

A woman with long dark hair, wearing a pink jacket and a VR headset, is interacting with a tablet in a futuristic clothing store. The store is filled with glowing blue lines and digital overlays, including a jacket on a hanger and stacks of folded clothes. The overall atmosphere is high-tech and digital.

DIGITAL MARKETPLACE REVOLUTION

KAPRUKA HOLDINGS PLC
ANNUAL REPORT 2023/24

DIGITAL MARKETPLACE REVOLUTION

Today, Kapruka stands tall as a trailblazer in the e-commerce sphere offering more than a platform by enabling sustainable, personalised retail experiences.

In an age where technology drives progress, the digital marketplace is undergoing a seismic shift. Traditional e-commerce platforms, once heralded as the pinnacle of convenience, are now stepping up to with enriched value through personalised and curated shopping experiences.

At Kapruka our vision is to redefine the very essence of how we buy, sell and experience products online. As we move ahead we are geared to shape tomorrow's retail landscape by revolutionising the digital market place.

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NAVIGATING THE REPORT



FINANCIAL CAPITAL

MANUFACTURED CAPITAL

HUMAN CAPITAL

SOCIAL & RELATIONSHIP CAPITAL

INTELLECTUAL CAPITAL

NATURAL CAPITAL



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FEEDBACK

We value the feedback and engagement of our stakeholders as we strive to enhance our reporting practices and overall performance. Please feel free to reach out with any comments or questions regarding this Report.

Mr. Chamath De Silva

Accountant

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ABOUT THIS REPORT

We adopt an integrated approach to reporting in order to better inform our stakeholders of the matters that affect our ability to preserve and create value. This annual report themed **‘DIGITAL MARKETPLACE REVOLUTION’** presents a balanced and comprehensive view of the progress made towards achieving our strategic ambitions in the face of unprecedented economic uncertainties during the period from 01 April 2023 to 31 March 2024.

REPORTING SCOPE AND BOUNDARY

The contents of this report relate to the operations of Kapruka Holdings PLC (“Kapruka” or “the company”) including its four subsidiaries and associate company. The financial information in financial statements and the narrative provides a consolidated view unless otherwise stated. The report outlines the challenges and opportunities we faced during the year and how we have addressed these through our purpose, vision, and strategy, to create long-term value for our stakeholders. We adopt an annual reporting cycle for both financial and non-financial reporting. There have not been any changes in reporting scope and boundary from the previous year and no restatements of information reported in 2023/24.

MATERIALITY

Our material matters have the potential to help or hinder the execution of our strategy thereby impacting our ability to create value in the short, medium and long term. They are derived from considering inputs from our stakeholders and our enterprise risk management process. The manner in which we manage our material matters directly influences our ability to become sustainable.

REPORTING FRAMEWORKS

This report has been prepared in accordance with:

Companies Act No 7 of 2007	Sri Lanka Accounting & Auditing Standards Act No.15 of 1995	Sri Lanka Financial Reporting Standards	Continued Listing Rules of the Colombo Stock Exchange	Integrated Reporting Framework of the International Integrated Reporting Council
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ASSURANCE

To ensure the integrity of our reporting, assurance for this report is obtained through a combination of internal and external sources. The content contained in this annual report has been reviewed by the Audit Committee before being submitted to the Board of Directors for approval. Furthermore, the financial statements have undergone an independent review conducted by Messrs Ernst & Young and their report can be found on page 85 of this Annual Report.

FORWARD LOOKING STATEMENTS

Statements regarding the company’s future operations and performance are not definitive guarantees of future financial or operational outcomes. These statements involve a level of uncertainty as they rely on assumptions about future developments, some of which are beyond our control. Consequently, the actual results and outcomes may differ from what is projected or anticipated. It is important to acknowledge that future performance is subject to various factors and circumstances that may impact the company’s operations and financial performance.

STATEMENT BY THE BOARD

All information contained in this report has been internally reviewed by the Board of Directors. We hereby confirm that the 2023/24 Annual Report fairly represents the company’s performance and addresses all relevant material matters that have a bearing on our ability to create value over the short, medium and long term. Accordingly, the report was unanimously approved by the Board on 30th August 2024 and is signed on its behalf by:



Dulith V. Herath
Chairman/GEO



Manjula Dharmasri
Head of Finance



ABOUT US

WE ARE SRI LANKA'S FIRST AND LARGEST LOCALLY-OWNED E-COMMERCE ENTERPRISE

Founded in 2003 by a visionary entrepreneur, Kapruka has experienced exponential growth over the past two decades, establishing a significant global presence. Headquartered in Colombo, the company also has offices in the USA, Canada the UK, and Australia. Kapruka boasts an impressive portfolio of over 125,000 products and approximately 30 distinct services, offering an extensive range of merchandise and gift ideas.

As Sri Lanka's largest locally owned e-commerce enterprise, Kapruka has set a benchmark for an exceptional shopping experience. It facilitates the online purchasing of goods for both Sri Lankan and expatriate consumers through its subsidiary, Kapruka e-commerce (Pvt) Ltd. The company has forged partnerships with over 500 renowned brands, providing Sri Lankan products of the highest quality, and ensuring efficient order fulfilment and last-mile delivery for its online orders. Kapruka's seamless technological platforms and high service

standards have supported the growth and retention of a loyal customer base both domestically and internationally.

CORE ACTIVITIES

We specialise in creating a seamless and enjoyable online shopping experience for our customers. Our comprehensive e-commerce platform offers an extensive range of products and services designed to meet the diverse needs of both local and global consumers.



E-Commerce

Kapruka sells thousands of goods in almost all retail categories, including fresh produce. Its unique non-marketplace e-commerce business model carries over 500 top-end Sri Lankan brands.



Manufacturing

Kapruka sells its own-labelled products, predominantly cakes, flowers and value-added fruits and vegetables which are produced under Kapruka Productions (Pvt) Ltd.



Service Beyond Borders

The Group also offers Sri Lankan brands on global e-commerce platforms such as Amazon, eBay, Etsy and Walmart, becoming the exclusive e-distributor/e-commerce retailer for well-established local brands such as Dilmah, Akbar and Link Samahan.



Partner Central

Kapruka intends to leverage the e-commerce market's growing potential. This custom platform streamlines collaboration between Kapruka and its extensive partner network enabling selected suppliers to showcase their products and connect with a global audience.

ENABLED BY

EXTENSIVE PRODUCT RANGE

With over 125,000 products available, we provide a vast selection of merchandise that includes everything from electronics and fashion to home goods and specialty items.

EXCLUSIVE PARTNERSHIPS

We source products from suppliers across Sri Lanka through our network of 500+ suppliers.

SUPERIOR CUSTOMER SERVICE

Customer satisfaction is at the heart of what we do. Our dedicated support team is available around the clock to assist with any questions or concerns.

INNOVATIVE TECHNOLOGY

Our state-of-the-art e-commerce platform is designed for ease of use, security, and reliability. Advanced search features, personalised recommendations, and a user-friendly interface make shopping with us a pleasure.

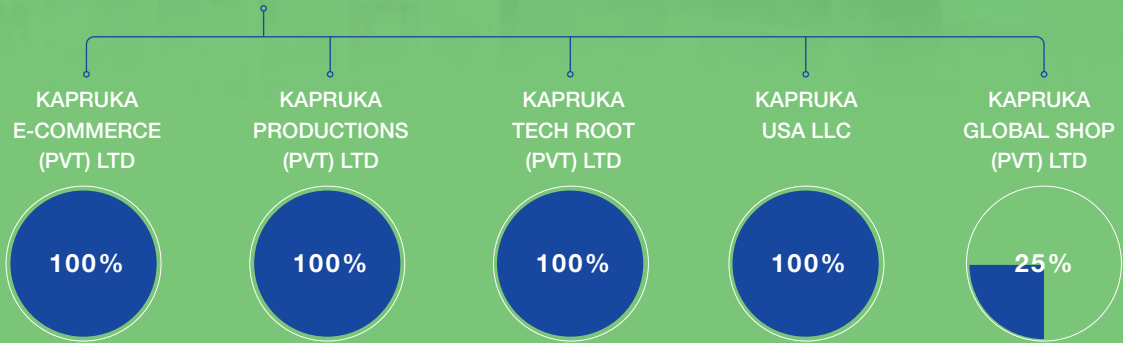
SEAMLESS ORDER FULFILMENT

Our efficient logistics and last-mile delivery systems ensure that your orders are processed and delivered quickly and accurately. Whether shopping from within Sri Lanka or from abroad, we guarantee a reliable delivery service.

COMMITMENT TO SUSTAINABILITY

As part of our commitment to responsible business practices, we prioritise sustainability in our operations. From eco-friendly packaging to partnering with brands that share our values, we are dedicated to reducing our environmental impact.

OUR GROUP STRUCTURE



OUR COMPREHENSIVE E-COMMERCE PLATFORM OFFERS AN EXTENSIVE RANGE OF PRODUCTS AND SERVICES DESIGNED TO MEET THE DIVERSE NEEDS OF BOTH LOCAL AND GLOBAL CONSUMERS.

WHERE WE OPERATE



ABOUT US

RS. 1.79 BN

REVENUE

RS. 543 MN

GP

RS. 1.58 BN

TOTAL ASSETS

NET ASSETS
PER SHARE

RS. 5.73

EMPLOYMENT
OPPORTUNITIES

89 NEW RECRUITMENTS

PAID TO EMPLOYEES

RS. 241 MN

NEW INITIATIVES LAUNCHED
KAPRUKA PARTNER CENTRAL

RS. 37.3 MN

SHAREHOLDERS

MARKET
CAPITALISATION

RS.1,148,912,520

SHARE PRICE

RS. 9.3
HIGH

RS. 6.7
LOW

RS. 7.0
CLOSING

TAXES PAID TO
GOVERNMENT

RS. 120 MN

CSR
BENEFICIARIES

RS. 2.8 MN



OUR MILESTONES

2003

The Company was founded by a single entrepreneur in 2003.



2011

Kapruka Tech Root (Pvt) Ltd providing technology related services was incorporated on the 04th of November 2011.



2018

Kapruka Productions (Pvt) Ltd which is our manufacturing arm for cakes under the Kapruka Brand was incorporated on the 07th of July 2018

The Company restructured its operations in October 2021 by acquiring 100% of Tech Root (Pvt) Ltd and Kapruka Productions (Pvt) Ltd and 25% of Kapruka Global Shop (Pvt) Ltd. Kapruka E-commerce (Pvt) Ltd, was incorporated on the 29th of October 2021 as a 100% owned subsidiary of Kapruka Holdings. The Company changed its name to Kapruka Holdings Ltd from Kapruka Dot Com Ltd on the 20th of November 2021

2022

Listed on the Main Board of the CSE in January 2022 becoming Sri Lanka's 1st Listed E-commerce Enterprise



2023

Listed on the Main Board Commenced the Kapruka cross border project which exports Sri Lankan brands to Amazon, Walmart expanded to Canada and UK in addition to US market. Relocated to a state of art new head office building and E-com fulfilment center in Mirihana, Nugegoda. Kapruka USA LLC was incorporated to provide global payment gateway integration services and to manage cross-border operations.



2024

Launch of Kapruka Partner Central on 29th February 2024 which marks a significant transformation in our business model, shifting from a traditional inventory-based approach to a dynamic on-demand stock model. Kapruka further enhanced the platform with the addition of the Partner Central Lounge in February 2024.

AWARDS



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SRI LANKAN ENTREPRENEUR OF THE YEAR 2017

Mr Dulith Herath was awarded the Sri Lankan Entrepreneur of the Year 2017 - Provincial Gold Award (Extra Large Category - Western Province) organized by Federation of chambers of Commerce and Industry of Sri Lanka(FCCISL).

ASIA PACIFIC YOUNG ENTREPRENEUR OF THE YEAR AWARD – 2018

Mr. Dulith Herath won the Asia Pacific Young Entrepreneur of the Year Award in 2018, an honor given to recognize exceptional entrepreneurial talent and innovative business leadership in the Asia Pacific region.

