Consumption

Energy and Emissions	2020/2021	2019/2020	2018/2019
GRI 302-1			
Energy Consumption within the Organization			
Electricity - KWH	1,712,375	1,568,377	1,522,220
Furnace Oil - Liters	184,425	204,235	202,184
Diesel - Liters	37,625	13,051	15,718
LPG - Kg	18,713	12,750	13,575
GRI 305-1, GRI 305-2			
Direct (Scope 1-2) GHG Emissions			
Total Co_2 emission Co_2e/kg production	0.26	0.26	0.27

Since production in FY2020 - 2021 was higher than the previous two years, energy and fuel consumption rose. In addition, construction of internal product expansion projects were carried out during the year, which further increased consumption of resources. However, Total Co_2 emission Co_2e/kg production was maintained.

The Company's key energy sources are electricity sourced from the national grid and fuel used for the boiler. As a manufacturing operation, CFL keeps a close watch on all aspects of the manufacturing process to reduce energy consumption.

The technical staff initiated some eco-friendly initiatives such as monitoring boiler efficiency annually and taking necessary corrective actions. By ensuring frequent burner service, including nozzle cleaning and replacing diffusor plate periodically, air blower service has improved efficiency and moisture levels optimized.

The change-over of products in the main extruder is done during peak hours for energy savings.

A host of other measures have been undertaken by in-house technical staff to reduce consumption of resources by modifying machinery in the production process. CFL staff is regularly educated on adopting an environmentally-friendly approach to the workplace by being mindful of air condition, energy and water consumption at all times.

Water Usage

The Company recognizes that water is an increasingly scarce and critical global resource. Water is a key ingredient in our manufacturing process and as a responsible entity and towards meeting our sustainability goals, the company monitors water withdrawal and usage and reuses where possible. Therefore, water consumption is tracked and monitored by installing separate water meters.

Water and Effluent	2020/2021	2019/2020	2018/2019
GRI 303-3			
Water Withdrawal - No. of units m^3	14,192	9,902	9,587
100% City Water			

Meanwhile, Waste Water discharge is done through the Municipal Council's waste recycling project.

CFL conducts regular awareness training for workers on how to reduce water wastage, which has contributed towards greater employee commitment towards conservation.

CFL has secured the ISO 14001 system which sets out the criteria for an environmental management system and maps out a framework for an effective environmental management system. Our compliance with this certification provides assurance to all our stakeholders that the company's environmental impact is being measured and improved.

Waste Management

CFL has established KPIs including reduction of waste to reduce the consumption of energy water and electricity and for reviewing and monitoring define frequencies. All KPIs are clearly defined based on the environmental policy and objectives are reviewed at the Management Review Meeting. Employees are encouraged to adopt all measures to ensure a waste-free environment.

The company has entered into an arrangement with a third-party recycler, Neptune, to recycle waste paper generated in the office. All polythene waste is segregated and sent for recycling and reuse purposes, eventually being recycled into paving blocks and pot manufacturing. Used polythene, cardboards, paper cones are also sent for recycling and reuse purposes. All biodegradable food waste (Process waste) is collected and sold to a contractor for process of animal feed. Daily Food waste is sent to Karadiyana compost project through Municipality.

Greening Our Business

Trees for Life

The Trees for Life project is carried out at sales retailers point all over the country by sales team. Between March 2019 to March 2021, 5600 trees have been planted under the "Save for Environment" theme, under this project, which are being nurtured as a means to green areas and improve the quality of air. The most importantly the sales team take care of all trees they have already planted.

PET Bottles Recycling

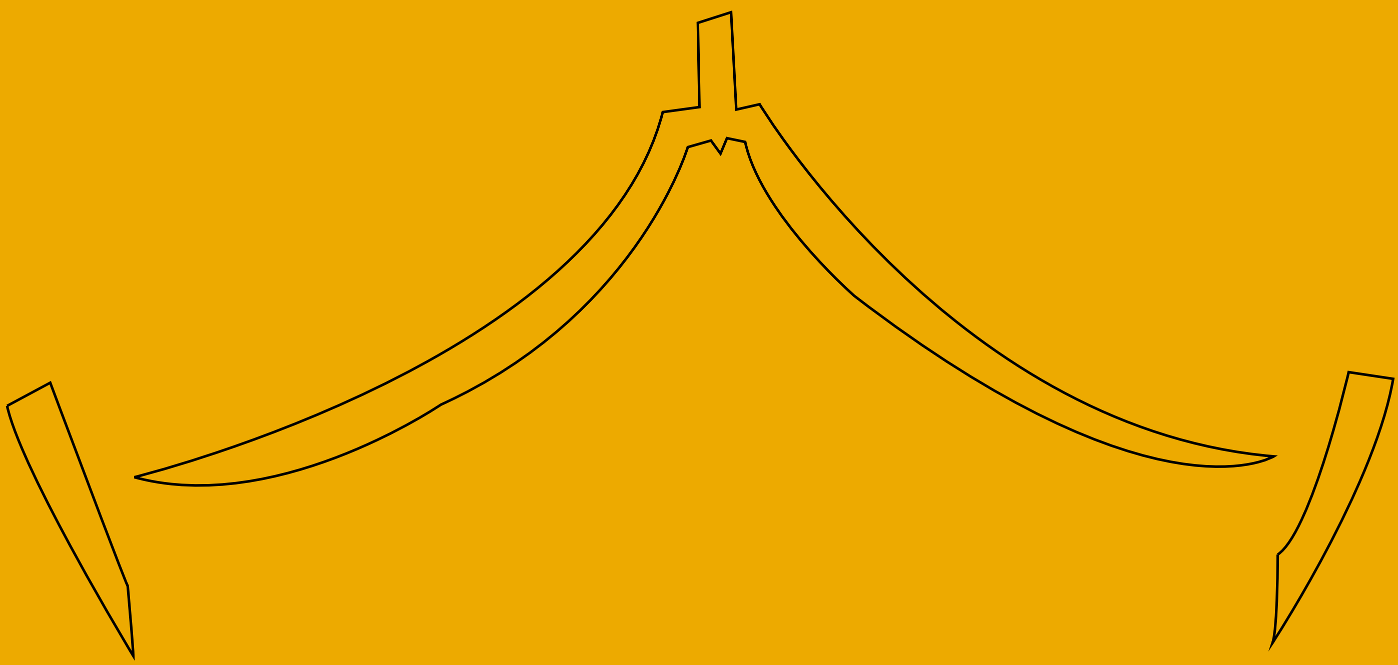
A project to place PET bottle collection bins at SPAR supermarket outlets was carried out by the CBL food cluster sales and marketing teams in collaboration with Eco Spindles and SPAR Sri Lanka. These collection bins provide consumers to dispose PET waste systematically in a convenient way. This PET waste will be recycled into yarn and threads for apparel manufacture by Eco Spindle. A communication campaign was also carried out to create consumer awareness on this project. From October 2020 to March 2021, 316 Kg of PET was recycled under this project, which saves 1.8 square meters' landfill space and 100 liters of oil.

Way Forward

The Natural Capital is nurtured by the company through educating staff and conducting competency training so that they are aware of the actions that need to be taken to reduce the company's carbon footprint. Our long-term objective is to achieve carbon neutrality across all our operations. CFL aims to manage business whereby growth, commercial objectives and the protection of the environment are appropriately balanced to optimize benefits for present and future generations.

GOOD GOVERNANCE

03



A RESPONSIBLE **ENTITY**

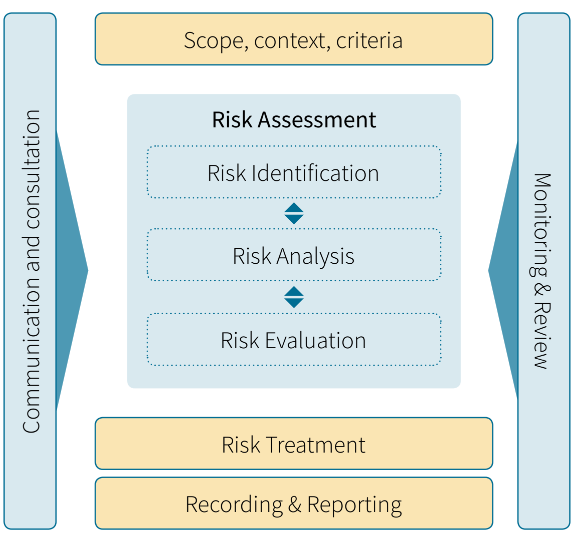
Our reputation and success has only strengthened our resolve to maintain responsible manufacturing standards while providing exceptional products.

RISK MANAGEMENT

CFL has a robust risk management framework through which it ensures a culture of proactive identification and mitigation of key risks relevant to its business operations. The Financial Year 2020/2021 had been a very challenging year due to the outbreak of COVID-19 pandemic. The company took various measures in response to the pandemic including strict adherence to the safety guidelines issued by the health authorities. CFL exposes it to numerous challenges stemming from the internal and external environments that necessitates consistent evaluation and management of significant risks. In meeting the expectations of our stakeholders, identification of key risks, implementation of appropriate control measures and implementing procedures to manage them within a permissible levels of tolerance have become extremely important.

The risk management framework has been designed on the principles of ISO 31000 Risk Management Framework which provides a standardized, holistic and integrated approach to manage risk. This also involves imbedding risk in the culture of the organization, establishing clear roles and responsibilities in managing risks. Key risk faced at the company level are identified, analyzed, evaluated and mapped to a risk register, based on the impact and the likelihood. Accordingly, risk response plans are developed and timely monitoring and reporting mechanism is established.

Risk Management Process



The risk management process involves the systematic application of policies, procedures and practices which will assist to manage the risk. The Risk Management process consists with six main components and are briefly described as below;

Scope, context and criteria - the scope, context, criteria involve defining the scope of the process and understanding the external and internal context and specify the amount and type of risk that it may or may not take relative to its objectives.

Risk assessment - risk assessment is the overall process of risk identification, risk analysis and risk evaluation.

» ***Risk identification -*** risk identification is to find, recognize & describe risk

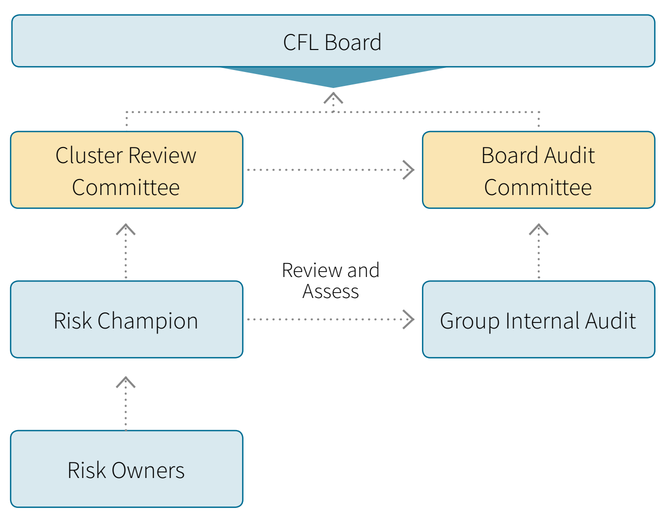
» ***Risk analysis -*** detailed consideration of uncertainties, risk sources, consequences, likelihoods, events, scenarios, controls and their effectiveness.

» ***Risk evaluation -*** involves comparing the results of the risk analysis with the established risk criteria to determine where additional action is required.

Risk treatment - the purpose of risk treatment is to select and implement options for addressing risk and risk treatment can also introduce new risks that need to be managed.

Monitoring and review - a monitoring and review is to assure and improve the quality and effectiveness of process design, implementation and outcomes.

Risk Management Reporting Structure at CFL



The primary responsibility of identifying key risks lies with the Departmental Heads who are identified as the risk owners. They will identify and report the key risk in their business process to the Risk Champions.

Risk champions evaluate and assess all key risks and record in a Key risk register with risk treatments and response plans. Key risk identified by the Risk Champions are reviewed at Cluster review committee level and by the Board Audit Committee of CFL.

The Responsibility for managing risk rests with everybody in the organization including the Board of Directors who set policies and procedures to manage the risks. The board is assisted by the audit committee in this regard who have oversight responsibility for the same.

Board audit committee review significant risks and their mitigation plans. Group internal audit department review and assess the material risks and the mitigation plans on a continuous basis and report independently to the Board Audit Committee.

Principal Risks and Mitigation Plans

No	Risk Exposure	Description	Risk Mitigation
1	Quality Risk	Potential Quality issues in products.	» Adequate quality control checks across the group to assure quality throughout our process. » Continuous quality management and assurance programmes. » Third party, independent quality checks and certifications.
2	Reputational Risk	Potential losses due to damages caused to our credibility as trusted brand in Sri Lanka	» Maintenance of highest ethical standards at all times in all business activities. » Prompt follow up actions on complaints and suggestions.
3	Regulatory & Compliance Risk	Losses and fines arising due to violations of or non-conformance with laws and regulation. This includes internal policies and procedures as well.	» Group regulatory affairs division supports individual companies in compliance with existing and new laws and regulations. » Legal advisers are sorted from legal experts. » Finance and Non-finance compliance requirements are monitored on regular basis.
4	Market Risk	Economic condition and government policies, aggressive competition, new entrants, changes to customer attitudes in the market causing loss of market share or market leadership in the relevant segments.	» Continuous focus on innovation. » Regular monitoring of customer/consumer trends. » Enhancing productivity/efficiency to improve price competitiveness. » Monitor market data and strengthen the market.
5	Supply Chain Risk	Disruptions to the production process by not having right material/service on right time with right quality.	» Test product quality control of supplies for effectiveness. » Review key suppliers periodically to ensure they meet rigorous quality standards. » Consistent engagement with diverse suppliers to maintain strong relationships.
6	Human Resource Risk	Potential disruption to work as a result of failure to attract, develop and retain skilled workforce and loss of key executives.	» Talent Management and Succession planning applied at the company.
7	System Risk	Potential of system failures, inaccuracy or delays in decision making due to inaccurate or non-availability of timely information from key computer systems.	» Business continuity and disaster recovery plans are identified and tested on regular basis. » Regular system audits conducted to cover key risks.