NATIONAL BUSINESS EXCELLENCE AWARDS -2017

Kapruka won the National Business Excellence Awards 2017 Runner-up in the Other Service Sector for its outstanding service quality, innovation, and significant contribution to the e-commerce industry in Sri Lanka.

MOST INNOVATIVE EXPORTER GOLD AWARD

In 2011, the National Chamber of Exports awarded Kapruka the ‘Most Innovative Exporter Gold Award’ for its groundbreaking approaches in export services and exceptional innovation in expanding Sri Lankan products to global markets.

SRI LANKA’S BEST E-COMMERCE APPLICATION

In 2011, the Information Communication Technology Agency of Sri Lanka (ICTA) awarded Kapruka the ‘Most Innovative Exporter Gold Award’ for its groundbreaking approaches in export services and exceptional innovation in expanding Sri Lankan products to global markets.

SLT ZERO ONE AWARD

Kapruka was awarded the SLT Zero One Award by Sri Lanka Telecom for Best Digital Enabled Product/Service in the Retail Sector, recognizing its excellence in leveraging digital technology to enhance retail experiences.

NATIONAL ICT AWARDS NBQSA 2023

Kapruka received the National ICT Awards (NBQSA) 2023 Merit Award in the Research and Development category for its innovative integration of ChatGPT in Sinhala, enhancing accessibility and user engagement.

14TH SLIM BRAND EXCELLENCE AWARD

At the 14th SLIM Brand Excellence Awards, Kapruka was honored as the Online Brand of the Year, recognized for its outstanding digital presence and customer engagement, awarded by the Sri Lanka Institute of Marketing (SLIM).

16TH SLIM BRAND EXCELLENCE

Kapruka gained fresh spotlight by winning Gold at the Sri Lanka Institute of Marketing (SLIM) Brand Excellence Awards 2016. Securing the prestigious Gold award in

the ‘Online Brand of the Year’ category, Kapruka reaffirms its market leader status in the e-commerce space.

EXPORT OF BUSINESS AND PROFESSIONAL SERVICE

Kapruka received the Gold Award for Export of Business and Professional Service in the Medium Sector at the National Chamber of Exports (NCE) Awards. This recognition highlights Kapruka’s excellence in exporting professional services and its significant contribution to Sri Lanka’s export sector.

SRI LANKAN ENTREPRENEUR OF THE YEAR 2010

In 2010, Kapruka.com was honored with the Provincial Silver Award (Medium Category - Western Province) at the Sri Lankan Entrepreneur of the Year Awards. This accolade, presented by the Federation of Chambers of Commerce and Industry of Sri Lanka (FCCISL), recognizes outstanding entrepreneurial achievements and contributions to the local economy.

NATIONAL BUSINESS EXCELLENCE AWARDS -2011

In 2011, Kapruka.com was honored with the National Business Excellence Award, winning in the ‘Other Service - Other Sector’ category. This prestigious award, presented by the National Chamber of Commerce of Sri Lanka, recognizes Kapruka’s exceptional service quality, innovation, and significant contributions to the e-commerce industry in Sri Lanka.

FINANCIAL HIGHLIGHTS

Year ended 31st March	Group			Company			
	2024	2023	Change %	2024	2023	Change %	
Earnings Highlights & Ratios							
Revenue	Rs.'000s	1,790,746	1,953,219	(8.32)	203,337	208,396	(2.43)
Profit/(Loss) before Tax	Rs.'000s	(109,726)	(30,795)	256.31	21,842	71,873	(69.61)
Taxation	Rs.'000s	(8,096)	(55,074)	(85.30)	(8,938)	(58,527)	(84.73)
Profit attributable to Equity Holders	Rs.'000s	(117,821)	(85,869)	37.21	12,904	13,346	(3.31)
Total Comprehensive Income for the year	Rs.'000s	(121,990)	(84,458)	44.44	158	13,912	(98.86)
Earnings per Share	Rs.	(0.72)	(0.51)	39.05	0.08	0.08	(3.32)
Return on Shareholder's Equity	%	(13%)	(8%)	55.02	1%	1%	-
Pre-tax Return on Shareholder's Equity	%	(12%)	(3%)	302.56	2%	6%	(69.61)
Return on Assets	%	(7%)	(5%)	44.95	0.7%	0.8%	(8.50)
Interest Cover	No. of Times	(3.12)	(2.71)	14.93	0.27	0.41	(35.76)
Balance Sheet Highlights & Ratios							
Total Assets	Rs.'000s	1,584,593	1,673,935	(5.34)	1,734,580	1,641,460	5.67
Total Debts	Rs.'000s	348,734	377,131	(7.53)	221,641	175,367	26.39
Shareholder's Funds	Rs.'000s	939,947	1,061,938	(11.49)	1,197,401	1,197,243	0.01
No. of Shares in Issue	000s	164,130	164,130	-	164,130	164,130	-
Net Assets per Share	Rs.	5.73	6.47	(11.49)	7.30	7.29	0.01
Debt/Equity	%	37%	36%	4.47	19%	15%	26.37
Debt/Total Assets	%	22%	23%	(2.32)	13%	11%	19.60
Current Ratio	No. of Times	1.80	2.13	(15.34)	1.11	1.57	(29.24)
Market/Shareholder Information							
Market Price per Share	Rs.				7.00	8.3	(15.66)
Market Capitalisation	Rs.'000s				1,148,912,520	1,362,281,988	(15.66)
Price Earnings Ratio	No. of Times				7260.61	97.92	-
ROCE	%	(13%)	(12%)	11.12	1.0%	1.8%	(43.48)

MESSAGE FROM CHAIRMAN & CEO

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“A pivotal milestone in our journey this year has been the introduction of Partner Central, a strategic initiative designed to leverage the growing potential of the e-commerce market.”

Dear valued stakeholders,

It is with immense pride and optimism that I present to you the Kapruka Holdings PLC Annual Report for 2023-2024. This year, we faced an unprecedented array of economic challenges and uncertainties.

Nevertheless, the agility of our strategic approach, the adaptability of our leadership, and the relentless dedication of our team have empowered us to meet and exceed the expectations of our global stakeholders. This year has not

only seen us navigate these adversities but also capitalise on new opportunities, further unlocking the immense potential of Kapruka Holdings PLC. As Sri Lanka's leading homegrown retail e-commerce platform, we are poised for diverse and promising avenues of expansion.

MARKET POTENTIAL AND GROWTH OPPORTUNITIES

The past year, marked by continued economic turbulence and significant inflationary pressures, tested the resilience of businesses across Sri Lanka.

The country's GDP saw a modest growth of -2.3% in 2023, a slight improvement from previous years but still reflective of the challenging economic landscape. Inflation remained a pressing issue, with the National Consumer Price Index (NCPI) indicating an average rate of around 25% for the year, significantly impacting consumer purchasing power. The rise in non-food inflation from 23.9% in January 2023 to 29.7% in June 2023 caused added economic strain while the introduction of a new VAT in Q4 2023, led to a significant decline in retail consumption in Sri Lanka. Despite these challenges, the retail market has demonstrated resilience, adapting to the evolving economic conditions and demonstrating its capacity for recovery and growth.

E-commerce has emerged as a critical component of the retail sector, driven by shifts in consumer behaviour towards online shopping. With e-commerce market penetration in Sri Lanka currently at just 1%, compared to 8% in India and over 20% in the United States, there is substantial room for growth. This presents a significant opportunity for Kapruka Holdings PLC to expand its market share. The increased activity from the Sri Lankan diaspora supporting family and friends through online purchases during economic crises further underscores the growing reliance on e-commerce.

Furthermore, the increasing internet penetration and smartphone usage in Sri Lanka provide a broader audience for online retail. According to recent statistics, over 50% of the population has internet access, and smartphone penetration is projected to reach 40% by the end of 2024. This digital shift is creating a larger customer base for e-commerce platforms like Kapruka. By leveraging data analytics to understand market trends and consumer preferences, we can tailor our offerings to meet the specific needs of different market segments. This data-driven approach enables us to stay ahead

of the competition and continuously improve our product assortment and service quality. Our growth strategy also includes expanding into new product categories and services, such as home repairs and legal services, to further diversify our offerings and attract a wider customer base. Additionally, the ongoing development of an advanced e-voucher system will revolutionise how gift vouchers are issued and redeemed, providing a seamless and flexible experience for both merchants and customers. This innovation is part of our broader strategy to build a state-of-the-art e-commerce ecosystem that offers unparalleled convenience and value.

REVOLUTIONISING OUR BUSINESS MODEL: THE INCEPTION OF 'PARTNER CENTRAL'

A pivotal milestone in our journey this year has been the introduction of Partner Central, a strategic initiative designed to leverage the growing potential of the e-commerce market. This innovative platform signifies a transformative shift in our business model, moving from a traditional inventory-based approach to a dynamic, on-demand stock model. Unlike typical e-commerce platforms that allow open listings, Partner Central operates on an invite-only basis, ensuring that we meticulously handpick our vendors. This approach maintains high standards and prevents price wars, preserving the quality and value of our offerings.

This strategic move has significantly reduced our capital expenditure on inventory, freeing up resources that enable us to expand our product range exponentially. With Partner Central, we can now offer up to 50 times more items than previously possible, meeting a broader spectrum of customer needs and preferences. This transformation not only enhances our market presence but also aligns us more closely with the evolving demands of our customers.

ACHIEVING OPERATIONAL EXCELLENCE AND EFFICIENCY

Our relentless pursuit of operational excellence has yielded remarkable results this year. To optimise our operations, we have implemented stringent measures to streamline our packaging and fulfilment processes. This comprehensive approach involved re-evaluating every step of our supply chain, from procurement to delivery, ensuring that each process is as efficient and cost-effective as possible. One significant initiative was the adoption of advanced automation technologies in our warehouses. By integrating state-of-the-art automated sorting and packing systems, we have significantly reduced the time and labour required for order processing. This technological upgrade not only sped up our fulfilment times but also minimised errors, leading to higher customer satisfaction rates. Additionally, we have renegotiated contracts with our logistics partners to secure more favourable terms, which helped us reduce shipping costs. We also invested in training programs for our fulfilment staff, focusing on best practices and efficiency techniques. These efforts have resulted in a more skilled workforce capable of handling a higher volume of orders with greater accuracy and speed.

As a result of these initiatives, we have achieved a substantial reduction in our operational costs. This efficiency drive has led to an impressive increase in our gross profit margins, rising from 25% to over 35% despite a challenging economic environment. Sri Lanka's economic landscape has been marked by persistent inflation and significant volatility in the Sri Lankan Rupee, impacting import costs. Additionally, the Balance of Payments (BOP) deficit has exerted pressure on our financial planning. By successfully reducing our inventory size by half, we have freed up substantial capital that was previously tied up in unsold stock. This strategic move not only improved our cash flow management but also allowed

us to invest in other critical areas of the business, such as technology upgrades and marketing efforts. The reduced inventory levels also mean less warehousing space is required, cutting down on storage costs and reducing our environmental footprint. These achievements underscore our commitment to operational excellence and our proactive approach to navigating the complexities of the current economic landscape. By continuously refining our processes and leveraging new technologies, we are well-positioned to maintain our competitive edge and deliver superior value to our stakeholders.

EXPANDING OUR GLOBAL E-DISTRIBUTION NETWORK

A cornerstone of our growth strategy has been our role as a premier e-distributor for renowned Sri Lankan brands on global platforms such as Amazon and eBay. This year, we have strengthened our logistics and warehousing capabilities in key markets, including the US, Canada, and the UK, with plans to expand into Australia, Japan, and India. This strategic expansion enables us to serve as the primary e-distributor for esteemed brands like Dilmah, Samahan, and Zesta Tea, providing them with seamless entry into international markets and reinforcing our global footprint.

INNOVATING FOR SUPERIOR CUSTOMER EXPERIENCE

Our unwavering focus on delivering exceptional value and service to our customers has driven us to transition from a price-oriented e-commerce model to a service-oriented one. Unlike many competitors, we do not engage in discount-driven sales tactics. Instead, we emphasise providing a premium shopping experience characterised by white-glove delivery services, robust return policies, and a meticulous fulfilment process. Our commitment to excellence ensures that every product, even something as small as a pencil,

MESSAGE FROM CHAIRMAN & CEO

is delivered by our dedicated, full-time staff, guaranteeing total control and accountability in our delivery operations.

We are also exploring new revenue channels by expanding our product categories to include furniture and offering services online, such as home repairs and technician visits. This diversification aligns with our strategy to provide a comprehensive range of products and services, thereby enhancing our value proposition and meeting the evolving needs of our customers.

we collaborated with celebrities and YouTubers to raise funds for medical and hospital sector projects, making a meaningful impact on healthcare in Sri Lanka. Our commitment to CSR reflects our belief that a successful business must also contribute positively to the society in which it operates.

STRENGTHENING OUR GOVERNANCE FRAMEWORK

The significant strengthening of our governance framework has served us well throughout the year. The dynamic and ethical leadership of our Board, supported by our three subcommittees on Audit, Remunerations, and Related Party Transactions Review, has been instrumental in navigating external challenges and ensuring the delivery of value to our stakeholders. The management teams have effectively operationalised strategic plans, fostering strong alignment between the Board and management. This robust governance structure ensures transparency, accountability, and adherence to the highest standards of corporate conduct.

CHARTING THE PATH AHEAD

As we look to the future, we see immense potential in the e-commerce sector of Sri Lanka, with current market penetration at just 1%. As this percentage grows, the opportunities for Kapruka are boundless. We are particularly excited about the potential of Partner Central, not just for products but also for services, and plan to launch a major marketing campaign to drive consumer traffic and attract top brands. From legal services to home repairs, we aim to create a comprehensive platform that meets a wide range of consumer needs.

We aim to strengthen our “Cross Border” initiative by introducing more local brands to international markets, including the USA, Canada, Australia, and the UK, which will reinforce our position as the global leader in e-distribution for Sri Lankan brands.

Additionally, we are developing an advanced e-voucher system that will revolutionise how gift vouchers are issued and redeemed, providing a seamless and flexible experience for both merchants and customers. This innovation is part of our broader strategy to build a state-of-the-art e-commerce ecosystem that offers unparalleled convenience and value.

A HEARTFELT APPRECIATION

As we forge ahead in the ambitious pursuit of our strategic plans, I reflect on our journey thus far with deep gratitude towards our numerous stakeholders. I am fortunate to be supported by a Board of Directors of remarkable calibre and charisma, whose collective counsel and guidance have been instrumental in our sustainable progress. I extend my sincere gratitude to our shareholders for their trust and support, and I look forward to continued mutual growth and prosperity.

My heartfelt thanks also go to our global customers, whose patronage inspires us to continually enhance the Kapruka experience. Team Kapruka deserves tremendous applause for their perseverance and passion, and it is my utmost privilege to lead such a resourceful team. Our international partners, delivery agents, suppliers, and all other stakeholders are remembered with much gratitude for their contributions to our journey.

Thank you for your continued trust and partnership. Together, we will drive Kapruka Holdings PLC towards new heights of success and innovation.

Sincerely,



Dulith V. Herath
Chairman & CEO
Kapruka Holdings PLC

EMPOWERING OUR WORKFORCE: THE BACKBONE OF OUR SUCCESS

Our dedicated team is the cornerstone of our success, and we have taken several initiatives to support and empower them. Despite economic challenges, we maintained our workforce, ensuring job security and stability. By leveraging advanced AI tools, we enhanced communication and productivity, particularly for middle-level employees who may face language or communication barriers. Our in-house tech team, operating under our subsidiary Tech Root, expanded by 30%, reflecting our commitment to technological innovation and in-house development. This team is pivotal in maintaining and advancing our proprietary platforms, ensuring that we have total control over our technological infrastructure and can swiftly adapt to the needs of our business.

GIVING BACK TO OUR COMMUNITY

While we faced numerous operational challenges, we remained steadfast in our commitment to corporate social responsibility. Our significant contributions to the Lady Ridgeway ICU unit for premature babies, including the provision of essential breathing systems, highlight our dedication to giving back to the community. Additionally, through our annual ‘Yuthukama’ program,



MANAGEMENT DISCUSSION & ANALYSIS

Our Value Proposition

OUR VALUE CREATION MODEL

INPUTS

FINANCIAL CAPITAL

- Our financial resources are represented by short term investments

Short term investments:
Rs. 324 Mn
Borrowings:
Rs. 349 Mn

HUMAN CAPITAL

- A motivated workforce
- Competent and skilled employees
- Digital expertise

234 employees
Human resources which are key to creating value and reaching our strategic goals

INTELLECTUAL CAPITAL

- Positive brand image
- Technical know-how

Tacit knowledge and capacity for innovation systems, processes and standards

SOCIAL CAPITAL

- Customer relationships
- Business partnerships

Extensive E-commerce Customer base local and foreign
Over **200+** Supplier base

MANUFACTURED CAPITAL

- Technological facilities
- IT management systems

Rs. 888 Mn worth of PPE. Rs.15.2 Intangible Assets

NATURAL CAPITAL

- Natural resources consumed in carrying out our business activities.

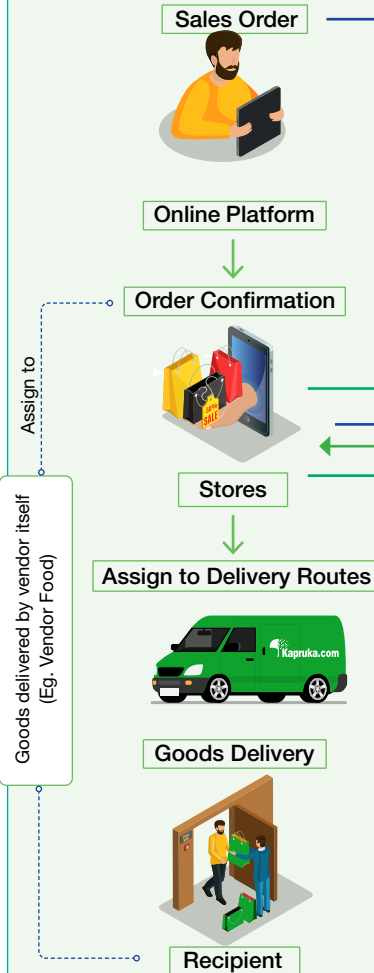
Fuel consumption **Rs.52Mn**
Energy consumption **Rs.19Mn**

VALUE TRANSFORMATION PROCESS

VISION

OUR STRATEGIC PRIORITIES

DELIVERED THROUGH BUSINESS ACTIVITIES



UNDERPINNED BY

Corporate governance

Robust risk management

OUTPUTS AND OUTCOMES



Financial resilience



Creating a unique culture for the people



Strengthening infrastructure



Sustainable growth

FINANCIAL CAPITAL

- Returns to shareholders



Rs. 1.79 Bn

Group revenue

Rs. 1.59 Bn

Total assets

HUMAN CAPITAL

- Fair remuneration and benefits
- Training opportunities
- Career progression
- Flexible work model



Rs. 241 Mn

Remuneration and benefits

60 promotions

INTELLECTUAL CAPITAL

- Retained market position
- Better customer experience



Increase in market reach

SOCIAL CAPITAL

- Contribution to social development
- Compliance with social and legal regulations



Rs. 2.8 Mn

investments in community wellbeing

Rs. 120 Mn

tax contribution

MANUFACTURED CAPITAL

- Enhanced business volumes
- Updated portfolio of services



Rs. 37.3Mn

new services introduced

NATURAL CAPITAL

- Efficient energy consumption
- Following the 3R concept



Environmentally friendly business practices

Increased automation

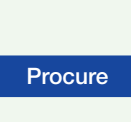
www.kapruka.com



Customers



by Customer Care



Procure



by Operational Team

Kapruka Fleet / Third Parties

- Goods Acceptance
- Goods Rejections

Local

Foreign

Third Party Suppliers

Related Party Suppliers (Eg. Kapruka Production - cakes)



IN THE CONTEXT OF

Global economy	Local economy	Political considerations
Technological advancements	Regulatory changes	Climate change considerations

OPERATING LANDSCAPE



16 THE GLOBAL CONTEXT

The global economy remained remarkably resilient during 2023/24, despite significant central bank interest rate hikes to combat inflation and restore price stability, and lingering policy uncertainties worldwide. Global growth, which slowed for three consecutive years demonstrated a rebound and with improved financial conditions, and modest growth, the world economy took a turn towards a soft landing.

The path towards recovery has been eventful, amid supply-chain disruptions in the aftermath of the pandemic, an energy and food crisis triggered by Russia's war on Ukraine, and a considerable surge in inflation worldwide, followed by a globally synchronised monetary policy tightening. The near-term global economic outlook remains cautiously optimistic, with modest growth tempered by ongoing geopolitical and climate risks. The mixed macroeconomic landscape is expected to persist, with inflation and interest rates declining at differing paces across countries.

Against this backdrop of lingering risks and uncertainties, the world economy is expected to grow at a steady pace of 3.2% during 2024 and 2025, matching the growth rate of 2023, - on account of stronger-than-anticipated resilience in the United States and several major emerging markets and developing economies, along with fiscal support in China.

A slight acceleration for advanced economies—from 1.6% growth in 2023 to 1.7% in 2024—will be offset by a modest slowdown in emerging market and developing economies, from 4.3% growth in 2023 to 4.2% in 2024.

Global headline inflation is forecast to decline steadily, from an estimated 6.8% in 2023 to 5.9% in 2024, due to further moderation in international commodity prices and weakened demand resulting from monetary tightening. Developed economies experienced a marked decline in inflation, though core inflation rates remain relatively high, influenced by rising service sector prices and tight labour markets. Inflation in most developing countries peaked in 2023 and is projected to moderate further in 2024.

Global trade growth weakened significantly in 2023, declining by 0.6% due to a slump in merchandise trade. However, as trade in services, particularly tourism and transport, continues to recover, global trade is expected to rebound with 2.4% growth in 2024.

Consequently, global investment, which declined from 3.3% in 2022 to 1.9% in 2023, is likely to remain subdued amid rising borrowing costs and heightened economic and geopolitical uncertainties.

Global supply chains continued to face unprecedented challenges, the most significant being the US-China trade war,

the COVID-19 pandemic-era consumer goods boom and the Russia-Ukraine war. However, supply chain activity has normalised operationally in 2023 and is expected to remain resilient in 2024.

Global economic growth is expected to continue, driven by post-pandemic recovery efforts, strong consumer demand in key sectors, and technological advancements, like generative AI reshaping industries. However, challenges from geopolitical tensions and uncertainty surrounding macro-economic policies, pose significant risks to economic stability. Addressing these challenges is crucial to sustain growth and manage emerging vulnerabilities in the global economy.

THE DOMESTIC ECONOMY

After an unprecedented economic crisis that imposed significant hardships on its people, the Sri Lankan economy began a path towards recovery in 2023. This recovery was supported by rapid disinflation, improved external resilience, stronger fiscal balances, and preserved financial stability.

The Government and the Central Bank entered into a consensus with the IMF, and with the coordinated implementation of policy measures, and structural reforms, secured the second tranche of the Extended Fund Facility (EFF), which has reinforced overall macroeconomic stability, steering the economy towards sustained growth.

Although GDP contracted in 2023, the green shoots of recovery emerged, with an expansion of 1.6% growth observed in the second half of 2023. This growth trajectory is expected to continue with projections of 1.9% in 2024. The agricultural sector experienced a growth of 2.6%, despite a contrasting decline in the industrial and service sectors, which contracted by 9.2% and 0.2% respectively. This growth was underpinned by renewed macroeconomic stability amid softening inflation and easing external sector pressures.

Inflation, which reached historically high levels, recorded a rapid disinflation process supported by the normalisation of domestic supply conditions, moderation of global commodity prices, and the strengthening of the Sri Lanka rupee, reaching lower single-digit levels towards the end of 2023. With the decelerating inflation, signs of a broadening recovery are evident, with agriculture, industry and services sectors recording year-on-year growth, projected to accelerate in the coming year.

However, inflation is likely to rise moderately in the near term due to new revenue measures and the waning of favourable base effects but remains benign in the medium term as demand continues to be subdued.