RISK MANAGEMENT

No	Risk Exposure	Description	Risk Mitigation
8	Exchange rate Risk	Potential losses due to adverse fluctuation of exchange rates.	» Managing exchange rates through appropriate financial risk management techniques such as hedging. » Consistent monitoring of forex rates and outlook by the Finance department.
9	Operational Risk	Potential losses due to inadequate internal controls, failures of internal processes, people and systems as a result of natural and human activities	» Business continuity plans to ensure the smooth operation of the business even at the time of disaster. » Internal audits on internal controls and compliance.
10	Product Risk	Probability of new product failing or demand declining for existing products.	» Focus on product/service innovation. » Develop strategies to get closer to customers and be responsive to their needs.
11	Liquidity Risk	Adverse impact on the liquidity position as a result of payment delays by debtors, long stock holding period and early payment for creditors	» Continuous reviewing of business models and working capital management. » Strong relationships with banks and unutilized funding lines. » Consisting monitoring of assets and liabilities maturity mismatches.
12	Interest rate Risk	Fluctuations in market interest rates having an impact on the profitability and capital.	» Interest rate trends and outlook are monitored on a consistent basis. » Interest rate sensitivity analysis is done regularly to measure the potential impacts of rate variations. » Consistent negotiations with banks to obtain attractive interest rates.
13	Health & Safety Risk	The likelihood that an individual may be harmed or suffers adverse health effects if exposed to a hazard.	» Health & Safety reviews are conducted in locations where internal parties and external consultants consider crucial.
14	Credit Risk	Potential losses arising due to default by our debtors.	» Efficient debt follow up and collection practices. » Adherence to business specific credit policies.
15	Social Risk	Labour and human rights violations, environmental degradation, corruption or the implications of undue social and economics stratifications or marginalization's at CFL causing serious harm to local people involved, and making business unsustainable in the long run.	» Implementation of CSR projects across at CFL.

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 organization, 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 (CSE) [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 organizational hierarchy and such processes are formalized through the development and constant refinement of processes and procedures designed to ensure the highest standards of compliance throughout the organization. For a diagram of the organizational chart refer page 10 (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 organization.

The Board is responsible for the supervision and management of the Company's business and affairs, which includes ensuring that the policies and practices of the organization are in full compliance with the established corporate governance framework of the Company 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 organization 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 2020/21, with one (01) Executive Director, four (04) Non-Executive Directors and three (03) Non-Executive Independent Directors who fulfill the mandate of the Listing Rules of the CSE which requires a minimum of two or one third of Non-Executive Directors 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 detailed profile of each member of the Board is provided on pages 18 and 19 of this Annual Report.

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

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

CORPORATE GOVERNANCE

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 at least once every quarter or more frequently in the event circumstances require. The attendance of the Board of Directors to the Board meetings are displayed below.

Director's Name	28/05/2020	31/07/2020	15/09/2020	29/10/2020	29/01/2021
Mr. R. S. A. Wickramasingha	✓	✓	✗	✓	✓
Ms. D. S. Wickramasingha	✓	✓	✓	✓	✓
Mr. E. T. De Zoysa	✓	✓	✓	✓	✓
Mr. Udara Thilakawardana	✓	✓	✓	✓	✓
Dr. D. M. A. Kulasooriya	✓	✓	✓	✓	✓
Mr. M. S. Nanayakkara	✓	✓	✓	✓	✓
Mr. L. J. M. De Silva	✓	✓	✓	✓	✓
Ms. N. K .Wickramasingha	✓	✓	✓	✓	✓

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.

Directors' Remuneration

Directors' remuneration, in respect of the Company for the financial year 2020/2021 is Rs. 27,782,520 consisting of Executive Directors' and Non-Executive Directors' Remuneration.

Balance of Authority & Management Structure

It is the policy of the Board to ensure that the role of Chief Executive Officer, 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 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 sectional heads.

Board Sub Committees

The Board has delegated some of its functions to its Sub-Committees which are responsible for monitoring, reviewing and enhancing the accountability of 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, an Audit Committee and a Related Party Transactions Review Committee function as Sub Committees of the Board.

Remuneration Committee

The 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 organization 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 Chairman of the Committee.

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

» Mr. N. K. Wickramasingha (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)

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 recognized Accounting Body. The Audit Committee consists of all Independent Non-Executive Directors. The Managing Director, Assistant General Manager - Finance, 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 organization'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 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 Assistant General Manager - Finance, 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 M/s Ernst & Young, Chartered Accountants, while opinions were sought from the Employers Federation to ensure the organization maintained healthy employee relations.

Financial Acumen

Adequate financial guidance is provided to the Board by Mr. M.S. Nanayakkara and the Assistant General Manager - Finance, 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 shareholders is encouraged at the Annual General Meeting, of which notice is given in the Annual Report. The Notice contains the agenda for the AGM and the prescribed period of notice set out in terms of the Articles of Association of the Company has 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 Message 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 CSE) at quarterly intervals, the shareholders are able to obtain a clear indication of the Company's performance

CORPORATE GOVERNANCE

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 falls 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 others; are continuously monitored by M/s. Ernst & Young.

Results from regular internal audits and system reviews are discussed with the Managing Director and Assistant General Manager - Finance 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 budgets, capital expenditure and other investment requirements, periodic cash flow forecasts and the organization'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

7th July 2021

Appendix 1 - Statement of Compliance under Section 7.10 of the Listing Rules of the CSE on Corporate Governance

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 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 had 7 Non-Executive Directors and 1 Executive Director on its Board as at 31 March 2021.
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 7 Non-Executive Directors and 1 Executive Director at the conclusion of the AGM for the financial year 2019/20.
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 or 1/3 of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'Independent'.	Complied	3 of 7 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	3 Non-Executive Directors are determined to be independent by the Board of Directors. They are as follows; » Mr. M. S. Nanayakkara » Dr. D. M. A. Kulasooriya » Mr. Udara Thilakawardana
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 Corporate Governance Report on page 47.
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 on pages 18 and 19 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 itemized in paragraphs (a), (b) and (c) above.	Complied	N/A

CORPORATE GOVERNANCE

Corporate Governance Rule	Compliance Status	Details
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 on its Board); or	Complied	2 out of 3 members of the Remuneration Committee are independent Non-Executive Directors
(ii) of Non-Executive Directors a majority of whom shall be Independent, whichever shall be higher.		
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.
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 the 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 60 for the members of the Company's Remuneration Committee and statement for the remuneration policy. Refer Corporate Governance Report on page 48.
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	Complied	The Audit Committee comprise of 3 Independent Non-Executive Directors as follows;
(ii) of Non-Executive Directors a majority of whom shall be Independent, whichever shall be higher.		» Mr. M. S. Nanayakkara (Chairman) » Dr. D. M. A. Kulasooriya (Member) » Mr. Udara Thilakawardana (Member)

Corporate Governance Rule		Compliance Status	Details
	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
	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 meetings throughout the year.
	The Chairman or one member of the Committee should be a member of a recognized 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	Complied	Refer Audit Committee Report on pages 58 and 59.
	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.		
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 58 and page 59 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 pages 58 and 59.
	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 pages 58 and 59.

CORPORATE GOVERNANCE

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 55.
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed.	Complied	Refer pages 67 to 100.
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company.	Complied	Refer pages 64 to 66.
168 (1) (d)	Accounting policies and any changes therein.	Complied	Refer pages 71 to 79.
168 (1) (e)	Particulars of the entries made in the interest register during the accounting period.	Complied	Refer page 55.
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period.	Complied	Refer page 48.
168 (1) (g)	Corporate donations made by the Company during the accounting period.	Complied	Refer page 57.
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period.	Complied	Refer page 55.
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 56.
168 (1) (j)	Auditor's relationship or any interest with the Company and its Subsidiaries.	Complied	Refer page 56.
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board.	Complied	Refer page 57.

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 Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary for the year ended 31st March 2021.

General

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

Principal 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.

The subsidiary company did not carryout any operations during the year.

Review of Business

The Chairman's Review on pages 12 to 14 provide an overall assessment of business performance of the Company during the year with comments on financial results, future strategies and prospects.

These Reports together with the Financial Statements, reflect the state of affairs of the Company and its subsidiary company.

Financial Statements

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

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

Auditors Report

The Report of the Auditors on the Financial Statements of the Company and the Group is given on pages 64 to 66.

Accounting Policies

The accounting policies adopted by the Company in the preparation of the Financial Statements are given on pages 71 to 79, which are consistent with those of the previous period.

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.

Information on the Directors of the Company and the Group

Directors of the Company as at 31st March 2021

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 18 and 19.

Executive Directors

Mr. E. T. De Zoysa - Managing Director

Non-Executive Directors

Mr. R. S. A. Wickramasingha - Chairman

Ms. D. S. Wickramasingha - Director

Ms. N. K. Wickramasingha - Director

Mr. L. J. M. De Silva - Director

Mr. M. U. S. G. Thilakawardana - Director*

Dr. D. M. A. Kulasooriya - Director*

Mr. M. S. Nanayakkara - Director*

**Independent Non-Executive Directors*

Directors of the subsidiary Company as at 31st March 2021

Soy Products (Private) Limited

Mr. R. S. A. Wickramasingha

Mr. E. T. De Zoysa

Retirement and re-appointment of Directors

Mr. R. S. A. Wickramasingha who is 74 years of age vacates office at the conclusion of the Annual General Meeting in terms of Section 210(2) (b) of the Companies Act, No.7 of 2007 and is recommended by the Board for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.

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

Interest Register

The Company maintains an Interest Register in terms of the Companies Act, No.07 of 2007.

The relevant interests of Directors in the shares of the Company as at 31st March 2021 as recorded in the interests register are given in this report under Directors' Shareholding.

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

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 interests register in due compliance with the applicable rules and regulations of the relevant regulatory authorities.

Transactions of related parties (as defined in LKAS 24 - Related Parties Disclosure) with the Company are set out in Note 32 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 31st March 2021.

Directors' Remuneration

The Directors' remuneration is disclosed on page 48 under the corporate governance report.

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2021 and 31st March 2020 are as follows:

	As at 31/03/2021	As at 31/03/2020
Mr. R. S. A. Wickramasingha	Nil	Nil
Ms. D. S. Wickramasingha	Nil	Nil
Mr. E. T. De Zoysa	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. L. J. M. De Silva	Nil	Nil

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

Auditors

M/s KPMG, Chartered Accountants were appointed as the Independent Auditors of the Company with effect from 2nd March 2021 to fill the casual vacancy created in the office of the Auditors, consequent to the resignation of M/s SJMS Associates, Chartered Accountants.

The fee payable to the Auditors for the year under review is Rs.700,000/-.

M/s Ernst & Young provided tax compliance services during the year under review and the fee payable therefore amounts to Rs. 389,668/.

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

Independence of Auditors

Based on the declaration provided by M/s KPMG, Chartered Accountants and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company and the Group, which in the opinion of the Board, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the reporting date.

Stated Capital

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

Major Shareholders, Distribution Schedule and Other Information

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 page 101 and 102 under Shareholder Information.

Reserves

The movements of reserves during the year are given under the Statement of Changes in Equity on page 69.

Capital Expenditure

The total capital expenditure during the year was Rs. 271,632,264/- Details of movements in property, plant and equipment are given in Note 12 to the Financial Statements on page 83.

Land Holdings

The Company does not own any freehold land.

Investments

Details of the Company's investments as at 31st March 2021 are given in Notes 19 to the Financial Statements on page 86.

Material Foreseeable Risk Factors

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee.

There were no material issues pertaining to employees and industrial relations of the Company during the year.

Statutory Payments

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

Contingent Liabilities

The Contingent Liabilities as at 31st March 2021 are given in Note 29 to the Financial Statements on page 91.

Financial Ratios

The Earnings Per Share and other financial ratios are given under the Performance Summary on page 103.

Dividend

The payment of a first and final dividend of Rs. 10.00 per share as recommended by the Board of Directors will be proposed at the Annual General Meeting.

Donations

The total amount of donations made during the year under review amounted to Rs.153,528/- .

Events Occurring after the Reporting Date

Details of the events occurring after the reporting date is given in Note 30 to the Financial Statements on page 91.

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.

Annual General Meeting

The Annual General Meeting which will be a virtual Annual General Meeting held by way of electronic means on 13th September 2021 at Ceylon Biscuits Limited at High Level Road, Makumbura, Pannipitiya.

The Notice of the Annual General Meeting appears on page 110.

Acknowledgement

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

Signed for and on behalf of the Board of Directors by

Chairman
R. S. A. Wickramasingha

Managing Director
E. T. De Zoysa

P W Corporate Secretarial (Pvt) Ltd
Secretaries

7th July 2021
Colombo

AUDIT COMMITTEE REPORT

The Roles and Responsibilities

The Audit Committee plays an important role in providing oversight of the Convenience Foods (Lanka) PLC's (CFL) governance, risk management and internal control processes. This oversight mechanism also serves to provide confidence in the integrity of these processes. The Audit Committee performs its role by providing independent oversight to the Board of Directors.

The Audit Committee ("the Committee") will assist the Board of Directors in fulfilling its oversight responsibilities. To fulfill its responsibilities, the Committee shall carry out the following;

1. Financial reporting

» Overseeing the preparation, presentation and adequacy of disclosures in the financial statements of the entity, in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS).

» Review the annual financial statements and interim financial statements and consider whether they are complete and consistent with information known to the Committee members and reflect appropriate accounting standards and policies.

2. Internal audit

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

3. External Audit

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

4. Internal control, Compliance and Risk Management

» Consider the effectiveness of the organization's control framework.

» Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of the management's investigations and follow up of any instances of non-compliances.

» Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in area of significant risks.

» Monitor management's performance in establishing and maintaining an effective Enterprise-wide risk management process.

Terms of Reference

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

Audit Committee Composition and Meetings

The Audit Committee comprises of three (03) Non-Executive Directors all of whom are independent. The members of the Audit Committee appointed by, and responsible to, the Board of Directors comprised the following members as at the end of the year as at 31st March 2021 were as follows,

» Mr. M .S. Nanayakkara (Chairman)

» Dr. D. M. A. Kulasooriya (Member)

» Mr. U. Thilakawardana (Member).

Members	26-May-20	27-Jul-20	27-Oct-20	26-Jan-21	01-Mar-21
Mr. M. S. Nanayakkara	✓	✓	✓	✓	✓
Mr. U. Thilakawardana	✓	✓	✓	✓	✓
Dr. D. M. A. Kulasooriya	✗	✓	✓	✓	✓

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

During the financial year ended 31st March 2021, the Audit Committee held five (05) 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 KPMG Sri Lanka, (Chartered Accountants) to ascertain the nature, scope and approach of the External Audit function and to review the Financial Statements and the management reports.

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 M/s Ernst & Young, Chartered Accountants. The Internal audit function provides risk based and objective assurance, advice, insight to protect and enhance organization's system of internal controls.

Key Activities of the Audit Committee During the Financial Year

» Ensured that a sound Financial Reporting System is in place and is well managed, in order to give accurate, appropriate and timely information to Management, Regulatory Authorities and Shareholders.