Headline inflation, as measured by the year-on-year (Y-o-Y) change in the Colombo Consumer Price Index (CCPI, 2021=100)¹ showed some uptick to a record 1.5% in April 2024 compared to 0.9% in March 2024. Core inflation (Y-o-Y), which reflects the underlying inflation trends in the economy accelerated to 3.4% in April 2024 from 3.1% in March 2024.

As inflation decelerated, the Central Bank adopted a more accommodative monetary policy with policy rate cuts, bringing the Standing Deposit Facility rate down to 11% and the Standing Lending Facility rate to 12% to stimulate

economic activity. The statutory reserve ratio was also reduced by 2.0 percentage points for the first time in 2 years. Following policy rate cuts, the market interest rates fell below 15%, as the contraction in credit demand eased, signifying early signs of an economic recovery.

Due to the severe impact of the crisis on living standards, it will take more time for people to experience the benefits of the initial signs of recovery. Domestic financing conditions are expected to improve, after external debt restructuring and policy framework stability are resolved, allowing the nascent recovery to become more broad-based. Although the economy is expected to gradually recover in 2024 and 2025, Sri Lanka will need to resolutely implement reforms to achieve a full recovery.

After an unprecedented economic crisis that imposed significant hardships on its people, the Sri Lankan economy began a path towards recovery in 2023. This recovery was supported by rapid disinflation, improved external resilience, stronger fiscal balances, and preserved financial stability.

Inflation
CCPI (Y-o-Y)
1.70



Economic Growth
-2.3%



LKR
303.33
Indicative



Policy Rates
SDFR SLFR
8.50 9.50



Unemployment Rate
6.36%
2023



Per Capita Income
Rs. 1,253,785
USD 3,830



OPERATING LANDSCAPE

INDUSTRY ENVIRONMENT

The world is rapidly embracing a digitised future, with eCommerce at the forefront of this transformation. The sector has experienced significant growth, fuelled by increased internet usage and social media influence, particularly post-COVID-19. This growth has positively impacted business in developing countries and major economies like China and the USA, while also creating jobs in logistics, warehousing, customer service, IT support, and delivery industries - improving international trade.

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During the pandemic, eCommerce saw a monumental surge as consumers shifted towards contactless online shopping and transactions. This trend towards digital payments and mobile commerce has persisted in the years that followed, driven by convenience and security.

eCommerce has revolutionised business operations, by eliminating middlemen, offering customised products, and promoting a 'Direct-to-Customer' business model, that benefits both the buyer and the seller. It also plays a vital role in business strategy and is responsible for spurring economic growth, potentially contributing to reduced inflation through cost savings, increased competition, and changes in pricing strategies in goods and services across industries. The product offerings have also expanded to include groceries, essential items, healthcare products, and fast-moving consumer goods (FMCG), alongside fashion and beauty products.

During the third quarter of 2023, eCommerce sales in the US accounted for 15.6% of total retail sales, marking a 50% increase from the previous year. Artificial intelligence (AI) capabilities have been instrumental in revolutionising eCommerce operations, enhancing the efficiency of the entire supply chain—from initial online purchase and procurement to delivery.

eCommerce platforms through their global reach, have enabled businesses to access international markets with greater ease, supported by improved logistics, cross-border shipping, and targeted localised marketing strategies.

GLOBAL TRENDS

Consumer preferences are changing, and to enhance customer convenience, eCommerce businesses are integrating omnichannel strategies (online, mobile apps, physical stores) in offering products and services.

The rise of Artificial Intelligence is revolutionising e-commerce operations by personalising recommendations, and offering customer service via chatbots and virtual assistants, driving higher conversion rates and enhancing the total consumer shopping experience.

The increasing use of smartphones, with the proliferation of social media platforms like Instagram, Facebook, and TikTok have integrated shopping features, allowing customers to purchase products directly.

Advances in logistics and payment technologies have facilitated cross-border eCommerce, enabling businesses to access global markets with greater ease.

OUTLOOK

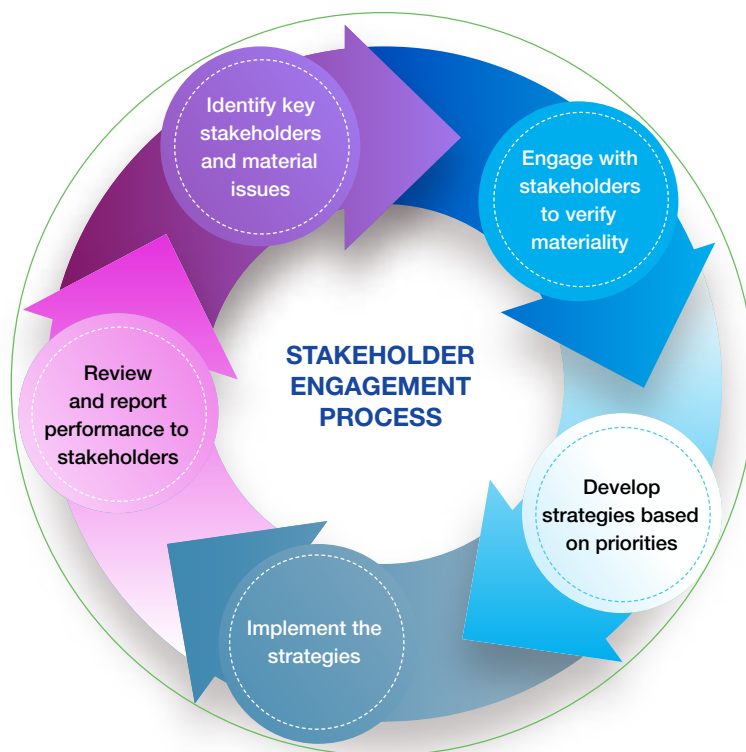
Sri Lanka's economy is well on the road to recovery, and is showing signs of stabilisation, but sustained efforts to mitigate the impact of the economic crisis on the poor and the vulnerable is critical, alongside a continuation of the path of robust and credible structural reforms. Risks to the outlook - the uncertainty associated with the upcoming elections, remains, including any reversal of policy and reform implementation that has contributed to macro-economic stability.

The eCommerce industry in Sri Lanka is poised for growth, driven by increasing internet penetration and a shift towards digital transactions - broadening market access for businesses, including small and medium enterprises (SMEs). As the country moves towards digitisation, eCommerce stands poised to play a pivotal role in shaping the country's economic landscape in the coming years.

ENGAGING WITH STAKEHOLDERS

We value our stakeholders and strive to maintain strong business relationships with them. To assess and address the needs of our stakeholders, which evolve and change regularly, we need to ensure that we are constantly engaged in formal and informal communication with them to comprehensively assess and address their needs. We have incorporated these communication channels into our day-to-day business activities which helps us to engage with them regularly.

This constant feedback mechanism also enables us to collect data for materiality assessments to help make necessary modifications to our business practices and to refine our strategic direction to better align with the needs, issues, concerns, and suggestions of our stakeholders.



Stakeholder group	Engagement mechanisms	Key concerns addressed	Our response
 Shareholders and Investors	<ul style="list-style-type: none"> • AGM • Annual Report and quarterly financial statements • Announcements at the Colombo Stock Exchange • Corporate website 	<ul style="list-style-type: none"> • Our ongoing financial performance • Business resilience • Sustainability of business growth • Corporate governance and risk management 	<ul style="list-style-type: none"> • Committed to increasing revenue • Prudent management of outflows • Regular improvements to risk and governance practices
 Employees	<ul style="list-style-type: none"> • Annual Performance appraisals • Flexible work arrangements • Multi-level staff meetings • Recognition and award ceremonies 	<ul style="list-style-type: none"> • Health and safety • Job security • Attractive remuneration • Opportunities for training and development • Career progression and succession 	<ul style="list-style-type: none"> • Annual increments • Specialised training programmes for staff • Annual outings and get-togethers • Non-discrimination policy • Medical insurance
 Customers	<ul style="list-style-type: none"> • Customer feedback and surveys • One-to-one engagement • Customer hotline 	<ul style="list-style-type: none"> • Value for money • Accessibility and supply reliability • Customer service 	<ul style="list-style-type: none"> • Consideration of customers' concerns on affordability in determining pricing

ENGAGING WITH STAKEHOLDERS

Stakeholder group	Engagement mechanisms	Key concerns addressed	Our response
 Business Partners	<ul style="list-style-type: none"> • Annual Reviews • Conferences/ Industry forums • Supplier site visits 	<ul style="list-style-type: none"> • Sustainable business growth • Product quality • Availability of product • Timely settlement of dues 	<ul style="list-style-type: none"> • Ongoing and proactive communication • Timely payments • Prudent pricing policies
 Community	<ul style="list-style-type: none"> • Ongoing CSR projects 	<ul style="list-style-type: none"> • Impact on the environment from operations • Responsible sourcing • Community investment 	<ul style="list-style-type: none"> • Supporting local entrepreneurs by connecting their products with the world • Empowering small businesses by providing them with access to global markets and opportunities

DETERMINING MATERIAL MATTERS

Determining and reporting material matters is essential for maintaining transparency, building stakeholder trust, and ensuring informed decision-making. By following a structured process to identify, evaluate, and prioritize material matters, we aim to provide valuable insights into our strategic priorities and performance, ultimately enhancing stakeholder engagement and confidence.

PROCESS TO DETERMINE MATERIAL MATTERS

Identify material topics

We conduct relevant research to analyse our business context, consider our operating environment and the resources we rely on, as well as obtain feedback from our stakeholders (internal and external) to assess matters that are of significance.
















Evaluate and prioritise

Assess the potential impact of identified issues on the organization’s performance, reputation, and compliance and use a matrix to plot issues based on their impact and likelihood, prioritizing those with the highest significance

Determine disclosures

Disclose the company’s strategic response to each material matter.

MATERIAL TOPICS

Material topic	Impact		Link to strategy
	To company	To stakeholder	
Financial stability	Ensures long-term viability and growth (H)	Provides confidence in the company’s financial health (H)	
Economic value created	Demonstrates contribution to the economy (H)	Benefits from economic growth and job creation (H)	 
Good governance	Enhances transparency and accountability (H)	Builds trust and credibility in the company (H)	
Employee well-being	Improves productivity and retention (H)	Ensures a positive work environment and employee satisfaction (H)	
Customer satisfaction	Drives loyalty and repeat business (H)	Receives quality products/services and positive experiences (H)	 
On time delivery	Enhances reputation and customer trust (H)	Ensures timely access to products/services (H)	
Innovation	Fosters competitiveness and growth (H)	Benefits from new products/services and improved solutions (H)	
Technology and digital advancements	Increases efficiency and competitiveness (H)	Access to cutting-edge solutions and improved experiences (H)	
Operational efficiency	Reduces costs and improves productivity (H)	Receives better services and products (H)	 
Sustainable packaging	Demonstrates environmental responsibility (H)	Contributes to a healthier environment and community (M)	
Regulations and compliance	Avoids legal issues and penalties (H)	Ensures ethical practices and protection of interests (M)	
Market presence	Increased brand visibility and recognition (H)	Improved investor confidence and potential for higher returns (H)	

(H) - High **(M)** - Medium

OUR STRATEGY AND RESOURCE ALLOCATION



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In an increasingly competitive and dynamic market, our strategy serves as the guiding framework for achieving sustained growth, innovation, and value creation. Our strategic approach is rooted in a commitment to financial resilience, creating a unique culture, strengthening infrastructure and sustainable growth. These pillars ensure we remain resilient and adaptable, positioning us as the leading e-commerce enterprise in Sri Lanka.



FINANCIAL RESILIENCE

Our financial resilience reflects the company’s commitment to performance, revenues, net income, expense management and maintaining a strong balance sheet. This enables us to invest in new talent, product development, expand operations and generate returns for all stakeholders. Maintaining a healthy cash flow is also a key element of building financial resilience which enables us to make the right investments and meet operational requirements. By implementing an efficient cash flow management strategy, we aim to guide the company towards sustainable growth.

FOCUS AREAS

- Diversify earnings across industries and geographies through investments and partnerships
- Leverage strategic partnerships to expand our geographic footprint
- Establishing proactive risk management strategies in the evolving and volatile external environment
- Continuously seek ways to streamline operations and reduce costs without compromising quality
- Invest in innovation and technology to improve efficiency, reduce costs, and create new revenue streams

CHALLENGES:

- Business disruptions due to the economic crisis
- Supply chain disruptions
- Reduced purchasing power of consumers

STRENGTHS AND OPPORTUNITIES:

- Strong market presence
- Long-standing business partnerships

RESOURCE ALLOCATION

RS. 10.8 Mn

Investment in business development

RS. 31.9 Mn

Capex investment

RS. 21.4 Mn

New business initiatives

Presence in **5** countries



CREATING A UNIQUE CULTURE FOR THE PEOPLE

Developing a strong, positive organisational culture is essential for achieving long-term success and fostering a motivated, productive workforce that is connected to the organisation’s purpose. We believe that a competent team with the required skills, experience and commitment is essential for us to achieve our strategic objectives. Therefore, we continue to invest in acquiring and improving human resources to serve our customers better.

FOCUS AREAS

- Provision of a safe and healthy workplace and environment which is conducive to personal and professional growth
- Empowering our employees and providing the opportunity to advance in their careers
- Caring for our people during industry downturns
- Embracing diversity and creating an inclusive environment where all employees feel valued and respected

CHALLENGES:

- Retention of a skilled talent pool amidst the mass exodus of talent in the country
- Job enrichment under the challenging circumstances

STRENGTHS AND OPPORTUNITIES:

- A young and dynamic workforce
- A strong employer brand

RESOURCE ALLOCATION

RS. 241 Mn

Payments to employees

89

New recruits



STRENGTHENING INFRASTRUCTURE

Continuously strengthening our infrastructure and staying abreast of technological developments is crucial for ensuring operational efficiency, enhancing resilience, and supporting sustainable growth. Providing a superior service to our clients is vital to our growth and bearing this in mind, we will constantly endeavour to upgrade our services by conducting thorough investigations and investing in the required infrastructure resources.

FOCUS AREAS

- Enhance productivity through streamlined processes and automation
- Facilitate innovative solutions to enrich communities
- Progress towards the use of AI tools to identify consumer behaviour and emerging trends
- Implement robust cybersecurity measures to protect digital assets and ensure data privacy and integrity

CHALLENGES:

- Volatile economic conditions that compelled us to adopt a prudent approach towards investments

STRENGTHS AND OPPORTUNITIES:

- Ability and potential to drive change and innovation within the industry

RESOURCE ALLOCATION

RS. 23.8 Mn

Investment in technology and infrastructure

OUR STRATEGY AND RESOURCE ALLOCATION



SUSTAINABLE GROWTH

Our sustainable growth strategy focuses on achieving long-term business success while balancing economic, environmental, and social considerations. It involves integrating sustainability into the core business operations and decision-making processes to ensure that growth does not come at the expense of future generations. The ultimate objective of our corporate strategy is to create value for all our stakeholders and we will continue to monitor the impact of our actions on the economy, society, and environment.

FOCUS AREAS

- Responsible consumption and production
- Establish management systems to monitor impacts
- Enhance positive impacts while controlling possible adverse impacts
- Enhance product and service quality
- Optimise resource utilisation

CHALLENGES:

- Changing consumer behaviour
- Supply chain complexity
- Balancing positive and adverse Impacts

STRENGTHS AND OPPORTUNITIES:

- Safe and healthy working environment for all employees
- Digitalised processes that enable better resource utilisation

RESOURCE ALLOCATION

RS. 2.8 Mn

Investment in community development



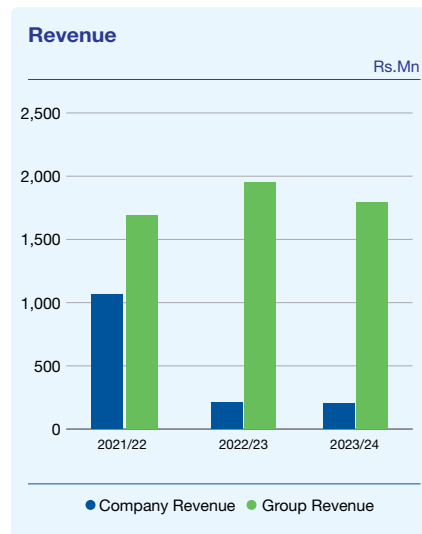
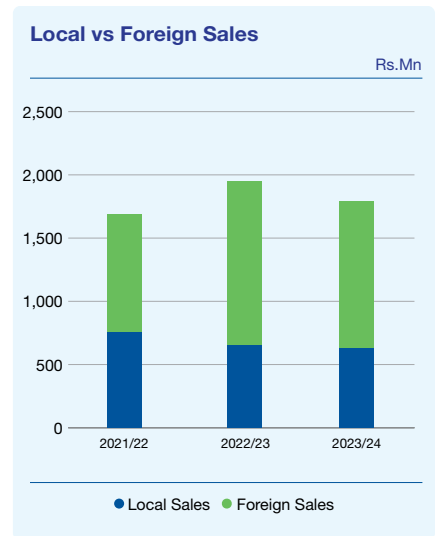
**COMMITTED
TO GROWTH**

FINANCIAL REVIEW



Financial capital serves as the cornerstone of our business, intricately connected with all other capitals in our value-creation process. This section elucidates Kapruka’s strategic deployment of financial resources to generate sustainable value for stakeholders, showcasing advancements made in the past fiscal year.

The Group successfully expanded its partner central marketplace and cross-border operations, leading to a significant boost in sales. Despite a challenging local market affected by reduced consumer purchasing power due to high inflation and macroeconomic uncertainty, the company capitalised on the global trend towards e-commerce, resulting in substantial revenue growth. Additionally, there was a notable uptick in USD-denominated sales as a growing number of expatriates turned to our services to support their families in Sri Lanka with essential goods.



OPERATING COSTS

Group operating expenses decreased by 7% to Rs. 1.962 Bn during the year. This decrease was driven by a significant 13% decrease in costs of sales, offset by an 18% increase in administrative costs and a 14% decrease in distribution costs. Despite challenging operating conditions, our strategic focus on optimising resources led to improved cost efficiencies. Through process enhancements, automation, and waste minimisation, we fostered a culture of cost consciousness across our operations, helping to mitigate the impact of inflationary pressures.

REVENUE

RS.1,790 MN

LOSS BEFORE TAX

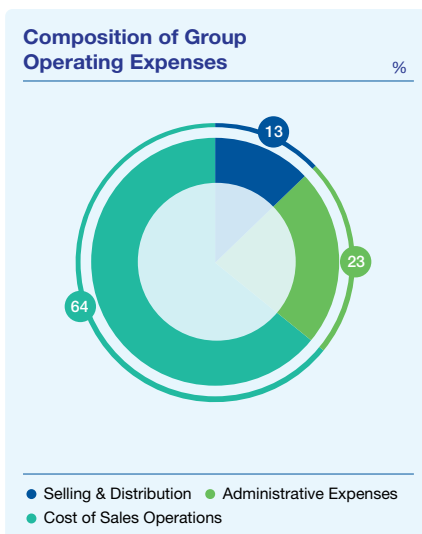
RS.109 MN

LOSS AFTER TAX

RS.117 MN

REVENUE

In the wake of one of the most challenging years in our history, the Kapruka Group recorded a revenue of Rs 1,790 Mn marking a decrease of 8% compared to the previous year’s revenue of Rs. 1,953 Mn. This is a reflection of our continued commitment to the Digital Marketplace Revolution despite the challenging macroeconomic factors hindering consumer demand.



PROFIT/(LOSS)

During the year, the Group’s consolidated gross profits reached Rs. 543.7 Mn, marking a 3% increase from the previous year. However, the company’s gross profit was Rs. 203 Mn. Due to higher administration, selling, and distribution costs, the Group experienced an operating loss of Rs. 158 Mn. The Group’s net finance income decreased by 61% to Rs. 48.5 Mn compared to the previous year, attributed to gains from currency conversions on orders from foreign expatriate customers and a significant rise in interest income.

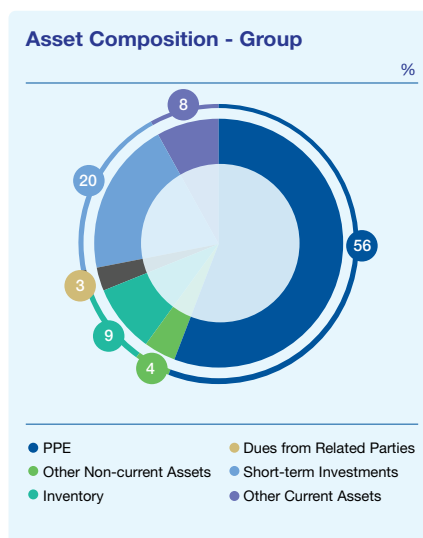
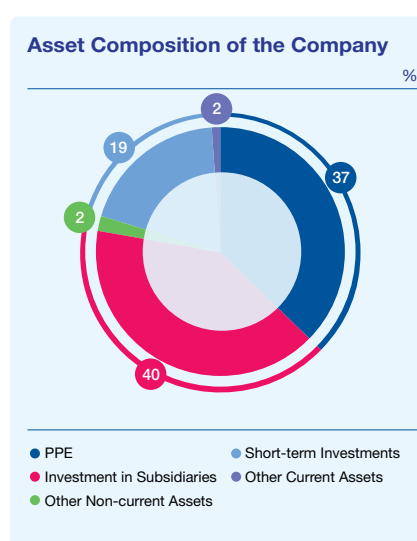
The Group concluded the year with a loss before tax of Rs. 109 Mn and a net loss of Rs. 117 Mn. Loss before tax surged by 256% compared to the previous year, while the net loss increased by 37%. The decline in Group profits from the previous year was primarily due to lower local sales, reflecting the contraction of the Sri Lankan economy and the increase in VAT/taxes. The company is currently restructuring its product line to better adapt to the contracting economy.

	Group		Company	
	2023/24	2022/23	2023/24	2022/23
EPS (Rs)	(0.72)	(0.51)	0.08	0.08
Return on equity (%)	-13%	-8 %	1%	1%
ROCE (%)	-13%	-12%	1%	1.8%
Net assets per share (Rs)	5.73	6.47	7.30	7.29
Market price per share (Rs.)	-	-	7.00	8.30
P/E ratio (Times)	-	-	89	102

ASSETS

Total assets of the Group witnessed a decline of 5% reaching Rs.1.584 Bn as of 31st March 2024 compared to Rs. 1.673 Bn at the previous year’s end. Fixed assets accounted for 59% of the total assets which grew by 2% during the year mainly as a result of the increase in property, plant and equipment.

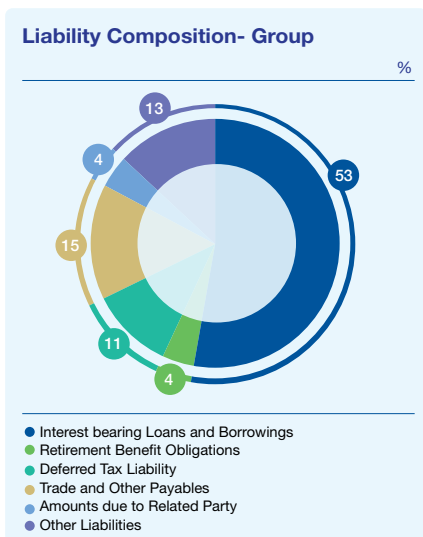
Current assets declined by 11% recording Rs. 630 Mn as at year-end compared to the prior year’s Rs. 711 Mn.



EQUITY AND LIABILITIES

The company’s total liabilities marked an increase, with non-current liabilities increasing by 6.2% and current liabilities increasing by 4.6%. Overall, the Group has a reasonably low level of borrowings which include long-term borrowings as well as overdrafts and short-term debt. Equity is the main source of funding for the Group. Total equity of the Group comprising of capital, retained earnings and other reserves fell to Rs. 940 Mn as of 31st March 2024 as a result of the drop in retained earnings. Return on Capital Employed (ROCE) decreased to -13% while the debt-to-equity ratio stood at 37% at year-end. Borrowings were curtailed to Rs. 349 Mn of total group funding, which strengthened the balance sheet and financial resilience of the Group.