» Reviewed and discussed with Management the un-audited quarterly financial statements and the annual audited Financial Statements prior to the recommendation of same to the Board including the quality, transparency, integrity, accuracy and compliance with accounting standards, laws and regulations.

» Reviewed the implementation of the annual internal audit plan and the audit findings on the system of internal controls including IS/ IT controls and the adequacy and effectiveness on implementation of management action plans thereon.

» Reviewed the results of the external audit report and management responses to the issues highlighted, in order to be satisfied that appropriate action being taken on a timely basis.

» Reviewed the procedures in place for the identification, evaluation and monitoring of Risk faced by the company at enterprise level.
» 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 appointment of the External Auditor, M/s KPMG Sri Lanka (Chartered Accountants) including their remuneration and terms of engagement by assessing qualifications, expertise, resources and independence, after M/s SJMS Associates (Chartered Accountants) resigned as the statutory auditors during the financial year.

M. S. Nanayakkara
Chairman – Audit Committee

7th July 2021

REMUNERATION COMMITTEE REPORT

The Role and Responsibilities

The Remuneration Committee ("the Committee") is tasked with establishing and maintaining the remuneration policies of the Company as a whole. The policies have been designed in such a manner to reward, motivate and retain Company's Executive team while maximizing the overall profitability of the organization in the long term. The Committee has acted within the parameters set out by 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 31st March 2021 were as follows,

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

Members	08-Sep-20
Ms. N. K. Wickramasinghe	✓
Mr. U. Thilakawardana	✓
Dr. D. M. A. Kulasooriya	✓

During the financial year ended 31st March 2021, the Remuneration Committee held one (01) meeting. The members of the management attend the meeting upon invitation to brief the Committee on specific issues.

Responsibilities of the Remuneration Committee

The functions of the Remuneration Committee include;

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

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 as Directors' fees during the year under review is recorded on page 48 under the Corporate Governance report.

N. K. Wickaramasingha
Chairman - Remuneration Committee

7th July 2021

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Role and Responsibilities

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

Furthermore, the Committee establishes guidelines and policies for management and reporting of Related Party Transaction. 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 31st March 2021 were as follows,

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

Key Management Personnel

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

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

7th July 2021

Members	26-May-20	27-Jul-20	27-Oct-20	18-Nov-20	7-Dec-20	12-Jan-21	26-Jan-21	10-Mar-21
Dr. D. M. A. Kulasooriya	✗	✓	✓	✓	✓	✓	✓	✓
Mr. M. S. Nanayakkara	✓	✓	✓	✓	✓	✓	✓	✓
Mr. U. Thilakawardana	✓	✓	✓	✓	✓	✓	✓	✓
Mr. E. T. De Zoysa	✗	✓	✓	✓	✓	✓	✓	✓

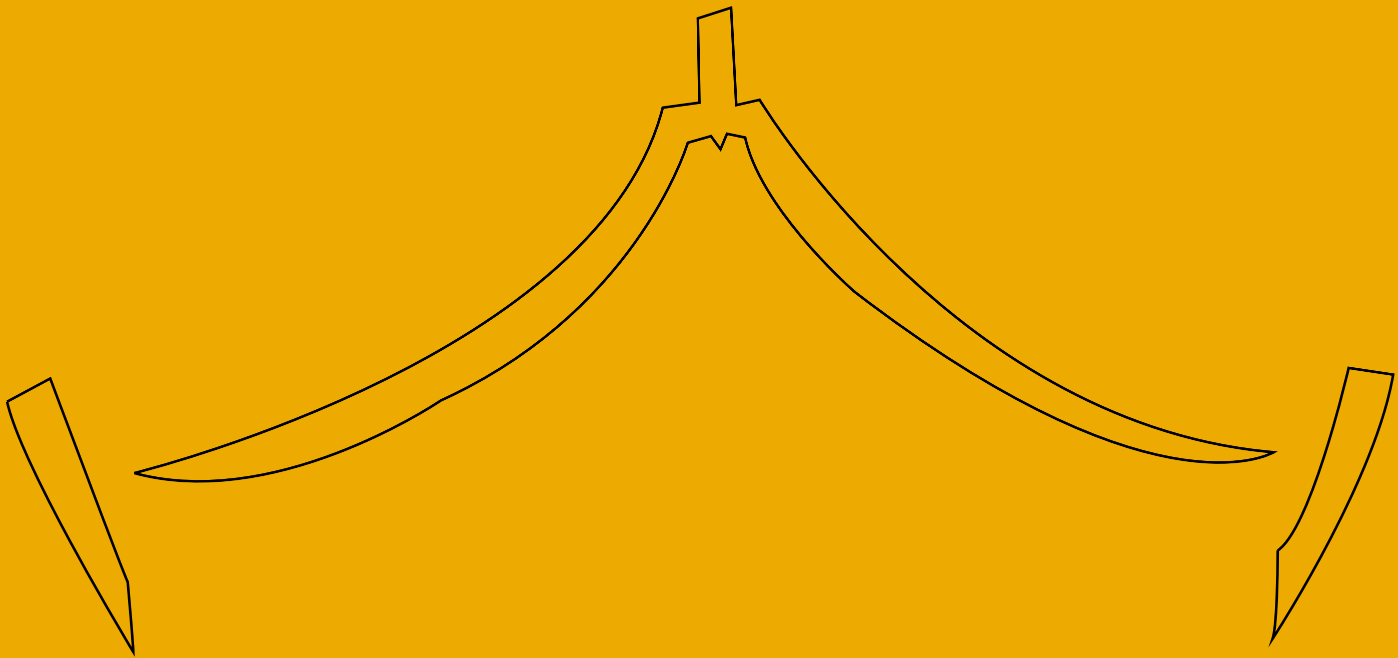
During the Financial Year ended 31st March 2021, the Committee held eight (08) meetings. The members of the management attend the meetings upon invitation to brief the Committee on specific issues.

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

FINANCIAL STATEMENTS

04



A STRATEGIC **VISION**

Our stakeholder-centric focus on creating value products has allowed us to shape our future as a leader in the industry.

INDEPENDENT AUDITORS' REPORT

KPMG
(Chartered Accountants)
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Internet : www.kpmg.com/lk

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 31st March 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 67 to 100.

In our opinion, the accompanying financial statements of the Group and the Company give a true and fair view of the financial position of the Group and the Company as at 31st March 2021, and of their financial performance and their 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Recognition of Revenue

Refer to Note 4.2 significant accounting policies and explanatory Note 5 to the financial statements.

Risk Description	Our response
The Company has recognized a Revenue of Rs. 3,207,282,244/- for the year ended 31st March 2021. Revenue from sale of goods is recognized when control has been transferred to the buyer; and is measured at net of discounts. The Group focuses on revenue as a key performance measure and as an important element in measuring management performance and how management are incentivized. Which could create an incentive for revenue to be recognized prior to control being transferred, resulting in a higher risk associated with revenue. We identified the recognition of revenue as a key audit matter because revenue is a significant audit risk and one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of revenue recognition by management to meet specific targets or expectations.	Our audit procedures included among others; – Assessing the appropriateness of the revenue recognition accounting policies and assessing compliance in accordance with Sri Lanka Accounting Standards. – Obtaining an understanding of and assessing the design, implementation, and operating effectiveness of management's key internal controls in relation to revenue recognition from sales transactions. – Comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying goods delivery notes and/or invoices to assess whether the related revenue had been recognized in the correct financial period. – Testing a sample of sales transactions incurred during the year with the invoices, delivery notes and receipts.

KPMG

Carrying value of Inventories

Refer to Note 4.10 significant accounting policies and explanatory Note 16 to the financial statements.

Risk Description	Our response
The Inventory balance comprises of raw materials, packing materials, finished goods, semi-finished goods, consumables, spares and accessories amounting to Rs. 242,033,806/- as at 31st March 2021. Inventories are carried at lower of cost or net realizable value (NRV). There is a risk that carrying value may exceeds their NRV due to obsolete/ damaged or expired products. Carrying value of inventories is identified as a Key Audit Matter because establishing a provision for slow-moving, obsolete, and damaged inventory and valuation of inventories involve significant judgments and assumptions exercised by the management.	Our audit procedures included among others. – Obtaining an understanding of and assessing the design, implementation, and operating effectiveness of management's key internal controls in relation to recognition, measurement of Inventory and Inventory provisioning. – Assessing, on a sample basis, the net realizable value by comparing the actual cost with selling price less cost to sell. – Attending, on a sample basis, the physical inventory verification and reconciling with the system balances. – Assessing, on a sample basis, the accuracy of the Inventory aging. – Gaining an understanding of the movements in the inventory for the year and assess the adequacy of the provision for non-moving and slow- moving inventory. – Comparing, on a sample basis, specific inventory purchases transactions recorded before and after the financial year end date with the underlying goods received notes to assess whether the related purchases had been recognized in the correct financial period. – Testing a sample of purchases transactions incurred during the year with the Purchase orders, invoices and goods received notes.

Other Matter

The financial Statements of the Company as at and for the year ended 31st March 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 31st July 2020.

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 will not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

INDEPENDENT AUDITORS' REPORT

basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

KPMG

Chartered Accountants

Colombo, Sri Lanka

7th July 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Notes	GROUP 2021 Rs.	GROUP 2020 Rs.	COMPANY 2021 Rs.	COMPANY 2020 Rs.
Revenue	5	3,207,282,244	2,430,828,555	3,207,282,244	2,430,828,555
Cost of Sales		(2,074,451,264)	(1,625,788,081)	(2,074,451,264)	(1,625,788,081)
Gross Profit		1,132,830,980	805,040,475	1,132,830,980	805,040,475
Other Operating Income	6	28,797,222	20,022,755	28,797,222	20,022,755
Distribution Expenses		(417,513,192)	(415,166,967)	(417,513,192)	(415,166,967)
Administrative Expenses		(168,142,811)	(157,995,078)	(168,127,811)	(157,995,078)
Results from Operating Activities		575,972,199	251,901,185	575,987,199	251,901,185
Finance Income	7.1	62,158,719	65,956,787	62,158,719	65,956,787
Finance Expenses	7.2	(5,183,148)	(1,850,860)	(5,183,148)	(1,850,860)
Net Finance Income		56,975,571	64,105,927	56,975,571	64,105,927
Profit Before Tax	8	632,947,770	316,007,112	632,962,770	316,007,112
Income Tax Expenses	9	(117,042,986)	(86,567,859)	(117,042,986)	(86,567,859)
Profit for the Year		515,904,784	229,439,253	515,919,784	229,439,253
Other Comprehensive Income					
Items that will not be reclassified to Profit or Loss					
Actuarial Loss on Retirement Benefit Obligation	25	(11,555,476)	(4,400,129)	(11,555,476)	(4,400,129)
Deferred Tax on Actuarial Loss		2,079,986	1,232,036	2,079,986	1,232,036
Other Comprehensive Income for the Year		(9,475,490)	(3,168,093)	(9,475,490)	(3,168,093)
Total Comprehensive Income for the Year		506,429,294	226,271,160	506,444,294	226,271,160
Profit for the Year attributable to:					
Owners of the Company		515,904,784	229,439,253	515,919,784	229,439,253
Non-Controlling Interest		-	-	-	-
Total Profit for the Year		515,904,784	229,439,253	515,919,784	229,439,253
Total comprehensive income for the year attributable to:					
Owners of the Company		506,429,294	226,271,160	506,444,294	226,271,160
Non-Controlling Interest		-	-	-	-
Total Comprehensive Income for the Year		506,429,294	226,271,160	506,444,294	226,271,160
			-		
Basic and Diluted Earnings Per Share	10	187.60	83.43	187.61	83.43
Dividend per share	11	5.50	4.50	5.50	4.50

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form a part of the financial statements of the Company set out on pages 71 to 100. The Report of the Auditors is given on pages 64 to 66.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Notes	GROUP 2021 Rs.	GROUP 2020 Rs.	COMPANY 2021 Rs.	COMPANY 2020 Rs.
ASSETS					
Non Current Assets					
Property, Plant and Equipment	12	494,613,301	254,853,934	494,613,301	254,853,934
Right of Use Assets	13	40,279,015	13,737,955	40,279,015	13,737,955
Intangible Assets	14	6,435,508	7,310,717	6,435,508	7,310,717
Investment in Subsidiary	15	-	-	20	20
Total Non Current Assets		541,327,824	275,902,606	541,327,844	275,902,626
Current Assets					
Inventories	16	242,033,806	212,320,415	242,033,806	212,320,415
Trade and Other Receivables	17	751,933,096	558,096,376	751,933,096	558,096,376
Amounts due from Related Companies	18	9,331,044	10,609,314	9,331,044	10,609,314
Short Term Investments	19	940,475,759	605,768,523	940,475,759	605,768,523
Cash and Cash Equivalents	20	40,319,425	73,242,902	40,319,425	73,242,902
Total Current Assets		1,984,093,130	1,460,037,530	1,984,093,130	1,460,037,530
Total Assets		2,525,420,954	1,735,940,136	2,525,420,974	1,735,940,156
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
Other Reserves	22	41,613,945	41,613,945	41,613,945	41,613,945
Retained Earnings		1,619,437,686	1,128,133,392	1,620,021,346	1,128,702,052
Total Equity		1,713,572,809	1,222,268,515	1,714,156,469	1,222,837,175
Liabilities					
Non Current Liabilities					
Deferred Tax Liability	23	5,743,322	8,418,570	5,743,322	8,418,570
Lease Liabilities	24	31,911,903	5,653,707	31,911,903	5,653,707
Retirement Benefit Obligation	25	89,531,649	65,002,062	89,531,649	65,002,062
Total Non Current Liabilities		127,186,874	79,074,339	127,186,874	79,074,339
Current Liabilities					
Trade and Other Payables	26	612,512,875	338,416,694	611,929,235	337,848,054
Lease Liabilities	24	6,189,056	3,644,564	6,189,056	3,644,564
Current Tax Liabilities	27	38,328,088	44,564,374	38,328,088	44,564,374
Amount due to Related Companies	28	27,631,252	47,971,650	27,631,252	47,971,650
Total Current Liabilities		684,661,271	434,597,282	684,077,631	434,028,642
Total Liabilities		811,848,145	513,671,621	811,264,505	513,102,981
Total Equity and Liabilities		2,525,420,954	1,735,940,136	2,525,420,974	1,735,940,156
Net assets value per share		623.12	444.46	623.33	444.67

The financial statements are to be read in conjunction with the related notes, which form a part of the financial statements of the Company set out on pages 71 to 100. The Report of the Auditors is given on pages 64 to 66.