FINANCIAL REVIEW



CASHFLOWS AND LIQUIDITY

The company reported a positive cash inflow of Rs. 5.69 Mn from operating activities during the year, representing a decrease compared to the previous year's inflow of Rs. 54 Mn. This reflects prudent financial resource management. The net cash outflow from investing activities increased to Rs. 49.3 Mn from Rs. 25.5 Mn in the previous year. Additionally, net cash inflows from financing activities amounted to Rs. 55 Mn. Overall, the company experienced an inflows of Rs. 11.89 Mn in cash and cash equivalents for the year.

On the other hand, the Group reported a cash outflow of Rs. 90.24 Mn from operating activities for the financial year ending on 31st March 2024. However, cash flow from investing activities recorded an inflow of Rs. 77.08 Mn and cash flows from financing activities were positive at Rs. 68.4 Mn, resulting in an overall cash and cash equivalents amount of Rs. 55.6 Mn at year-end. Despite the prevailing uncertain conditions, the Group remained focused on proactively managing its cash flows, maintaining sufficient working capital for day-to-day operations, and positioning itself for growth

	Group		Company	
	2023/24	2022/23	2023/24	2022/23
Net Cash (used in) Operating Activities	(90.2)	(124.8)	5.7	54.2
Net Cash Flows (used in) Investing Activities	77.1	(10.3)	(49.3)	(25.5)
Net Cash Flows from (used in) Financing activities	68.5	28.2	55.6	(39.3)
Cash and cash equivalents at the end of the year	55.7	(36.2)	7.9	(4.0)



DISTRIBUTION OF VALUE ADDED

We contribute directly and indirectly towards the socio-economic progress of the country. The total value added during the year was Rs. 654 Mn, out of which the highest percentage was distributed among the Group’s pool of 234 employees. 32% of the value was retained for growth and expansion purposes while the remainder was distributed to the government, lenders of capital and the community.

The chart below depicts the economic value generated by Kapruka Group during the year under review.

VALUE ADDED STATEMENT	2023/24	%
	Rs' 000	
Revenue	1,790,746	
Adjustment for-		
Other Income & Finance Income	116,395	
Share of profits of equity accounted investees	-	
Less : Cost of material & services purchase	(1,252,499)	
Total Value Added	654,642	
Distributed as follows:		
To employees -		
Salaries, wages & other benefits	240,998	36.81
To Government		
Value Added Tax	76,358	
Income Tax	16,057	
SSCL	23,318	
Assesment Tax	4,616	120,349
Assesment Tax		18.38
To the providers of capital -		
As interest on Loan	75,544	11.54
As non controlling interest		-
To shareholders as dividend	-	-
Donation and community Investments	2,835	0.43
Retained within the Business		
As depreciation & impairment	42,546	6.50
As reserves	172,370	26.33
Total Value Distributed	654,642	100.00

NURTURING OUR HUMAN RESOURCES

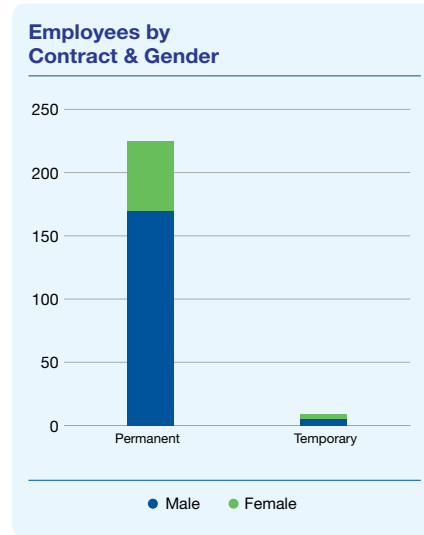
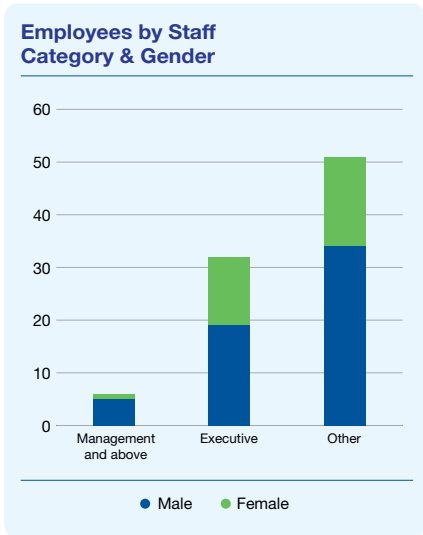


At Kapruka, we recognise that at the heart of our organisation’s success is our people. Hence, we are committed to nurturing our human talent, fostering career growth, providing fair and equitable remuneration, ensuring development and engagement at all levels and creating a dynamic environment where every individual can thrive, and contribute significantly to our collective success.

We continuously invest in our human capital - the key source of our competitive strength, by equipping them with the right skills, knowledge, and technical know-how to drive success, innovation, and organisational prosperity.

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TEAM PROFILE



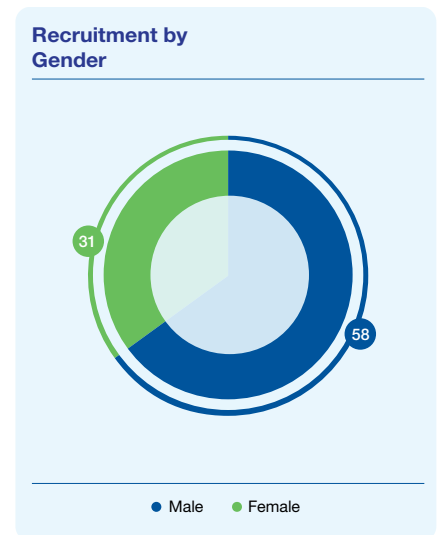
demonstrating our commitment to excellence and continuous growth.

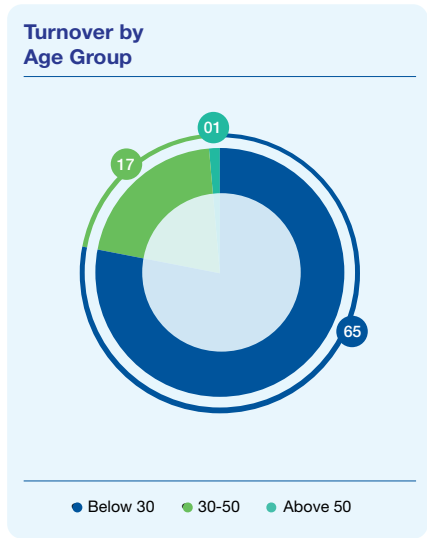
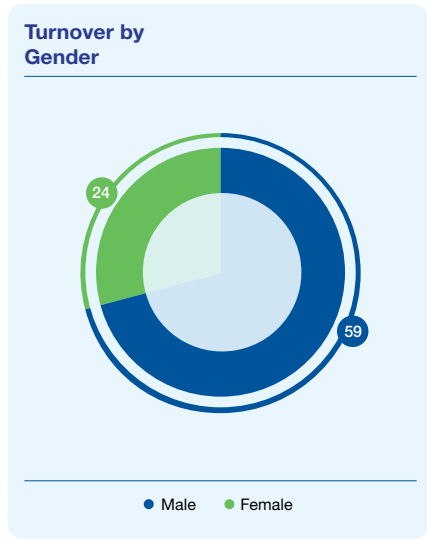
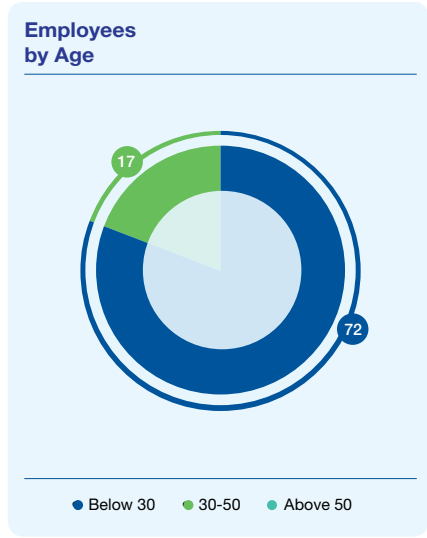
Over the years, we have seen remarkable growth and continued evolution in our team profile across the various peripheries of Kapruka Holdings PLC. We adopt a strategic approach that promotes a flexible and open work environment, encouraging employee autonomy and providing competitive benefits—attributes that are synonymous with our industry reputation.

TALENT ATTRACTION AND RETENTION

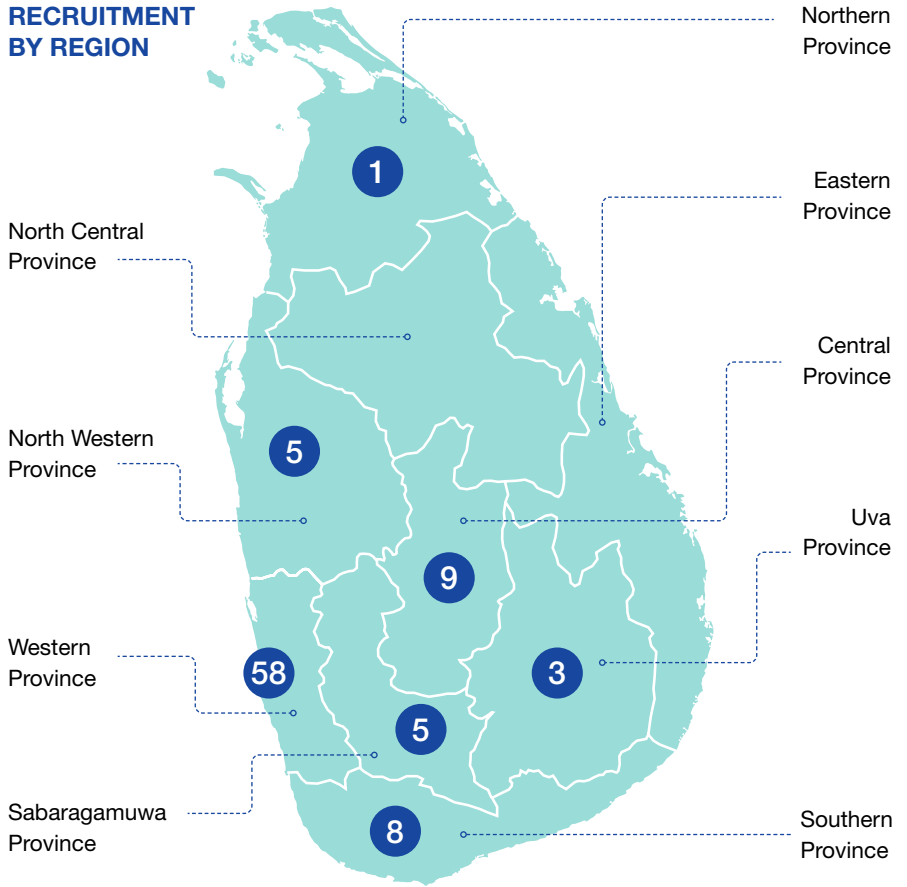
Reinforcing our human resource vision for our organisation, we place great emphasis on identifying and retaining exceptional talent, ensuring timely recognition and nurturing a positive corporate culture. We embrace diversity, offering our employees equal opportunities irrespective of race, religion, or gender.

New recruits are carefully assessed within a six-month probationary period before being absorbed into the permanent cadre of the organisation. During the year, we experienced a high attrition rate with 83 resignations, primarily due to the significant out-migration observed in the country. To counteract this high employee turnover, we recruited 89 new employees and celebrated 57 internal promotions,





RECRUITMENT BY REGION



CAREER DEVELOPMENT AND EMPOWERMENT

We recognise that our employees are our most valuable asset and hence, we are dedicated to fostering a growth-conducive environment, that empowers them to reach their full potential.

Kapruka encourages its employees to add to their qualifications by reimbursing the annual membership fees of their professional qualifications, thereby encouraging our staff to broaden their expertise by easing their financial burden. Our investment in workforce development is aimed at helping employees achieve their career goals and aspirations.

Performance management integrates annual appraisals, immediate supervisor evaluations, and ratings

influencing rewards, all within budgetary considerations. Training remains central to our strategy, ensuring optimal performance.

We provide our employees with induction programs, leadership training, skill enhancement programs, and various other training opportunities to upskill our team, thereby fostering a culture of continuous learning - which gives us a competitive edge in delivering exceptional e-commerce.

REMUNERATION AND BENEFITS

We are committed to providing fair and equitable remuneration based on merit, and every employee is entitled to it based on their performance. Last year, we allocated Rs. 241 Mn towards staff expenses, recognising the valuable contributions of our team. Our

NURTURING OUR HUMAN RESOURCES

transparent approach to labour relations is evident in the absence of labour disputes and pending action.

Apart from remuneration, we offer a range of other benefits to our employees.

Staff Order Discounts - All staff, whether they be permanent, probationary or fixed-term employees, are entitled to a 30% discount on their cake orders, a 20% discount on their flower orders from Kapruka, and a 10% discount on all products from Java outlets, which will be deducted from their payroll.

Funeral Pay - If an employee's immediate family member passes away, company provides support through the welfare fund and grants 4 working days of leave to help during this difficult time.

Marriage of an employee - A Employees who are getting married are eligible for support from the welfare fund and will be granted 4 working days of leave.

Medical Leave - Permanent Cadre employees are eligible for a maximum of 7 days paid leave.

Maternity leave benefit - Female employees are entitled to 12 weeks of maternity leave with full pay.

relationship with our employees through open channels of communication, which allow for addressing concerns and receiving feedback. Our flat organisational structure and open-door policy encourage employees to voice their grievances at any time and facilitate collaboration. Our conflict resolution processes prioritise our employees, ensuring that fairness and respect are maintained. Regular staff and team meetings ensure effective communication, making employees feel heard, respected, and valued. We actively support employee engagement to foster a positive work-life balance within the organisation.

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Staff Accommodation - We provide free accommodation at Raththanapitiya, and Mirihana for employees who are from distant suburbs, which benefits them greatly by saving on transportation costs.

Subsidised lunch and dinner - All employees are provided with lunch and dinner at a subsidised rate ensuring access to affordable and nutritious meals.

Staff Annual Trip - All employees, regardless of their cadre, are eligible to take part in the Annual Office Trip which includes food and fun activities, at no cost.

Executive Staff Holiday Payment- Executive grade employees who work on weekends or holidays are eligible for a payment.

Distress Loan - An interest-free Distress Loan Program to support employees during unforeseen financial challenges. Eligible employees can repay the loan in 10 equal monthly installments.

Health and Insurance Coverage - Employees are eligible for personal accident coverage and medical insurance coverage.

AUTOMATION OF HR PROCESSES

In alignment with the company's growth strategy, we have implemented a new ERP system to streamline our human resource processes, by automating core business processes across our departments, which will significantly reduce the manual workload, enhance overall workflow efficiency and productivity, and enable better optimisation of resources.

PERFORMANCE MANAGEMENT

We are committed to creating value for our employees through robust HR processes and systems. Our performance management systems set out clear KPIs that are synchronised with our organisational goals for each employee - which ensures that each employee's objectives are aligned with and contribute to the company's broader strategic goals.

Our approach includes regular performance reviews, utilising metrics to assess individual and team accomplishments, providing feedback, and offering fair compensation and benefits. We believe that these enhancements to our performance management system will improve our organisational performance and create a more positive and fulfilling environment for our employees.

At Kapruka, we prioritise investing in our employees and empowering them to unleash their full potential, and we are certain that our performance management system will drive us towards achieving this objective.

EMPLOYEE ENGAGEMENT

Employee engagement is vital for an organisation, and we nurture our

OUTLOOK

Our future outlook focuses on fostering organisational growth, and we recognise that our employees are central to achieving our strategic objectives and excellence. Hence, we prioritise our human capital by acknowledging their collective accomplishments, offering training and development opportunities, and effectively engaging them, in order to build a skilled and motivated team which aligns with the Group's long-term strategic objectives. Our global workforce, with its diverse cultural perspectives, is a key asset that greatly enriches our organisational culture.

FUELLING GROWTH THROUGH EXPERTISE



Strengthening and enhancing our intellectual capital is central to our strategic vision for achieving business excellence. To achieve this, we integrate a blend of web and mobile platforms, streamlined processes and cutting-edge systems that form the core of our operational strength. These systems support critical functions such as accounting, human resource management, and administrative operations. By recognising the value of our intellectual assets and strategically managing them, we continue to foster innovation, efficiency, and sustained growth.

FOSTERING THE KAPRUKA BRAND

In the realm of convenience, the Kapruka brand stands resolute, driven by our unwavering commitment to delivering a seamless online shopping experience - an integral pillar in our pursuit of brand excellence. Kapruka, Sri Lanka's largest locally-owned online e-commerce platform, has established itself as a dominant force in the retail e-commerce industry and offers a diverse range of products and services to its local and international customer base.

The Kapruka brand resonates deeply with its global clientele, transcending from a symbol of convenience to a household name among Sri Lankans at home and abroad—a true retail powerhouse. Through the Kapruka cross-border e-commerce platform, Sri Lankan brands are listed on global e-commerce platforms like Amazon and eBay, tapping into new markets and further amplifying the global presence of Sri Lankan brands, thereby contributing to the influx of much-needed dollars to Sri Lanka.

Nurturing family bonds across distances, the Kapruka Brand fosters heartfelt

connections. Sri Lankan expatriates worldwide use the platform to send gifts, groceries, fresh produce, and FMCG products to loved ones in Sri Lanka—a practice that surged during the pandemic and continues today. Kapruka's relevance in the domestic market has grown steadily since the pandemic, marking its evolution into a thriving retail brand.

In February 2024, Kapruka Partner Central—a premier marketplace platform—was launched - it manages storage at sellers' premises, handles pick-and-pack operations, provides island-wide delivery, manages returns and exchanges, and offers exceptional customer service, all seamlessly integrated into one solution. Kapruka exemplifies the transformative power of technology to drive positive change and empower communities. Its technological innovations enhance its relevance, breathing life into its narrative.

RETAINING THE TACIT KNOWLEDGE OF THE TEAM

A key component of our intellectual capital consists of the team's tacit knowledge - particular skills, insights and understanding - acquired through experience, that we make every effort

to retain, especially in the face of the country's economic downturn, and significant out-migration.

Our unified, tech-savvy team guided by our Chairman and CEO has been the instrumental driving force behind the Group's technological evolution and our growth as a trail-blazing eCommerce corporate leader.

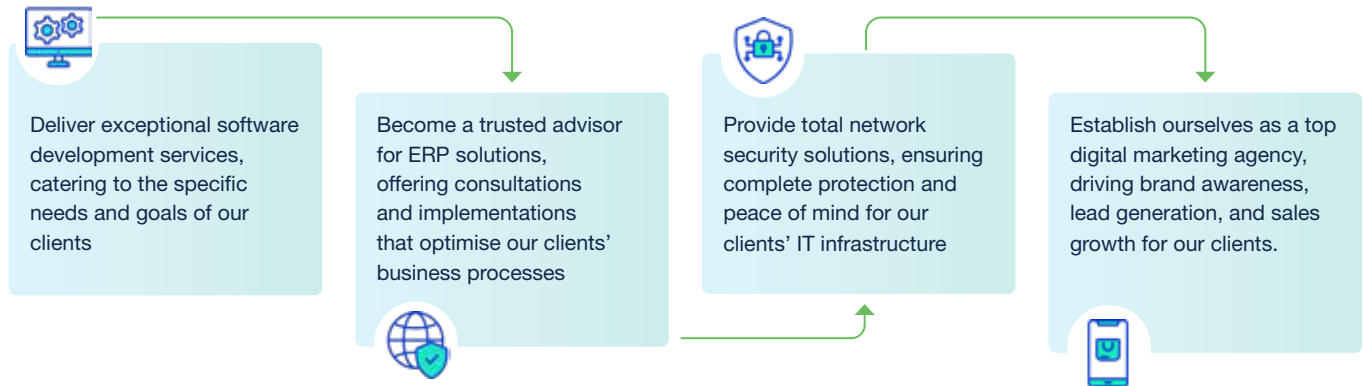
Our team works in tandem with our Chairman to translate his vision into reality, facilitating knowledge transfer through job coaching, training and mentorship, which cascades to all levels.

TECHNOLOGY AND INNOVATION

As an eCommerce platform, technology and innovation is at the forefront of our intellectual capital. We continuously invest in the design and functionality of our online platforms, regularly upgrading them to offer our customers a seamless shopping experience to ensure customer satisfaction. Our technology vision is to be a leading provider of innovative and comprehensive digital solutions, empowering businesses in Sri Lanka to achieve their full potential through technology and marketing expertise.

FUELLING GROWTH THROUGH EXPERTISE

Our Goals



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We aim to offer a world-class online purchasing experience and we leverage AI (Artificial Intelligence) driven marketing to analyse customer behaviour and preference to personalise product recommendations, enhancing customers' shopping experience while also increasing conversion rates.

We have made upgrades to our systems to enhance order tracking visibility for both customers and suppliers, integrating WhatsApp and SMS notifications, along with automated billing e-mails which has been instrumental in improving our Customer Relationship Management (CRM) System - which enables us to gain insight into repeat purchase behaviour and purchase abandonment patterns.

Contribution to business objectives

Increasing Customer Acquisition

Our software development, ERP, and digital marketing services attract new clients seeking to leverage technology for growth.

Enhancing Client Retention

By providing exceptional solutions and ongoing support, we build strong client relationships and foster long-term partnerships.

Improving Profitability

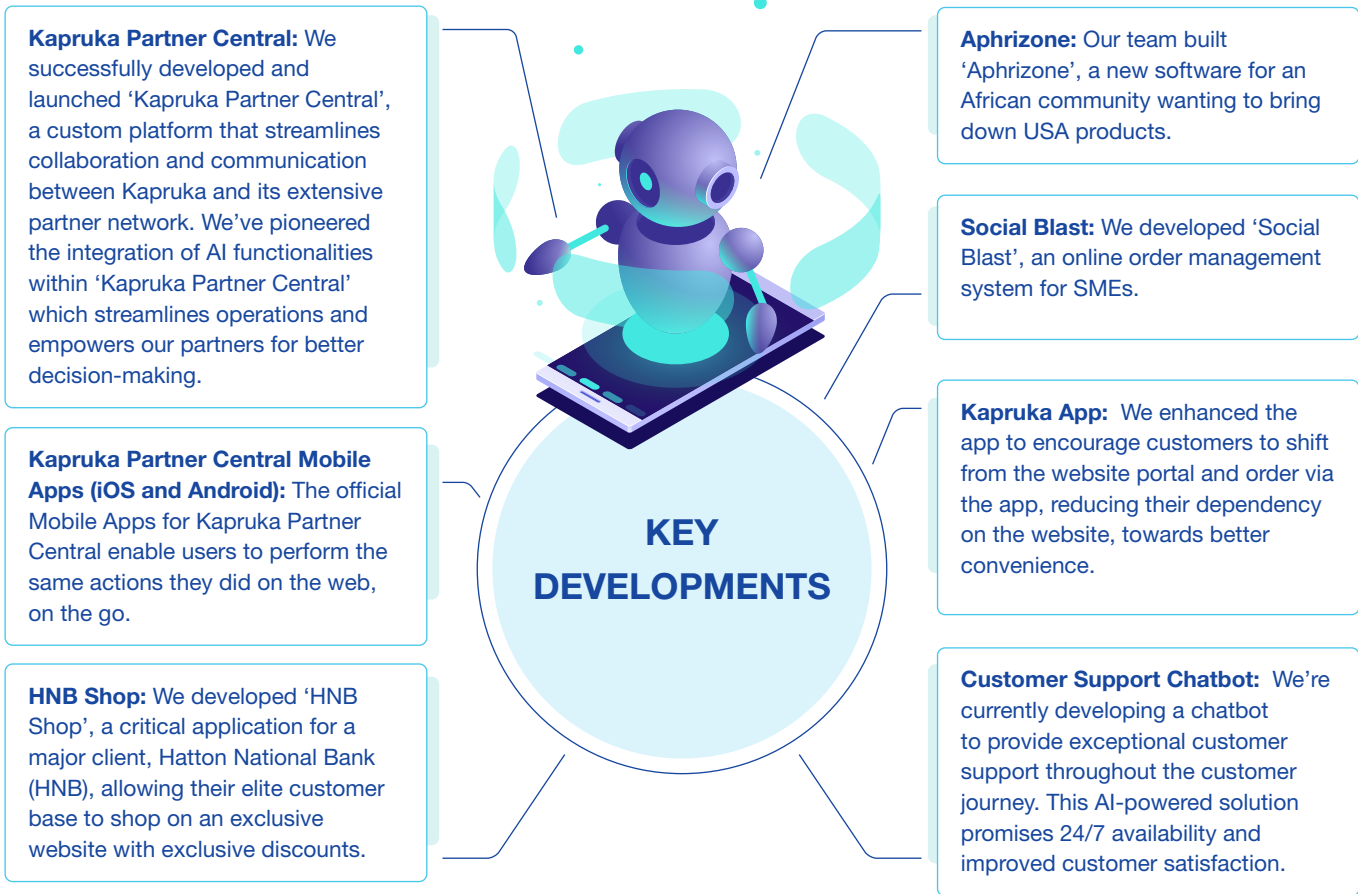
The success of our digital services projects translates to increased revenue and profitability for Kapruka Techroot.