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

A D T Mendis
General Manager - Finance

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

R S A Wickramasingha
Chairman

E T De Zoysa
Managing Director

7th July 2021
Colombo

STATEMENT OF CHANGES IN EQUITY

Group

	Stated Capital Rs.	Other Reserves Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2019	52,521,178	41,613,945	914,237,232	1,008,372,355
Comprehensive Income for the Year				
Profit for the year	-	-	229,439,253	229,439,253
Other Comprehensive Income for the year	-	-	(3,168,093)	(3,168,093)
Total Comprehensive Income for the Year	-	-	226,271,160	226,271,160
Transactions with owners of Equity				
Payment of dividend for the year 2018/2019 (Rs. 4.5 per share)	-	-	(12,375,000)	(12,375,000)
Balance as at 31st March 2020	52,521,178	41,613,945	1,128,133,392	1,222,268,515
Balance as at 1st April 2020	52,521,178	41,613,945	1,128,133,392	1,222,268,515
Comprehensive Income for the Year				
Profit for the year	-	-	515,904,784	515,904,784
Other Comprehensive Income for the year	-	-	(9,475,490)	(9,475,490)
Total Comprehensive Income for the Year	-	-	506,429,294	506,429,294
Transactions with owners of Equity				
Payment of dividend for the year 2019/2020 (Rs. 5.5 per share)	-	-	(15,125,000)	(15,125,000)
Balance as at 31st March 2021	52,521,178	41,613,945	1,619,437,686	1,713,572,809

Company

	Stated Capital Rs.	Other Reserves Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2019	52,521,178	41,613,945	914,805,892	1,008,941,014
Comprehensive Income for the Year				
Profit for the year	-	-	229,439,253	229,439,253
Other Comprehensive Income for the year	-	-	(3,168,093)	(3,168,093)
Total Comprehensive Income for the Year	-	-	226,271,160	226,271,160
Transactions with owners of Equity				
Payment of dividend for the year 2018/2019 (Rs. 4.5 per share)	-	-	(12,375,000)	(12,375,000)
Balance as at 31st March 2020	52,521,178	41,613,945	1,128,702,052	1,222,837,175
Balance as at 1st April 2020	52,521,178	41,613,945	1,128,702,052	1,222,837,175
Comprehensive Income for the Year				
Profit for the year	-	-	515,919,784	515,919,784
Other Comprehensive Income for the year	-	-	(9,475,490)	(9,475,490)
Total Comprehensive Income for the Year	-	-	506,444,294	506,444,294
Transactions with owners of Equity				
Payment of dividend for the year 2019/2020 (Rs. 5.5 per share)	-	-	(15,125,000)	(15,125,000)
Balance as at 31st March 2021	52,521,178	41,613,945	1,620,021,346	1,714,156,469

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form a part of the financial statements of the Company set out on pages 71 to 100. The Report of the Auditors is given on pages 64 to 66.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Notes	GROUP 2021 Rs.	GROUP 2020 Rs.	COMPANY 2021 Rs.	COMPANY 2020 Rs.
Cash Flows From Operating Activities					
Profit Before Tax		632,947,770	316,007,112	632,962,770	316,007,112
Adjustments for:					
Depreciation of Property, Plant and Equipment	12	31,856,095	41,199,855	31,856,095	41,199,855
Amortization of Intangible Assets	14	1,272,559	1,282,273	1,272,559	1,282,273
Depreciation of Right of use Assets	13	7,336,352	3,845,453	7,336,352	3,845,453
Interest Income	7.1	(62,158,719)	(65,956,787)	(62,158,719)	(65,956,787)
Interest Expenses	7.2	4,144,082	1,528,258	4,144,082	1,528,258
Write off of Property, Plant and Equipment		-	485,322	-	485,322
Profit on Disposal of Property, Plant and Equipment	6	(17,334,026)	(10,289,706)	(17,334,026)	(10,289,706)
(Reversal) / Provision for Slow Moving & Obsolete Inventories		(2,341,126)	6,412,617	(2,341,126)	6,412,617
(Reversal) / Provision for Impairment of Trade Receivables		(3,769,701)	6,513,063	(3,769,701)	6,513,063
Provision for Retirement Benefit Obligation	25	13,377,158	11,166,135	13,377,158	11,166,135
Operating Profit before Working Capital Changes		605,330,444	312,193,596	605,345,444	312,193,596
Changes in Working Capital					
(Increase) / Decrease in inventories		(27,372,265)	(44,346,096)	(27,372,265)	(44,346,096)
(Increase) / Decrease in Trade and Other Receivables		(190,067,019)	(209,678,008)	(190,067,019)	(209,678,008)
(Increase) / Decrease in Amount due from Related Companies		1,278,270	(6,064,256)	1,278,270	(6,064,256)
Increase / (Decrease) in Amount due to Related Companies		(20,340,398)	18,929,314	(20,340,398)	18,929,314
Increase / (Decrease) in Trade and Other Payables		274,096,181	107,020,467	274,081,181	107,020,467
Cash Generated from Operations		642,925,213	178,055,017	642,925,213	178,055,017
Retiring Gratuity Paid	25	(403,048)	(4,005,233)	(403,048)	(4,005,233)
Interest Paid	7.2	(4,144,082)	(1,528,258)	(4,144,082)	(1,528,258)
Income Tax Paid		(123,874,534)	(54,661,806)	(123,874,534)	(54,661,806)
Net Cash Flows from Operating Activities		514,503,549	117,859,721	514,503,549	117,859,721
Cash Flows From Investing Activities					
Purchase of Property, Plant and Equipment	12	(271,632,264)	(81,965,108)	(271,632,264)	(81,965,108)
Proceeds from Disposal of Property, Plant and Equipment		17,350,829	14,539,706	17,350,829	14,539,706
Purchase of Intangible Assets	14	(397,350)	(134,830)	(397,350)	(134,830)
Interest Received	7.1	62,158,719	65,956,787	62,158,719	65,956,787
Investment in Fixed Deposits		(334,707,236)	(14,810,371)	(334,707,236)	(14,810,371)
Net Cash Flows Used in Investing Activities		(527,227,302)	(16,413,817)	(527,227,302)	(16,413,817)
			-		
Cash Flows from Financing Activities					
Repayment of Lease		(5,074,724)	(3,268,568)	(5,074,724)	(3,268,568)
Dividend Paid	11	(15,125,000)	(12,375,000)	(15,125,000)	(12,375,000)
Net Cash Flows Used in Financing Activities		(20,199,724)	(15,643,568)	(20,199,724)	(15,643,568)
Net (Decrease) / Increase in Cash and Cash Equivalents		(32,923,477)	85,802,336	(32,923,477)	85,802,336
Cash and Cash Equivalents at the Beginning of the Year		73,242,902	(12,559,434)	73,242,902	(12,559,434)
Cash and Cash Equivalents at the End of the Year	20	40,319,425	73,242,902	40,319,425	73,242,902

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes, which form a part of the financial statements of the Company set out on pages 71 to 100. The Report of the Auditors is given on pages 64 to 66.

SIGNIFICANT ACCOUNTING POLICIES

1. Corporate information

1.1 General

Convenience Foods (Lanka) PLC ('the Company") is a public limited liability Company incorporated and domiciled in Sri Lanka and listed in the Colombo Stock Exchange. The registered office of the Company is located at High Level Road, Makumbura, Pannipitiya and the principal place of business is situated at No. 133, 7th Lane, Off Borupana Road, Kandawala, Ratmalana. The consolidated Financial Statements of Convenience Foods (Lanka) PLC for the year ended 31st March 2021 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 manufacturing and marketing of Textured Vegetable Protein (TVP) and other food products.

1.3 Parent company

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

1.4 Date of authorization for issue

The Financial Statements of the Group for the year ended 31st March 2021 were authorized for issue under a resolution of the Board of Directors on 7th July 2021.

2. Basis of preparation

2.1 Statement of compliance

The Financial Statements of the Group (statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows together with accounting policies and notes) are prepared in accordance with Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.07 of 2007.

2.2 Basis of consolidation

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiary.

The following companies have been consolidated:

Convenience Foods (Lanka) PLC – Parent

Soy Products (Pvt) Limited - Subsidiary

Subsidiary is an entity controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of the subsidiary are included in the consolidated Financial Statements from the date on which control commences until the date on which control ceases. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

However, the subsidiary had not carried out any operations during the year and the subsidiary has been dormant for many years.

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:

- The defined benefit obligation is recognized at 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

SIGNIFICANT ACCOUNTING POLICIES

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 & aggregation

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

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not 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 judgements, estimates and assumptions

The preparation of Financial Statements requires the application of certain critical accounting assumptions relating to the future. Further, it requires the management of the Group to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods. Hence, actual experience and results may differ from these judgements and estimates.

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

a) Income Tax and Deferred tax assets/liabilities

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

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

b) Useful lifetime of the property, plant and equipment

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

c) Going concern

The Directors have made an assessment of the Group'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 Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Group. Therefore, the financial statements continue to be prepared on the going concern basis. The management assessment of COVID-19 is described in Note 31.

d) Loss allowance on financial assets

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

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

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

e) Defined benefit plans

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

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

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

4. Summary of significant accounting policies

The significant accounting policies applied by the Group 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 the transactions were affected.

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

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

4.2 Revenue recognition

4.2.1 Sale of goods

Revenue principally comprises, sales of products to external customers. Revenue is measured at the fair value of the consideration received or receivable and excludes taxes collected on behalf of third parties, rebates, discounts and certain marketing expenses which are not distinctive from sales. The Group considers sale and delivery of products as one performance obligation and recognizes revenue when it transfers control to a customer.

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

I. Identify contracts with customers

II. Identify the separate performance obligation

III. Determine the transaction price of the contract

IV. Allocate the transaction price to each of the separate performance obligations, and

V. Recognize revenue when performance obligation is satisfied

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

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

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 profit or loss on an accrual basis when the Group's right to receive the dividend is established.

4.2.4 Other income

Other income is recognized on an accrual basis.

4.3 Expenditure recognition

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

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

4.4 Taxation

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

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

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

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

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

4.5 *Earnings Per Share (EPS)*

The Group 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.

4.6 *Non-financial assets*

4.6.1 *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 recognized in the carrying amount of an asset. The costs associated with day-to-day servicing of property, plant and equipment is recognized in the statement of profit or loss as incurred.

Depreciation

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

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

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

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

De-recognition

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

4.6.2 *Impairment of non–financial assets*

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

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

4.7 Leases

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

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4.8 Intangible assets

Computer software

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

4.9 Investment in subsidiary

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

4.11.1 Recognition and initial measurement

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

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

4.11.2 Classification and subsequent measurement

Financial Assets

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

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for

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managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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

Financial assets at amortised cost

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

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

a) Financial assets – Business model assessment

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

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

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

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

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

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

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

- Contingent events that would change the amount or timing of cash flows
- Terms that may adjust the contractual coupon rate, including variable rate features
- Prepayment and extension features; and
- Terms that limits the Group's claim to cash flows from specific assets (e.g. non-recourse features)

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

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

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

4.11.4 De-recognition

a) Financial assets

The Group derecognizes a financial asset when:

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

b) Financial liabilities

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

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

4.11.5 Offsetting

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

4.11.6 Impairment

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

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

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

Measurement of ECLs

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

Presentation of allowance for ECL in the statement of financial position

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

4.11.7 Write off

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

4.12 Provisions

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

SIGNIFICANT ACCOUNTING POLICIES

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.

4.14 Retirement benefit obligations

4.14.1 Defined benefit plan – gratuity

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

4.14.2 Defined contribution plan

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

a) Employees' Provident Fund

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

b) Employees' Trust Fund

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

4.15 Statement of cash flows

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

4.16 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 Group does not have distinguishable components to be identified as a segment as all operations are treated as one segment.

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

The new and amended standards that are issued, but not yet effective to the date of issuance of these financial statements are disclosed below.

None of the new or amended pronouncements are expected to have a material impact on the consolidated financial statements of the Group in the foreseeable future. The Group intends to adopt these amended standards, if applicable, when they become effective.

a) COVID-19 Related Rent Concessions (Amendment to SLFRS 16)

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic.

A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession.

The practical expedient will only apply if

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30th June 2021; and
- no other substantive changes have been made to the terms of the lease

The amendment applies to annual reporting periods beginning on or after 1st June 2020.

b) Interest Rate Benchmark Reform – Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities

The amendments will require the Company to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.

This amendment is effective for annual periods beginning on or after 1st January 2021.

c) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)

This amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment applies to annual reporting periods beginning on or after 1st January 2022.

d) Onerous contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1st January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate.

e) Classification of Liabilities as Current or Noncurrent (Amendments to LKAS 1).

The amendments in Classification of Liabilities as Current or Non-current (Amendments to LKAS 1) affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those item.

The Key amendments are as follows:

– the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The standard also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendment applies to annual reporting periods beginning on or after 1st January 2023.

NOTES TO THE FINANCIAL STATEMENTS

5 Revenue

For the year ended 31st March	GROUP 2021 Rs.	GROUP 2020 Rs.	COMPANY 2021 Rs.	COMPANY 2020 Rs.
Sales	3,252,998,775	2,501,445,242	3,252,998,775	2,501,445,242
Sales Returns	(45,716,531)	(70,616,686)	(45,716,531)	(70,616,686)
	3,207,282,244	2,430,828,555	3,207,282,244	2,430,828,555
5.1 Timing of Revenue Recognition				
Goods transferred at point in time	3,207,282,244	2,430,828,555	3,207,282,244	2,430,828,555
5.2 Contract Balances				
Receivables, which are included in "trade receivables"	369,924,230	424,719,099	369,924,230	424,719,099

6 Other Operating Income

For the year ended 31st March	GROUP 2021 Rs.	GROUP 2020 Rs.	COMPANY 2021 Rs.	COMPANY 2020 Rs.
Profit on Disposal of Property, Plant and Equipment	17,334,026	10,289,706	17,334,026	10,289,706
Net Scrap Sales Income	5,441,773	5,174,515	5,441,773	5,174,515
Sundry Income	6,238,672	4,625,539	6,238,672	4,625,539
Exchange gain / (loss)	(217,249)	(67,005)	(217,249)	(67,005)
	28,797,222	20,022,755	28,797,222	20,022,755

7 Net Finance Income

For the year ended 31st March	GROUP 2021 Rs.	GROUP 2020 Rs.	COMPANY 2021 Rs.	COMPANY 2020 Rs.
7.1 Finance Income				
Interest Income	62,158,719	65,956,787	62,158,719	65,956,787
	62,158,719	65,956,787	62,158,719	65,956,787
7.2 Finance Expenses				
Bank Charges	1,039,066	322,602	1,039,066	322,602
Lease Interest	4,075,717	1,442,368	4,075,717	1,442,368
Interest on Security Deposits	68,365	85,890	68,365	85,890
	5,183,148	1,850,860	5,183,148	1,850,860
Net Finance Income	**56,975,571**	64,105,927	**56,975,571**	64,105,927

8 Profit before Tax

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

For the year ended 31st March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Raw Materials and Packing Materials	1,694,701,201	1,303,659,184	1,694,701,201	1,303,659,184
Directors fees	1,825,000	1,875,000	1,825,000	1,875,000
Contributions to Employees' Provident Fund	22,284,329	19,692,878	22,284,329	19,692,878
Contributions to Employees' Trust Fund	5,520,742	4,877,456	5,520,742	4,877,456
Defined benefit plan contribution	13,377,158	11,166,135	13,377,158	11,166,135
Depreciation of Property, Plant & Equipment	31,856,095	41,199,855	31,856,095	41,199,855
Amortisation of Intangible Assets	1,272,559	1,282,273	1,272,559	1,282,273
Depreciation of Right of use Assets	7,336,352	3,845,453	7,336,352	3,845,453
Audit and related services	878,760	798,876	878,760	798,876
(Reversal) / Charge of impairment for trade receivables	(3,769,701)	6,513,063	(3,769,701)	6,513,063
(Reversal) / Charge of impairment for obsolete inventories	(2,341,126)	6,412,617	(2,341,126)	6,412,617
Staff costs	438,437,753	343,810,769	438,437,753	343,810,769

9 Income Tax Expenses

For the year ended 31st March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Income Tax for the year **(Note 9.1)**	122,360,491	95,138,795	122,360,491	95,138,795
Over provision of previous year's taxes	(4,722,243)	(536,031)	(4,722,243)	(536,031)
Deferred tax recognized during the year **(Note 23.1)**	(595,262)	(8,034,905)	(595,262)	(8,034,905)
	117,042,986	86,567,859	117,042,986	86,567,859

NOTES TO THE FINANCIAL STATEMENTS

9.1 Reconciliation between Accounting Profit and Taxable Income

For the year ended 31st March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Accounting Profit before Tax	632,947,770	316,007,112	632,962,770	316,007,112
Investment Income	(62,158,719)	(65,956,787)	(62,158,719)	(65,956,787)
Non Taxable Income	(17,334,026)	(10,289,796)	(17,334,026)	(10,289,796)
	553,455,025	239,760,529	553,470,025	239,760,529
Disallowable Expenses	78,313,470	75,072,635	78,298,470	75,072,635
Allowable Deductions	(58,940,741)	(41,008,541)	(58,940,741)	(41,008,541)
Business Income	572,827,754	273,824,624	572,827,754	273,824,624
Investment Income	62,158,719	65,956,787	62,158,719	65,956,787
Total Taxable Income	634,986,473	339,781,411	634,986,473	339,781,411
Taxable Income at 14%	10,352,336	-	10,352,336	-
Taxable Income at 18%	483,350,483	-	483,350,483	-
Taxable Income at 24%	141,283,654	-	141,283,654	-
Taxable Income at 28%	-	339,781,411	-	339,781,411
	634,986,473	339,781,411	634,986,473	339,781,411
Income Tax				
Tax at 14%	1,449,327	-	1,449,327	-
Tax at 18%	87,003,087	-	87,003,087	-
Tax at 24%	33,908,077	-	33,908,077	-
Tax at 28%	-	95,138,795	-	95,138,795
Income Tax for the year	122,360,491	95,138,795	122,360,491	95,138,795

According to the revised Inland Revenue Act No 10 of 2021, the Company is liable for Income Tax at the rate of 14% on Export Income, 18% on Manufacturing Income and 24% on Other Income. (2020: 28%)

10 Basic and Diluted Earnings per Share

Earnings per Share has been calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the year. There were no potentially diluted shares outstanding at any time during the year. Therefore. the diluted earnings per share are equal to the Basic earnings per share.

For the year ended 31st March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Profit for the year attributable to Ordinary Shareholders (Rs.)	515,904,784	229,439,253	515,919,784	229,439,253
Weighted average number of Ordinary Shares	2,750,000	2,750,000	2,750,000	2,750,000
Basic / Diluted Earnings per Share (Rs.)	187.60	83.43	187.61	83.43

11 Dividends per share

For the year ended 31st March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
First and Final Dividend (Rs.)	15,125,000	12,375,000	15,125,000	12,375,000
Number of Ordinary Shares	2,750,000	2,750,000	2,750,000	2,750,000
Dividend per Share (Rs.)	5.50	4.50	5.50	4.50

12 Property, Plant and Equipment

Group/Company

	Buildings	Machinery	Furniture, Fittings & Office Equipment	Motor Vehicles	Installation, Tools & Equipment	Point of Sale Equipment	Capital work in Progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost								
Balance as at 1st April 2019	223,354,623	168,518,341	42,387,908	73,093,345	35,077,018	5,003,924	-	547,435,159
Additions during the year	20,494,717	-	3,489,514	16,400,000	243,037	1,375,588	39,962,251	81,965,108
Disposals during the year	-	-	-	(17,938,650)	-	-	-	(17,938,650)
Write off during the year	-	(822,713)	(2,959,484)	-	(3,200,371)	-	-	(6,982,569)
Balance as at 31st March 2020	243,849,340	167,695,628	42,917,938	71,554,695	32,119,684	6,379,512	39,962,251	604,479,048
Balance as at 1st April 2020	243,849,340	167,695,628	42,917,938	71,554,695	32,119,684	6,379,512	39,962,251	604,479,048
Additions during the year	18,870,548	18,647,194	4,884,560	1,151,750	499,363	810,048	226,768,801	271,632,264
Disposals during the year	-	(2,504,887)	(580,348)	(15,047,717)	-	-	-	(18,132,952)
Balance as at 31st March 2021	262,719,888	183,525,935	47,222,150	57,658,728	32,619,047	7,189,560	266,731,052	857,978,360
Accumulated Depreciation								
Balance as at 1st April 2019	71,176,932	136,473,355	30,564,619	58,186,136	28,590,235	3,619,879	-	328,611,156
Charge for the year	9,135,557	13,975,451	4,831,536	9,769,538	1,747,794	1,739,980	-	41,199,855
Disposals during the year	-	-	-	(13,688,650)	-	-	-	(13,688,650)
Write off during the year	-	(770,099)	(2,669,496)	-	(3,057,652)	-	-	(6,497,247)
Balance as at 31st March 2020	80,312,489	149,678,706	32,726,659	54,267,024	27,280,377	5,359,859	-	349,625,114
Balance as at 1st April 2020	80,312,489	149,678,706	32,726,659	54,267,024	27,280,377	5,359,859	-	349,625,114
Charge for the year	9,721,684	7,622,523	4,304,237	7,966,749	1,365,619	875,283	-	31,856,095
Disposals during the year	-	(2,504,887)	(563,545)	(15,047,717)	-	-	-	(18,116,149)
Balance as at 31st March 2021	90,034,173	154,484,342	36,467,351	47,186,056	28,645,996	6,235,142	-	363,365,059
Carrying Value								
As at 31st March 2021	172,685,715	29,041,593	10,754,799	10,472,672	3,973,051	954,418	266,731,052	494,613,301
As at 31st March 2020	163,536,852	18,016,922	10,191,278	17,287,671	4,839,307	1,019,653	39,962,251	254,853,934

12.1 Cost of Property, Plant and Equipment amounting to Rs. 229,591,184 (2020 - Rs. 151,863,196), which were fully depreciated are still in use as at the end of the reporting date.

12.2 Capital Work in Progress as at 31st March 2021 includes the Project Building, Grinding Plant and Packing Machine.

NOTES TO THE FINANCIAL STATEMENTS

13 Right of Use Assets

Group / Company

	Land Rs.	Motor Vehicles Rs.	Buildings Rs.	Total Rs.
Cost				
Balance as at 1st April 2019	-	-	-	-
Recognition on initial application of SLFRS 16	6,580,075	12,566,834	-	19,146,909
Balance as at 31st March 2020	6,580,075	12,566,834	-	19,146,909
Balance as at 1st April 2020	6,580,075	12,566,834	-	19,146,909
Additions during the year	-	6,537,447	27,339,965	33,877,412
Balance as at 31st March 2021	**6,580,075**	**19,104,281**	**27,339,965**	**53,024,321**
Accumulated Depreciation				
Balance as at 1st April 2019	-	-	-	-
Recognition on initial application of SLFRS 16	1,563,502	-	-	1,563,502
Charge during the year	75,400	3,770,053	-	3,845,453
Balance as at 31st March 2020	1,638,901	3,770,053	-	5,408,954
Balance as at 1st April 2020	1,638,901	3,770,053	-	5,408,954
Charge during the year	69,600	4,532,755	2,733,997	7,336,352
Balance as at 31st March 2021	**1,708,501**	**8,302,808**	**2,733,997**	**12,745,306**
Carrying Value				
As at 31st March 2021	**4,871,574**	**10,801,473**	**24,605,968**	**40,279,015**
As at 31st March 2020	4,941,174	8,796,781	-	13,737,955

The details of the leasehold land is as follows:

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

14 Intangible Assets

	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Computer Software				
Cost				
Balance as at 1st April	13,034,305	12,899,474	13,034,305	12,899,474
Additions during the year	397,350	134,830	397,350	134,830
Balance as at 31st March	13,431,655	13,034,305	13,431,655	13,034,305
Accumulated Amortization				
Balance as at 1st April	5,723,588	4,441,315	5,723,588	4,441,315
Charge for the year	1,272,559	1,282,273	1,272,559	1,282,273
Balance as at 31st March	6,996,147	5,723,588	6,996,147	5,723,588
Carrying Value	6,435,508	7,310,717	6,435,508	7,310,717

15 Investment in Subsidiary (Company)

	Holding %	Number of shares	2021 Rs.	2020 Rs.
Unquoted Investments				
Soy Products (Private) Limited	100	2	20	20

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

16 Inventories

As at 31st March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Raw materials and consumables	135,499,900	128,177,622	135,499,900	128,177,622
Finished goods	76,103,103	55,850,527	76,103,103	55,850,527
Spares and accessories	35,303,228	35,505,817	35,303,228	35,505,817
	246,906,231	219,533,966	246,906,231	219,533,966
Provision for Slow Moving & Obsolete Inventories **(Note 16.1)**	(4,872,425)	(7,213,551)	(4,872,425)	(7,213,551)
	242,033,806	212,320,415	242,033,806	212,320,415

16.1 Provision For Slow Moving / Obsolete Inventories

	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance as at 1st April	7,213,551	800,934	7,213,551	800,934
(Reversal) / Charge during the year	(2,341,126)	6,412,617	(2,341,126)	6,412,617
Balance as at 31st March	4,872,425	7,213,551	4,872,425	7,213,551

The write-downs and reversals are included in “Cost of sales”.

NOTES TO THE FINANCIAL STATEMENTS

17 Trade and Other Receivables

As at 31st March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Trade Receivables	369,924,230	424,719,099	369,924,230	424,719,099
Provision for Impairment of Trade Receivables **(Note 17.1)**	(4,123,024)	(7,892,725)	(4,123,024)	(7,892,725)
	365,801,206	416,826,373	365,801,206	416,826,373
Other Receivables*	386,131,890	141,270,003	386,131,890	141,270,003
	751,933,096	558,096,376	751,933,096	558,096,376

* Other Receivables mainly comprise of advances of Rs. 179,089,617 (2020: Rs. 65,113,602) and prepayments of Rs. 201,360,974 (2020 - Rs. 73,527,236).

17.1 Provision for Impairment of Trade Receivables

As at 31st March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance as at 1st April	7,892,725	1,379,662	7,892,725	1,379,662
(Reversal) / Charge during the year	(3,769,701)	6,513,063	(3,769,701)	6,513,063
Balance as at 31st March	4,123,024	7,892,725	4,123,024	7,892,725

18 Amounts due from Related Companies

As at 31st March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Ceylon Biscuits Limited	3,617,359	7,741,114	3,617,359	7,741,114
CBL Foods International (Private) Limited	285,450	175,586	285,450	175,586
Plenty Foods (Private) Limited	2,065,384	543,229	2,065,384	543,229
SPAR SL (Private) Limited	3,362,851	2,149,385	3,362,851	2,149,385
	9,331,044	10,609,314	9,331,044	10,609,314

19 Short Term Investments

As at 31st March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Investment in Fixed Deposits	940,475,759	605,768,523	940,475,759	605,768,523
	940,475,759	605,768,523	940,475,759	605,768,523

19.1 Details of Fixed Deposits of the Company;

Bank	Amount
DFCC Bank PLC	165,105,640
National Development Bank PLC	309,491,214
Hatton National Bank PLC	163,712,877
People's Bank	302,166,027
	940,475,759

20 Cash and Cash Equivalents

	GROUP		COMPANY	
As at 31st March	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Cash at Bank	126,737,229	142,679,252	126,737,229	142,679,252
Cash in Hand	269,210	228,715	269,210	228,715
	127,006,439	142,907,967	127,006,439	142,907,967
Bank Overdraft (Book balance with a right of set-off)	(86,687,014)	(69,665,065)	(86,687,014)	(69,665,065)
Cash & Cash Equivalents for the purpose of Cash Flows	40,319,425	73,242,902	40,319,425	73,242,902

20.1 The money market savings accounts with Hatton National Bank and Commercial Bank are operated as savings accounts linked with current accounts where a minimum balance of Rs. 500,000 is maintained at any given time.

In 2021, the Group modified the classification of book overdraft to reflect more appropriately the assets of the Company. Comparative amounts in the statement of financial position were reclassified for consistency. For additional information, refer Note 33.

21 Stated Capital

	GROUP		COMPANY	
As at 31st March	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Issued and fully paid up shares				
2,750,000 number of ordinary shares	52,521,178	52,521,178	52,521,178	52,521,178
	52,521,178	52,521,178	52,521,178	52,521,178

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company.

22 Other Reserves

	GROUP		COMPANY	
As at 31st March	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
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

On 25 February 1992 and 25 June 1993, a total of 168,004 (One Hundred and Sixty Eight Thousand and Four) shares of the Company were purchased at a cost of Rs. 1,386,055 for the Share Trust setup by the Company. During the year ended 31 March 2015, the shares held by the trust were sold and the Company recognised the gain on disposal of shares held by trust. When these shares were disposed of by the Trust, the amount received were recognised as an increase in equity, and the resulting surplus from the transaction were transferred to a reserve without recognising any adjustments to the profit or total comprehensive income for the respective year.

23 Deferred Tax Liability

	GROUP		COMPANY	
As at 31st March	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance as at 1st April	(8,418,570)	(17,685,512)	(8,418,570)	(17,685,512)
Charge during the year	2,675,248	9,266,941	2,675,248	9,266,941
Balance as at 31st March	(5,743,322)	(8,418,570)	(5,743,322)	(8,418,570)

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23.1 Recognized through

For the year ended 31st March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Profit or Loss Statement	595,262	8,034,905	595,262	8,034,905
Other Comprehensive Income	2,079,986	1,232,036	2,079,986	1,232,036
	2,675,248	9,266,941	2,675,248	9,266,941

23.2 Charge during the year

For the year ended 31st March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Arising on during the year Movement	(331,384)	9,266,941	(331,384)	9,266,941
Due to change in Tax Rates	3,006,632	-	3,006,632	-
	2,675,248	9,266,941	2,675,248	9,266,941

23.3 The recognised deferred tax (asset) / liability of the Company is attributable to the following;

Group / Company

As at 31st March	2021		2020	
	Temporary Difference Rs.	Tax Effects Rs.	Temporary Difference Rs.	Tax Effects Rs.
On Property, Plant and Equipment	(133,127,960)	(23,963,033)	(110,676,146)	(30,989,321)
On Net Lease Liability	2,693,518	484,833	501,485	140,416
On Inventory Provision	4,872,425	877,037	7,213,551	2,019,794
On Trade Receivable Provision	4,123,024	742,144	7,892,725	2,209,963
On Retirement Benefit Obligation	89,531,649	16,115,697	65,002,062	18,200,577
	(31,907,344)	(5,743,322)	(30,066,323)	(8,418,570)

According to the revised Inland Revenue Act No 10 of 2021, effective tax rate applicable for the Company is 18% (2020 : 28%).

24 Lease Liabilities

	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance as at 1st April	9,298,271	-	9,298,271	-
Recognition on initial application of SLFRS 16	-	12,566,832	-	12,566,832
Addition of new leases	33,877,412	-	33,877,412	-
Interest Expense for the year	4,075,717	1,442,368	4,075,717	1,442,368
Payments during the year	(9,150,441)	(4,710,930)	(9,150,441)	(4,710,930)
Balance as at 31st March	38,100,959	9,298,271	38,100,959	9,298,271
Amount Payable within One Year	6,189,056	3,644,564	6,189,056	3,644,564
Amount Payable after One Year	31,911,903	5,653,707	31,911,903	5,653,707
	38,100,959	9,298,271	38,100,959	9,298,271

	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
24.1 Following are the amounts recognised in profit or loss:				
Depreciation charge on right-of-use assets	7,336,352	3,845,453	7,336,352	3,845,453
Interest expense on lease liabilities	4,075,717	1,442,368	4,075,717	1,442,368
Short term leases	8,403,840	9,772,005	8,403,840	9,772,005
Total amount recognised in profit or loss	19,815,909	15,059,826	19,815,909	15,059,826
24.2 Following are the amounts recognized in the statement of cash flows:				
Total cash flows for leases	17,554,281	14,482,935	17,554,281	14,482,935
24.3 Maturity analysis				
Less than 1 year	6,189,056	3,644,564	6,189,056	3,644,564
Between 1 - 2 years	4,241,124	4,147,632	4,241,124	4,147,632
Between 2-5 years	2,999,834	1,506,075	2,999,834	1,506,075
More than 5 years	24,670,945	-	24,670,945	-
	38,100,959	9,298,271	38,100,959	9,298,271

25 Retirement Benefit Obligation

	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance as at 1st April	65,002,062	53,441,031	65,002,062	53,441,031
Current Service Cost	6,876,952	5,127,298	6,876,952	5,127,298
Interest Cost	6,500,206	6,038,837	6,500,206	6,038,837
Actuarial Loss	11,555,476	4,400,129	11,555,476	4,400,129
Payments during the year	(403,048)	(4,005,233)	(403,048)	(4,005,233)
Balance as at 31st March	89,531,649	65,002,062	89,531,649	65,002,062

The amount recognised in the Statement of Profit of Loss and Other Comprehensive Income is as follows:

	GROUP		COMPANY	
For the year ended 31st March	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Recognized in Statement in Profit of loss				
Current Service Cost	6,876,952	5,127,298	6,876,952	5,127,298
Interest Cost	6,500,206	6,038,837	6,500,206	6,038,837
Recognized in Other Comprehensive Income				
Actuarial Loss	11,555,476	4,400,129	11,555,476	4,400,129
	24,932,634	15,566,264	24,932,634	15,566,264

25.1 An actuarial valuation of the retirement benefit obligation was carried out as at 31st March 2021 by M/s Actuarial & Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuary to value the retirement benefit obligations is the "Projected Unit Credit Method", recommended by Sri Lanka Accounting Standards-LKAS 19 (Employee Benefits).

NOTES TO THE FINANCIAL STATEMENTS

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

		2021	2020
Discount Rate		8.5%	10.0%
Future Salary Increment Rate	Executives	9%	9%
	Staff	9%	9%
	Associates	9%	9%
Retirement Age (Years)		55	55
Average expected future services		10	10

It is also assumed that the Company will continue in business as a going concern.

The liability was not externally funded.

25.3 Assumptions regarding the future mortality are based on A1967/70 Mortality table, issued by the Institute of Actuaries, London, United Kingdom.

25.4 The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Group / Company	2021		2020	
	Rs.		Rs.	
	-1%	+1%	-1%	+1%
Sensitivity Analysis - Discount rate				
Increase / (Decrease) of Obligation	5,700,753	(4,962,190)	4,581,688	(4,004,233)
Sensitivity Analysis - Salary Increment Rate				
Increase / (Decrease) of Obligation	(5,409,254)	6,081,692	(4,197,718)	4,713,374

26 Trade and Other Payables

As at 31st March	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Trade Payables	400,469,869	186,411,677	400,469,869	186,411,677
Other Payables	24,031,955	17,099,840	23,448,315	16,531,201
Accrued Expenses	188,011,051	134,905,176	188,011,051	134,905,176
	612,512,875	338,416,694	611,929,235	337,848,054

27 Current Tax Liabilities

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April	44,564,374	4,623,415	44,564,374	4,623,415
Over provision for previous year's taxes	(4,722,243)	(536,031)	(4,722,243)	(536,031)
Provision for the period	122,360,491	95,138,795	122,360,491	95,138,795
	162,202,622	99,226,179	162,202,622	99,226,179
Tax credit				
Economic service charge and tax payments	(122,723,369)	(53,985,397)	(122,723,369)	(53,985,397)
Withholding tax receivable	(1,151,166)	(676,408)	(1,151,166)	(676,408)
Balance as at 31st March	38,328,088	44,564,374	38,328,088	44,564,374

28 Amounts due to Related Companies

As at 31st March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
CBL Foods International (Private) Limited	3,935,903	4,460,766	3,935,903	4,460,766
Plenty Foods (Private) Limited	1,251,930	16,077,188	1,251,930	16,077,188
CBL Global Foods (Private) Limited	21,002,986	22,085,512	21,002,986	22,085,512
CBL Natural Foods (Private) Limited	36,975	1,630,000	36,975	1,630,000
CBL Canneries (Private) Limited	-	92,000	-	92,000
Ceylon Biscuits Limited	1,403,458	1,279,270	1,403,458	1,279,270
CBL Cocos (Private) Limited	-	20,000	-	20,000
CBL Corporate Services (Private) Limited	-	2,326,914	-	2,326,914
	27,631,252	47,971,650	27,631,252	47,971,650

29 Commitments and Contingent Liabilities

29.1 Financial Commitments

Financial commitments on account of letters of credit as at 31st March 2021 was Rs. 151,271,106 (2020: Rs. 432,975,430). Shipping Guarantees as at 31st March 2021 was Rs. 176,965,000 (2020: Rs. 45,558,000). Import Bills as at 31st March 2021 was Rs. 24,586,848 (2020: Rs. nil).

29.2 Capital Commitments

Capital expenditure committed by the Board of Directors for which a provision has not been made in the financial statements amounted to approximately Rs. 1,443,040 (2020 - Rs. 142,682,430).

29.3 Contingent Liabilities

There were no other significant contingent liabilities as at the reporting date except for the following:

The Company had made an appeal to the Court of Appeal on question of law arising from the determination of the Board of Review and is made under and in terms of Section 122 (1) of the Inland Revenue Act No. 28 of 1979 (as amended). The income tax payable as per the Board of Review determination for the year of assessment 1991/1992 amounts to a sum of Rs. 8,871,886 and surcharge on income tax of Rs. 1,072,031 (plus any penalties payable thereon). The Court of Appeal has given judgement in favour of the Company and has annulled the assessment. The Commissioner General of Inland Revenue has filed a petition in the Supreme Court seeking Special Leave to Appeal against the judgment of the Court of Appeal on this matter.

30 Events after the reporting period

There were no significant events after the reporting date that would require adjustments to or disclosures in the financial statements except for;

The Board of Directors of the Company has declared a final dividend of Rs. 10 per share for the financial year ended 31st March 2021. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007, and has obtained a certificate from auditors.

In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognized as a liability in the financial statements as at 31st March 2021.

NOTES TO THE FINANCIAL STATEMENTS

31 Impact of COVID-19

The Group has evaluated its financial position and tested for any material impairment due to the effects of COVID-19. The Group has satisfied that there were no indications that required to make an adjustment into financial statements. The Group had strong net asset values and cash position and availability of banking facilities to continue its business operations.

As the Company operates as an essential service, the management has been able to manage the supply chain and continue the operations without an interruption to furnish the demand during the pandemic. Considerable investments have been directed towards preventive health and safety measures in following all recommended health such as work-place safety and sanitation protocols recommended by the Authorities. Labors and Staff have been trained to adhere to very strict precautionary standards including social distancing and implementation of work from home program on a rotational basis for administrative employees.

In view of the rapidly evolving dynamic environment created by the COVID-19 pandemic, the Group is cautiously optimistic of the future in anticipation of the gradual revival of the economy and will continue to closely observe the market developments and take all decisions and measures in order to ensure the Group remains a going concern and continues to deliver shareholder value.

32 Related Party Disclosures

32.1 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 Group. Key Management Personnel include members of the Board of Directors and identified senior management personnel of the Company. Compensation to Key Management personnel are as follows:

For the year ended 31st March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Short term employee benefits	62,721,387	44,266,469	62,721,387	44,266,469
Post employment benefits	6,184,611	4,822,110	6,184,611	4,822,110
	68,905,998	49,088,579	68,905,998	49,088,579

32.2 Transactions with Related Companies (Group / Company)

Name of the Company	Relationship	Nature of Transaction	Transaction Value for the year ended 31st March Rs.		Balance as at 2021 Rs.	Balance as at 2020 Rs.
Ceylon Biscuits Limited	Subsidiary of the parent entity	Sales	40,697,037	1.25%	3,617,359	7,741,114
		Purchase of raw materials	1,569,301	0.05%	(1,403,458)	(1,279,270)
		Services received	838,732	0.03%		
		SAP license recovery expenses	6,605,691	0.20%		
Plenty Foods (Private) Limited	Subsidiary of the parent entity	Sales	19,288,634	0.59%	2,065,384	543,229
		Purchase of raw materials	26,916,329	0.83%	(1,251,930)	(16,077,188)
		Reimbursement of expenses to the Company	692,818	0.02%		
CBL Foods International (Private) Limited	Subsidiary of the parent entity	Sales	1,339,441	0.04%	285,450	175,586
		Purchase of raw materials	29,213,425	0.90%	(3,935,903)	(4,460,766)
		Services received	1,210,108	0.04%		
CBL Cocos (Private) Limited	Subsidiary of the parent entity	Purchase of samples	-	0.00%	-	(20,000)
Ritzbury Lanka (Private) Limited	Subsidiary of the parent entity	Stores rent expenses	3,587,400	0.11%	-	-
CBL Natural Foods (Private) Limited	Subsidiary of the parent entity	Purchase of raw materials	4,926,975	0.15%	(36,975)	(1,630,000)
CBL Corporate Services (Private) Limited	Subsidiary of the parent entity	Internal group services	30,710,032	0.94%	-	(2,326,914)
CBL Global Foods (Private) Limited	Subsidiary of the parent entity	Purchase of finished goods	134,595,661	4.14%	(21,002,986)	(22,085,512)
SPAR SL (Private) Limited	Joint venture of the parent entity	Sales	19,587,045	0.60%	3,362,851	2,149,385
CBL Canneries (Private) Limited	Subsidiary of the parent entity	Purchase of raw materials	92,000	0.00%	-	(92,000)

% represent the aggregate transaction value as a percentage of gross revenue.

32.3 Related Party Transactions-Non Recurrent

The Company has not entered into any non-recurrent related party transactions during the year, which exceeds 10% of the equity or 5% of the total assets, whichever is lower, as per the Colombo Stock Exchange Section Listing Rule 9.3.2.

NOTES TO THE FINANCIAL STATEMENTS

33 Comparative Figures

Certain reclassifications have been made to the comparative figures to improve the comparability and fair presentation of these financial statements. As a result, following balances have been amended in the statement of profit or loss and other comprehensive income as shown below. These reclassifications have not resulted in changes to the profit for the year or total net assets previously reported as at 31st March 2020.

	As previously reported Rs.	As previously reported Rs.	Reclassified Amount Rs.
Statement of Profit or loss and Other Comprehensive Income			
Other Operating Income	85,979,542	(65,956,787)	20,022,755
Finance Income	-	65,956,787	65,956,787
(Reclassification of Interest Income)			
Statement of Financial Position			
Cash and Cash Equivalents	142,907,968	(69,665,065)	73,242,902
Bank Overdrafts	69,665,065	(69,665,065)	-
(Netting off Overdraft with Cash and Bank)			
Total Assets	1,805,605,201	(69,665,065)	1,735,940,156
Total Equity and Liabilities	1,805,605,201	(69,665,065)	1,735,940,156

34 Risk Management Framework, Objectives and Policies

Risk management of the Group is the systematic process of identifying, quantifying and managing all risks and opportunities that can affect the achievement of Convenience Foods (Lanka) PLC and its subsidiary's strategic and financial goals. The Group has established a sound risk management framework to identify and mitigate the risk exposure.

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

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group, through its procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group 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 Group is carried out based on guidelines established by the finance division which comes under the purview of the Board of Directors of the Group. The finance division identifies, evaluates and mitigates financial risk in close co-operation with the Group's finance department.

The Group has identified 3 critical types of risk which can affect the Group's operations adversely as Credit risk, Liquidity risk and Market risk.

34.1 Credit Risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group 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 Group does not have a significant credit risk exposure to any single counterparty or any group of counterparties. The Group has established policies and procedures to evaluate the clients before approving credit terms. Debtor balance as at 31st March 2021 comprises distributors, direct dealers, modern trade and individuals representing 49.45%, 6.32%, 44.19% and 0.03% respectively.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure 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 Group has obtained bank guarantees from its distributors.

The requirement for impairment is analyzed at each reporting date on an individual basis for all customers. In order to mitigate settlements and operational risks related to cash and cash equivalents, the Group uses several banks with acceptable ratings for its deposits.

Company / Group

a) The maximum exposure to credit risk at reporting date

As at 31st March	2021 Rs.	2020 Rs.
Cash at Bank	40,050,215	73,242,902
Short Term Investments	940,475,759	605,768,523
Trade Receivables	365,801,206	416,826,373
	1,346,327,180	1,095,837,798

b) Trade receivables at the reporting date (Group / Company)

	2021		2020	
	Gross balance Rs.	Impairment Rs.	Gross balance Rs.	Impairment Rs.
Trade Receivable	369,924,230	(4,123,024)	424,719,099	(7,892,725)
0 days - 360 days	365,856,755	(55,549)	416,826,373	-
Over 360 days	4,067,475	(4,067,475)	7,892,725	(7,892,725)
	369,924,230	(4,123,024)	424,719,099	(7,892,725)

The Group 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 loss allowances (Company / Group)

As at 31st March	2021 Rs.	2020 Rs.
Balance at the beginning of the year	7,892,725	1,379,662
Loss allowance during the year	(3,769,701)	6,513,063
Balance at the end of the year	4,123,024	7,892,725

NOTES TO THE FINANCIAL STATEMENTS

d) Cash at bank and other financial assets - fixed deposits

The Group held cash at bank and short term investments of Rs. 980,525,974 as at 31st March 2021 (2020 - Rs. 678,782,710) which represents its maximum credit exposure on these assets. These are invested/held with licensed commercial banks to limit its exposure to credit risk, which have better ratings.

Respective credit ratings of the banks are as follows,

Company / Group

As at 31st March	2021		2020	
	Rs 000	**%**	**Rs 000**	**%**
Fitch ratings				
AA+	-	-	239,469	35%
AA-	671,035	68%	-	-
A+	309,491	32%	439,314	65%
Total	980,526		678,783	

Source: http://www.fitchratings.lk as per latest available reports

34.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

	GROUP		**COMPANY**	
	Carrying Amount Rs.	**0-12 Months Rs.**	**Carrying Amount Rs.**	**0-12 Months Rs.**
As at 31st March 2021				
Financial Liabilities (Non- derivative)				
Trade and Other Payables	612,512,875	612,512,875	611,929,235	611,929,235
Amount due to Related Companies	27,631,252	27,631,252	27,631,252	27,631,252
	640,144,127	27,631,252	639,560,487	27,631,252
As at 31st March 2020				
Financial Liabilities (Non- derivative)				
Trade and Other Payables	338,416,694	338,416,694	337,848,054	337,848,054
Amount due to Related Companies	47,971,650	47,971,650	47,971,650	47,971,650
	386,388,344	47,971,650	385,819,704	47,971,650

Lease Liability (Group / Company)

As at 31st March	**2021 Rs.**	**2020 Rs.**
Less than one year	6,189,056	3,644,564
More than one year	31,911,903	5,653,707
	38,100,959	9,298,271

The Group does not have any financial liquidity risk since the Group does not have any borrowings as at 31st March 2021 and the Group maintains adequate cash and cash equivalents to meet its obligations.

34 Risk Management Framework, Objectives and Policies (Continued)

34.3 Market risk

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

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 Group is principally exposed to fluctuations in the value of the US Dollar (USD) against the Sri Lankan Rupee (LKR) on its pending letters of credit valued at Rs. 151,271,106, shipping guarantee valued at Rs. 176,965,000 and import bills valued at Rs. 24,586,848 as at 31st March 2021 (2020 - Rs. 432,975,430, Rs. 45,558,000 and Rs. nil respectively).

As the Group does not have material foreign currency denominated financial assets and liabilities, there is no impact from foreign currency risk.

b) Interest rate risks

Interest rate risks mainly arises as a result of the Group 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 Group has obtained an overdraft facility amounting to Rs. 50,000,000 & Rs. 20,000,000 at an interest rate of AWPLR+0.5% by negative pledge over project assets, stocks and debtors from Hatton National Bank PLC and Commercial Bank of Ceylon PLC respectively, which has a direct impact on the interest expense due to the fluctuation of the interest rates. However, as at the reporting date, the Group had not utilized the overdraft facility.

Other than the above, the Group does not have any financial instruments on which the realizable/market value will have significant effect by the movements of interest rates as at 31st March 2021.

Sensitivity analysis

The impact to profit before tax if the interest rate had increased/ decreased by 1% is shown below

As at 31st March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Short Term Investments	940,475,759	605,768,523	940,475,759	605,768,523
Impact to profit before tax				
One percentage point increase (+1%) in interest rate	9,404,758	6,057,685	9,404,758	6,057,685
One percentage point decrease (-1%) in interest rate	(9,404,758)	(6,057,685)	(9,404,758)	(6,057,685)

Capital Risk Management

The Group's objectives when managing capital is to safeguard the Group'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 Group 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

NOTES TO THE FINANCIAL STATEMENTS

35 Fair Value Measurement

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 : Valuation techniques based on observable inputs, either directly - i.e. as prices or indirectly - i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument.

35.1 Fair Values Versus the Carrying Amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows;

As at 31st March 2021	GROUP		COMPANY	
	Carrying Value Rs.	Fair Value Rs.	Carrying Value Rs.	Fair Value Rs.
Financial Assets not measured at fair value				
Trade and Other Receivables	751,933,096	751,933,096	751,933,096	751,933,096
Amounts due from Related Companies	9,331,044	9,331,044	9,331,044	9,331,044
Short Term Investments	940,475,759	940,475,759	940,475,759	940,475,759
Cash and Cash Equivalents	40,319,425	40,319,425	40,319,425	40,319,425
	1,742,059,324	1,742,059,324	1,742,059,324	1,742,059,324
Financial Liabilities not measured at fair value				
Trade and Other Payables	612,512,875	612,512,875	611,929,235	611,929,235
Lease Liabilities	38,100,959	38,100,959	38,100,959	38,100,959
Amounts due to Related Companies	27,631,252	27,631,252	27,631,252	27,631,252
	678,245,086	678,245,086	677,661,446	677,661,446

As at 31st March 2020	GROUP		COMPANY	
	Carrying Value Rs.	Fair Value Rs.	Carrying Value Rs.	Fair Value Rs.
Financial Assets not measured at fair value				
Trade and Other Receivables	558,096,376	558,096,376	558,096,376	558,096,376
Amounts due from Related Companies	10,609,314	10,609,314	10,609,314	10,609,314
Short Term Investments	605,768,523	605,768,523	605,768,523	605,768,523
Cash and Cash Equivalents	73,242,902	73,242,902	73,242,902	73,242,902
	1,247,717,114	1,247,717,114	1,247,717,114	1,247,717,114
Financial Liabilities not measured at fair value				
Trade and Other Payables	338,416,694	338,416,694	337,848,054	337,848,054
Lease Liabilities	9,298,271	9,298,271	9,298,271	9,298,271
Amounts due to Related Companies	47,971,650	47,971,650	47,971,650	47,971,650
	395,686,615	395,686,615	395,117,975	395,117,975

35.2 Financial Assets and Liabilities by fair value hierarchy

The following table sets out the fair values of financial instruments not carried at fair value and analyses then by the level in the fair value hierarchy into which each fair value measurement is categorized.

	GROUP			COMPANY		
As at 31st March 2021	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial Assets						
Trade and Other Receivables	-	-	751,933,096	-	-	751,933,096
Amounts due from Related Companies	-	-	9,331,044	-	-	9,331,044
Short Term Investments	-	-	940,475,759	-	-	940,475,759
Cash and Cash Equivalents	-	40,319,425	-	-	40,319,425	-
	-	40,319,425	1,701,739,899	-	40,319,425	1,701,739,899
Financial Liabilities						
Trade and Other Payables	-	-	612,512,875	-	-	611,929,235
Lease Liabilities	-	-	38,100,959	-	-	38,100,959
Amounts due to Related Companies	-	-	27,631,252	-	-	27,631,252
	-	-	678,245,086	-	-	677,661,446

	GROUP			COMPANY		
As at 31st March 2020	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial Assets						
Trade and Other Receivables	-	-	558,096,376	-	-	558,096,376
Amounts due from Related Companies	-	-	10,609,314	-	-	10,609,314
Short Term Investments	-	-	605,768,523	-	-	605,768,523
Cash and Cash Equivalents	-	73,242,902	-	-	73,242,902	-
	-	73,242,902	1,174,474,212	-	73,242,902	1,174,474,212
Financial Liabilities						
Trade and Other Payables	-	-	338,416,694	-	-	337,848,054
Lease Liabilities	-	-	9,298,271	-	-	9,298,271
Amounts due to Related Companies	-	-	47,971,650	-	-	47,971,650
	-	-	395,686,615	-	-	395,117,975

NOTES TO THE FINANCIAL STATEMENTS

35.3 *Analysis of financial instruments by measurement basis*

The fair values of financial assets and liabilities, together with carrying amounts shown in the Statement of Financial Position, are as follows.

As at 31st March 2021	Carrying Amount - Group					Carrying Amount - Company				
	FVTPL	FVTOCI - Debt Instruments	FVTOCI - Equity Instruments	Financial Assets at Amortized Cost	Other Financial Liabilities	FVTPL	FVTOCI - Debt Instruments	FVTOCI - Equity Instruments	Financial Assets at Amortized Cost	Other Financial Liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets not Measured at Fair Value										
Trade and Other Receivables	-	-	-	751,933,096	-	-	-	-	751,933,096	-
Amounts due from Related Companies	-	-	-	9,331,044	-	-	-	-	9,331,044	-
Short Term Investments	-	-	-	940,475,759	-	-	-	-	940,475,759	-
Cash and Cash Equivalents	-	-	-	40,319,425	-	-	-	-	40,319,425	-
	-	-	-	1,742,059,324	-	-	-	-	1,742,059,324	-
Financial Liabilities not Measured at Fair Value										
Trade and Other Payables	-	-	-	-	612,512,875	-	-	-	-	611,929,235
Lease Liabilities	-	-	-	-	38,100,959	-	-	-	-	38,100,959
Amounts due to Related Companies	-	-	-	-	27,631,252	-	-	-	-	27,631,252
	-	-	-	-	678,245,086	-	-	-	-	677,661,446

As at 31st March 2020	Carrying Amount - Group					Carrying Amount - Company				
	FVTPL	FVTOCI - Debt Instruments	FVTOCI - Equity Instruments	Financial Assets at Amortized Cost	Other Financial Liabilities	FVTPL	FVTOCI - Debt Instruments	FVTOCI - Equity Instruments	Financial Assets at Amortized Cost	Other Financial Liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets not Measured at Fair Value										
Trade and Other Receivables	-	-	-	558,096,376	-	-	-	-	558,096,376	-
Amounts due from Related Companies	-	-	-	10,609,314	-	-	-	-	10,609,314	-
Short Term Investments	-	-	-	605,768,523	-	-	-	-	605,768,523	-
Cash and Cash Equivalents	-	-	-	73,242,902	-	-	-	-	73,242,902	-
	-	-	-	1,247,717,114	-	-	-	-	1,247,717,114	-
Financial Liabilities not Measured at Fair Value										
Trade and Other Payables	-	-	-	-	338,416,694	-	-	-	-	337,848,054
Lease Liabilities	-	-	-	-	9,298,271	-	-	-	-	9,298,271
Amounts due to Related Companies	-	-	-	-	47,971,650	-	-	-	-	47,971,650
	-	-	-	-	395,686,615	-	-	-	-	395,117,975

SHAREHOLDER AND INVESTOR INFORMATION

Share Distribution as at 31st March 2021

From	To	Number of Shareholders	Number of Shares	Holding %
1	1,000	1,655	142,347	5.18
1,001	10,000	46	145,714	5.30
10,001	100,000	5	95,983	3.49
100,001	1,000,000	2	402,979	14.65
Over 1,000,000		1	1,962,977	71.38
		1,709	**2,750,000**	**100.00**

Categories of Shareholders

Categories	Number of Shareholders	Number of Shares	Holding %
Local Individuals	1,643	285,812	10.40
Local Institutions	56	2,423,405	88.12
Foreign Individuals	8	36,613	1.33
Foreign Institutions	2	4,170	0.15
	1,709	**2,750,000**	**100.00**

Market price per share	As at 31/03/2021	As at 31/03/2020
Highest during the year	Rs.1,999.00	Rs.440.00
Lowest during the year	Rs.300.00	Rs.275.00
As at end of the year	Rs.1,245.00	Rs.337.40
Trade Volume	2,247	493
Share Volume	297,287	76,232
Turnover	Rs. 304,616,576.85	Rs. 28,483,836.30

Public Holding

The Percentage of shares held by the public as at 31st March 2021 – 28.619%

No of shareholder presenting the above percentage – 1,709

Float Adjusted Market Capitalization as at 31st March 2021 – Rs. 979,843,635.00

The Float Adjusted Market Capitalisation of the company falls under Option 5 of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under said option

SHAREHOLDER AND INVESTOR INFORMATION

Twenty Major Shareholders of The Company as at 31-03-2021

	Name	31-03-2021		31-03-2020	
		No of Shares	(%)	No of Shares	(%)
1	CBL Investments Limited	1,962,977	71.381	1,962,977	71.381
2	Dawi Investment Trust (Pvt) Ltd	210,128	7.641	200,000	7.273
3	J B Cocoshell (Pvt) Ltd	192,851	7.013	23,166	0.842
4	Mrs C A D S Woodward	26,994	0.982	26,994	0.982
5	Bansei Securities Capital (Pvt) Ltd / Dawi Investment Trust (Pvt)Ltd	21,209	0.771	16,766	0.610
6	Mr A M D E S Jayaratne	18,570	0.675	18,570	0.675
7	Cocoshell Activated Carbon Company (Pvt) Ltd	15,000	0.545	564	0.021
8	Mr K C Vignarajah	14,210	0.517	14,210	0.517
9	Mr U I Suriyabandara	9,431	0.343	9,091	0.331
10	Mr G W Amaratunga	8,677	0.316	8,677	0.316
11	Mr L H S Peiris	8,499	0.309	7,730	0.281
12	Mr E D K Weerasuriya & Mr S. Weerasooriya	8,169	0.297	8,951	0.325
13	Mr R J S Jayamaha	7,000	0.255	10,000	0.364
14	Mr Z G Carimjee	6,867	0.250	6,867	0.250
15	Mrs S Vignarajah	6,300	0.229	6,300	0.229
16	Mrs M M Udeshi	6,000	0.218	6,000	0.218
17	Mr A J Rumy	5,920	0.215	6,200	0.225
18	Dr S Yaddehige	4,798	0.174	4,998	0.182
19	Mrs N A Chandrasena And Mr J U N Chandrasena	4,556	0.166	6,005	0.218
20	Hopkins Global Fund LP	4,120	0.150	4,120	0.150
	Sub Total	2,542,276	92.446	2,348,186	85.389
	Others	207,724	7.554	401,814	14.611
	Issued Capital	**2,750,000**	**100.000**	**2,750,000**	**100.000**

PERFORMANCE SUMMARY

Group Data	For the Year Ended 31.03.2021	For the Year Ended 31.03.2020	For the Year Ended 31.03.2019 Restated	For the Year Ended 31.03.2018 Restated	For the Year Ended 31.03.2017 Restated
Profitability (Rs.)					
Revenue (Net)	3,207,282,244	2,430,828,555	1,996,718,507	1,825,160,656	1,546,475,941
Results from operating activities	575,972,199	251,901,185	111,777,023	208,341,613	107,296,942
Finance income	62,158,719	65,956,787	58,659,794	48,963,876	32,916,502
Finance expenses	(5,183,148)	(1,850,860)	(376,329)	(327,338)	(1,943,100)
Profit before tax	632,947,770	316,007,112	170,060,488	256,978,151	138,270,344
Income tax expenses	(117,042,986)	(86,567,859)	(51,456,080)	(86,944,533)	(51,155,944)
Profit for the year	515,904,784	229,439,253	118,604,408	170,033,618	87,114,400
Inventors' Funds (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	41,613,945
Retained earnings	1,619,437,686	1,128,133,392	914,237,232	803,179,294	648,537,093
Non current liabilities	127,186,874	79,074,339	71,126,543	72,835,188	61,655,770
Total investor's fund	1,840,759,682	1,301,342,854	1,079,498,899	970,149,605	804,327,986
Assets Employed (Rs.)					
Current assets	1,984,093,130	1,460,037,530	1,132,514,527	981,225,269	683,010,492
Current liabilities	684,661,271	434,597,282	285,314,364	278,367,697	163,597,760
Working capital	1,299,431,859	1,025,440,248	847,200,163	702,857,572	519,412,732
Non current asset	541,327,824	275,902,606	232,298,735	267,292,033	284,915,254
Total assets employed	1,840,759,682	1,301,342,854	1,079,498,899	970,149,605	804,327,986
Key Financial Indicators					
Market price of a share as at year end	1,245.00	337.40	399.60	430.00	310.00
Net assets per share	623.12	444.46	366.69	326.30	270.06
Basic and diluted earnings per share	187.60	83.43	43.13	61.83	31.68
Dividend per share	5.50	4.50	5.00	4.00	4.00
Price earnings ratio (year end)	6.64	4.04	9.27	6.95	9.79
Market capitalization (Rs.'000)	3,423,750	927,850	1,098,900	1,182,500	852,500
Return on capital employed	36.43%	25.81%	16.90%	28.68%	18.88%
Dividend pay out ratio	2.93%	5.39%	11.59%	6.47%	12.63%
Interest cover (Times covered)	123	172	453	786	72
Current ratio (No. of Times)	2.90	3.36	3.97	3.52	4.17
Dividends Yield ratio	0.44%	1.33%	1.25%	0.93%	1.29%
Earnings Yield	15.07%	24.73%	10.79%	14.38%	10.22%

EMPLOYEE STATISTICS

EMPLOYEE STRENGTH

Executive Staff

	As at 31.03.2021	As at 31.03.2020
Director	2	2
Senior Managers	3	2
Managers	8	8
Assistant Managers	8	7
Executives	19	19
	40	**38**

Non Executive Staff

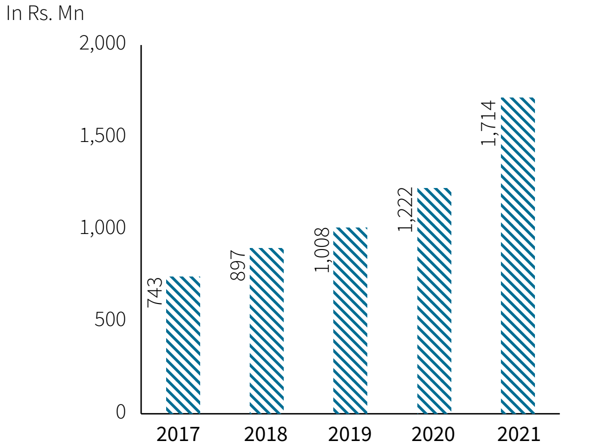
	As at 31.03.2021	As at 31.03.2020
Support Staff		
Permanent	132	124
Contract	-	-
Factory Staff		
Permanent	113	115
Contract	5	5
	250	**244**

FUNCTIONAL ANALYSIS OF EXECUTIVES

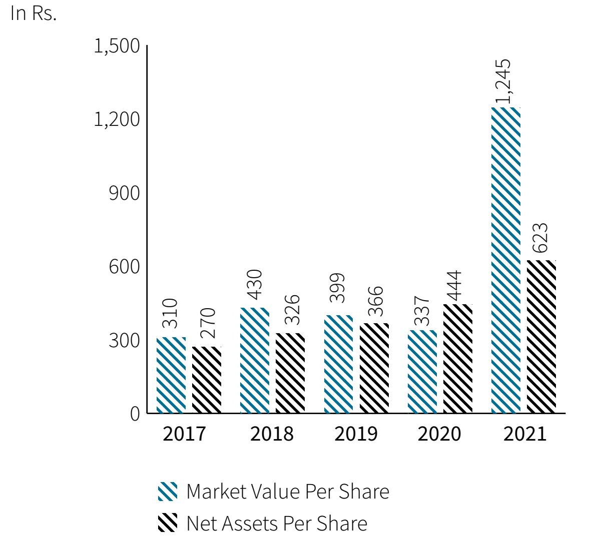
	As at 31.03.2021	As at 31.03.2020
General Management	1	1
Finance	6	5
Stores	1	1
Information Technology	1	1
Sales & Marketing	15	15
Production	5	4
Quality	3	3
Research & Development	2	2
Procurement	2	2
Human Resources	1	1
Administration	2	2
Engineering	1	1
	40	**38**

GRAPHICAL REVIEW

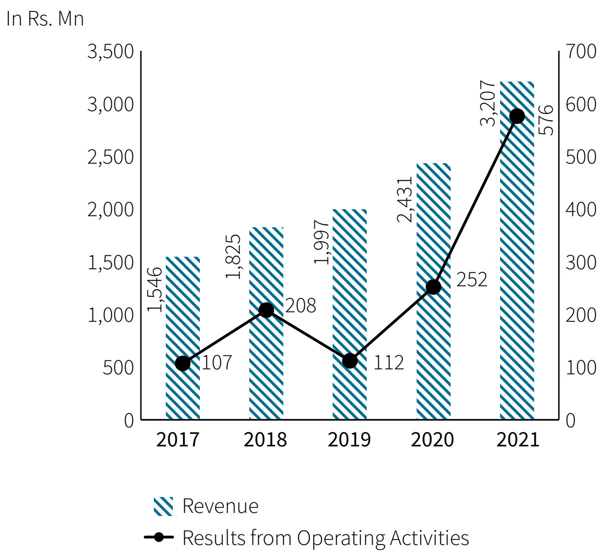
Shareholder's Funds



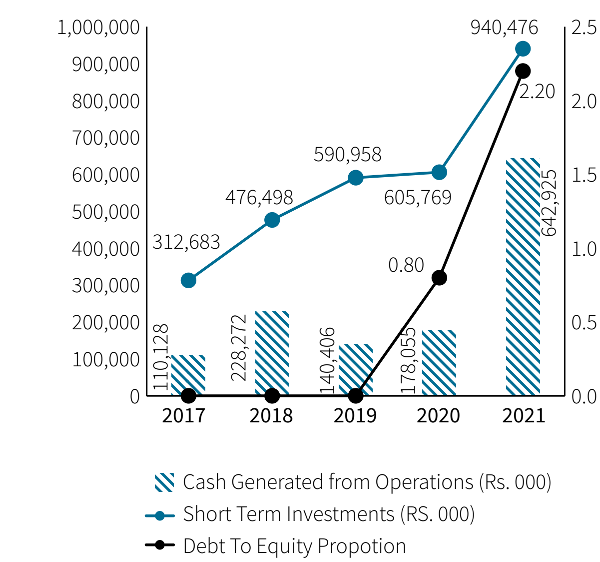
Market Value vs Net Assests Per Share



Revenue & Results from Operating Activities



Strength of Cashflows



GLOSSARY OF FINANCIAL TERMS

Capital Employed

Total of stated capital, other reserves, retained earnings and long term interest-bearing liabilities.

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.

Dividend Yield

Ordinary dividend per share divided by market price per share.

Earnings Yield

Earnings per share divided by market price per share.

Interest Cover

Profit before tax plus interest charges divided by interest charges.

Market Capitalization

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 Capitalization

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 Assets

Profit after tax divided by total assets.

Inventors' Funds

Total of stated capital, other reserves, retained earnings and long term liabilities.

Total Debt

The total of long and short term interest bearing borrowings.

Working Capital

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

NOTES

NOTES

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth (30th) Annual General Meeting of Convenience Foods (Lanka) PLC will be held by electronic means on Monday, 13th September 2021 at 3.30 p.m. centered at Ceylon Biscuits Limited, High Level Road, Makumbura, Pannipitiya for the following purposes;

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st March 2021 and the Report of the Auditors thereon.

2. To declare a first and final dividend of Rs.10/- per share for the year ended 31st March 2021.

3. To pass the ordinary resolution set out below to re-appoint Mr. R. S. A. Wickramasingha who is 74 years of age, as a Director of the Company;

   "IT IS HEREBY RESOLVED THAT age limit of 70 years referred to in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr R S A Wickramasingha who is 74 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act, No.07 of 2007."

4. To pass the ordinary resolution set out below to re-appoint Mr. L. M. De Silva who is 77 years of age, as a Director of the Company;

   "IT IS HEREBY RESOLVED THAT the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. L .J. M. De Silva who is 77 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act, No.07 of 2007."

5. To appoint M/s KPMG, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.

6. To authorize the Directors to determine donations for the year ending 31st March 2022 and up to the date of the next Annual General Meeting.

By Order of the Board
CONVENIENCE FOODS (LANKA)PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

7th July 2021
Colombo

Notes:

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her by electronic means.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. Shareholders are advised to follow the Guidelines and Registration Process for the Annual General Meeting attached hereto.

FORM OF PROXY

I/We*.. NIC No..

of ....

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

.... of .... or failing him*;

Mr. Ramya Sanath Amaraweera Wickramasingha	of Colombo or failing him*
Ms. Dharshini Sheamalee Wickramasingha	of Colombo or failing her*
Mr. Edenadure Thilanka De Zoysa	of Colombo or failing him*
Ms. Nishka Kanya Wickramasingha	of Colombo or failing her*
Mr. Muditha Udara Saliya Gamini Thilakawardana	of Colombo or failing him*
Dr. Dissanayake Mudiyanselage Ananda Kulasooriya	of Colombo or failing him*
Mr. Mahesh Shirantha Nanayakkara	of Colombo or failing him*
Mr. Lakshman Joseph Mervin De Silva	of Colombo*

as my/our* proxy to represent me/us* and to vote as indicated hereunder for me/us* and on my/our* behalf and /or* to speak at the Thirtieth (30th) Annual General Meeting of the Company to be held by electronic means on 13th September 2021 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

		For	**Against**
1.	Declare a first and final dividend of Rs.10/- per share for the year ended 31st March 2021.		
2.	To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the re-appointment of Mr. R S A Wickramasingha as a Director of the Company.		
3.	To pass the ordinary resolution set out under item 4 of the Notice of Meeting for the re-appointment of Mr. L J M De Silva as a Director of the Company.		
4.	To appoint M/s KPMG as the Auditors of the Company and to authorize the Directors to determine their remuneration.		
5.	To authorize the Directors to determine donations for the year ending 31st March 2022 and up to the date of the next Annual General Meeting.		

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

....

Signature of Shareholder/s

**Please delete what is inapplicable.*

Note:

1. Instructions as to completion appear on the reverse.
2. A Proxy need not be a shareholder of the Company.

FORM OF PROXY

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and signing in the space provided and filling in the date of signature.

2. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy please insert the relevant details in the space provided.

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

4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.

5. Please indicate with an 'X' in the space provided how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.

6. The completed Proxy should be forwarded to the Company for deposit at the Registered Office through the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd, No. 3/17, Kynsey Road, Colombo 08 (email soy.pwcs@gmail.com), by 3.30 PM on 11th September 2021.

   In forwarding the completed and duly signed Proxy to the Company, please follow the Guidelines and Registration Process for the Annual General Meeting attached to the Notice of Annual General Meeting.

CORPORATE INFORMATION

Name of the Company

Convenience Foods (Lanka) PLC
Formerly known as Soy Foods (Lanka) PLC

Legal Form & Listing

A Public Limited Company listed on the
Colombo Stock Exchange

Date of Incorporation

27 March 1991

Registered Office

Ceylon Biscuits Ltd,
Makumbura,
Pannipitiya,
Sri Lanka.

Principal Place of Business

No. 133, 7th Lane , Off Borupana Road,
Kandawala, Ratmalana.
Tel: +94 11 2611154, 2624408, 5003000
E- mail: inquiry.cf@cbllk.com
Web: www.muncheelk.com

Principal Business Activity

Manufacture and Marketing of Textured Vegetable
Protein (TVP) & Other Food Products.

Directors of the Company

Mr. R S A Wickramasingha - Chairman
Mr. E T De Zoysa - Managing Director
Ms. D S Wickramasingha
Ms. N K Wickramasingha
Mr. L J M De Silva
Mr. M U S G Thilakawardana
Dr. D M A Kulasooriya
Mr. M S Nanayakkara

Auditors

KPMG Sri Lanka,
Chartered Accountants,
No. 32A, Sir Mohomad Macan Markar Mawatha,
Colombo 03.

Secretaries & Registrars

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

Bankers

Hatton National Bank PLC
Commercial Bank of Ceylon PLC
People's Bank
National Development Bank of Sri Lanka
DFCC Bank PLC

www.muncheelk.com

Ceylon Biscuits Ltd,
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