Establishing Industry Leadership

Our innovative solutions and expertise position Kapruka Techroot as a frontrunner in the Sri Lankan digital services market.

We aim to offer a world-class online purchasing experience and we leverage AI (Artificial Intelligence) driven marketing to analyse customer behaviour and preference to personalise product recommendations, enhancing customers' shopping experience while also increasing conversion rates.





ENSURING DATA PRIVACY AND CYBERSECURITY

We prioritise cyber resilience and are deeply committed to ensuring data privacy through comprehensive data protection and privacy policies. We responsibly collect and use personal information, ensuring it is processed lawfully, fairly, and transparently. Our robust security measures include encryption, access controls, regular security assessments, and employee training to protect against unauthorised access, data breaches, and accidental loss or damage. We adhere to principles such as data minimisation, accuracy, and storage limitation, retaining user data only as long as necessary. Additionally, we respect user rights to access, correct, and delete their data, ensuring compliance with applicable laws.

Kapruka Holdings PLC is committed to protecting personal data in line with the Sri Lanka Personal Data Protection Act. We implement purpose limitation, ensuring data is collected for specified, legitimate purposes and not further processed incompatibly. In case of a data breach, we promptly notify affected individuals and relevant authorities as per legal requirements. Our appointed Data Protection Officer oversees compliance with all relevant data protection laws and regulations, ensuring our practices remain current and effective.

Our commitment to data privacy is reflected in our transparent data handling practices, where we inform individuals about the purposes for which their data is being collected and used. We employ appropriate technical and organisational

measures to ensure the integrity and confidentiality of personal data, including encryption and access controls. Our policies are regularly reviewed and updated to maintain the highest standards of data protection. Through these measures, we demonstrate our unwavering commitment to maintaining cyber resilience, safeguarding personal data, and upholding the privacy of our customers and employees.

ELEVATING OPERATIONAL FRAMEWORKS

While customer relationship management, streamlined warehousing and efficient order fulfilment remain fundamental to our operations, an intertwined network of business processes enhances our operational harmony. Evolving alongside our

FUELLING GROWTH THROUGH EXPERTISE

growth, these processes continuously adapt to meet the evolving information requirements of corporate management, the Board, and line managers alike.

Effective warehouse management is crucial for the success of any eCommerce venture. The Kapruka Cross Border process focuses on export businesses, while our state-of-the-art order fulfilment centre is central to our operations, improving the efficiency of deliveries, and helping manage storage, by centralising the pre-existing smaller warehouses into one cohesive process-driven, modern high-tech facility. This will optimise inventory levels - a critical step as we move toward our next phase of expansion.

GOVERNANCE AND ETHICS

Governance and leadership are crucial elements of our intellectual capital, supporting our value-creation process. To achieve sustained value, we focus on building and maintaining trust with our stakeholders, which would not be possible without embracing governance as an enabler and supporter of our business. Robust governance structures and processes ensure we are well-managed and effectively controlled while preserving integrity across all our business activities.

OUTLOOK

We are aware of the need to nurture, enrich and consistently invest in our Intellectual Capital and although these investments are not explicitly reflected in our balance sheet due to expensed costs, they are at the core of our technology-driven business model. We plan to develop comprehensive omnichannel marketing strategies that reach customers across various touchpoints and prioritise delivering data-driven digital marketing campaigns with a clear focus on measurable results and return on investment (ROI) for our clients.

Innovation and evolving with technology is crucial in guiding our future success and growth. We are mindful of ensuring the availability, quality, security, and safety of the platforms and systems our businesses rely on. We are confident that our commitment to innovation, client satisfaction, and technological expertise will propel us towards achieving our goals.

DRIVING EXCELLENCE RESPONSIBLY



While e-commerce is often associated with virtual storefronts and digital transactions, the backbone of the business relies heavily on robust manufactured capital. This includes warehousing facilities, logistics networks, packaging machinery, and technology infrastructure essential for efficient inventory management and order fulfilment. Accordingly, we continue to invest in modern technology and sustainable practices that support the seamless operation of online retail activities and position our businesses for long-term success.

EXPANDING OUR FOOTPRINT

LOCAL OPERATIONS

Our state-of-the-art Fulfilment Centre located in Mirihana, is designed to provide a better service, faster delivery, and a more reliable shopping experience. Spanning over 30,000 square feet, this centre boasts cutting-edge features that enhance storage, packaging, and shipping processes. This venture is set to transform the landscape for numerous high-end brands in Sri Lanka, positioning Kapruka as their preferred e-commerce partner. The centre is crucial for packaging and delivering products to industry giants like Amazon.com and eBay.com, serving the discerning clientele in the USA market. Renowned Sri Lankan brands such as Dilmah, Link Products, and others are set to reach the shelves of Amazon.com through Kapruka's strategic platform.

Key Developments

- Kapruka Partner Central

In February 2024 we launched 'Kapruka Partner Central', a platform that enables partners to showcase their products and connect with a global audience. This project was developed by an in-house team and Kapruka takes full ownership

of this initiative which has helped over 700 suppliers grow their businesses and achieve success.

The project made significant strides in terms of operational improvements, notably through portal optimisation for partners. These enhancements aim to enhance user experience, providing intuitive tools and analytics to empower partners in managing their businesses more effectively. Looking forward, Partner Central plans to expand into new markets through strategic partnerships with local well-known brands across various industries, while continuing to prioritise sustainability initiatives and corporate social responsibility activities.

- Onboarded top brands from Colombo's leading five-star hotels and pastry shops, enhancing our cake and restaurant category.
- Updated the Kapruka flower category with new flowers and arrangements, providing more options for our customers. We also introduced AI-generated flower arrangements where the customer could customise the arrangement as per their wish.

- Introduced an online prescription submission service with doorstep medicine delivery, managed through our network of registered pharmacies.
- Launched a new segment for combo offers, significantly boosting sales numbers during the Valentine's season of 2024.

GLOBAL OPERATIONS

While operating primarily from our location in Mirihana - Sri Lanka, Kapruka also extends its presence to key international markets, including the USA, UK, Canada and Australia. While economic conditions restricted extensive office expansion, our commitment to optimising our existing operations remained unwavering.

Marking our steadfast commitment to operational advancement, Kapruka has channelled a substantial investment of Rs. 24 Mn into infrastructure development during the year under review. This resolute expansion of our physical footprint stands as a testament to our unwavering dedication to pioneering solutions that not only redefine the e-commerce landscape in Sri Lanka but also extend our reach to international horizons.

DRIVING EXCELLENCE RESPONSIBLY

Key cross-border developments

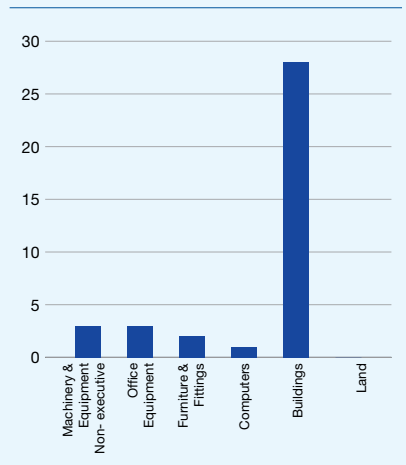
- Collaboration with George Stuart Teas: We forged a strategic partnership with George Stuart Teas to introduce the rich flavours of our exquisite Ceylon tea to a global audience.

OPTIMAL ASSET MANAGEMENT

Our fleet of vehicles plays a pivotal role in seamlessly facilitating widespread last-mile deliveries and diverse logistical operations. Our distinctive array of branded delivery vehicles, including vans, trucks, and bikes, is a familiar and warmly embraced presence across town, heralding not just a service but an elevated customer experience itself. Beyond their utilitarian function, these vehicles inherently contribute to our brand’s prominence, cultivating an aura of anticipation, surprise, and fulfilment that has been intricately woven into the fabric of our Group’s evolution. We continually invest and upgrade these assets to make sure they are in optimal condition and align with the brand’s progression and technological advancements.

Additionally, optimal inventory management involves a combination of strategies and technologies to ensure that the right products are available at the right time, minimising costs while maximising customer satisfaction. We continue to actively improve inventory management practices to streamline the working capital cycle and effectively manage the escalating costs associated with stockholding, including both storage expenses and interest rates.

PROPERTY, PLANT AND EQUIPMENT - ADDITIONS 2023/24



SUSTAINABLE OPERATIONS

Sustainable operations are an integral element of our business, reflecting our commitment to environmental stewardship, social responsibility, and economic viability. Implementing sustainable practices involves optimising resource use, reducing waste, and minimising environmental impact while ensuring long-term profitability and positive societal contributions.

In addition to ensuring sustainable internal operations, we also engage with the community through charitable donations and sponsorships. By encouraging employee volunteerism, we strengthen our ties with local communities and address various social needs. These activities not only support community development but also foster a culture of giving and corporate empathy.

Ethical governance is also a fundamental aspect of our dedication to responsible operations. It involves establishing anti-corruption measures, adhering to legal standards, and ensuring transparency across all our business operations. This commitment to integrity and accountability reinforces our reputation and fosters stakeholder trust.

Through such multifaceted contributions, Kapruka effectively creates positive social and environmental impact while strengthening its reputation and operational success.



Rebranding	Plans are underway to rebrand the company’s existing image, identity, and positioning in the market. This includes updating the company’s name, logo, packaging, website, marketing materials, and messaging to better align with our goals and target audience.
Petti-Petti	Petti-Petti by Kapruka is a comprehensive platform that facilitates the shipment of consignments to Sri Lanka from selected countries via both sea and air freight. Petti-Petti offers a range of services designed to meet the diverse needs of its customers. This service will allow customers to make online purchases on e-commerce platforms in a foreign country and have those items shipped to Sri Lanka. Each customer is provided with a unique delivery address in the respective foreign country for their purchases. Once received, the packages will be processed and shipped to Sri Lanka, with consolidated shipping services available for multiple packages.
Cross Border - Global Expansion	As part of our ambitious growth strategy, we plan to extend our cross-border operations to India and Japan, tapping into these dynamic markets to offer our premium products and services



**STRONG CORPORATE
GOVERNANCE**



BOARD OF DIRECTORS



MR. DULITH V. HERATH

Founder / Chairman



MRS. ANURADHA HERATH

Non-Executive Director



MRS. PRIYANTHI PIERIS

Senior Independent Non-Executive Director



MR. TISHAN SUBASINGHE

Independent Non-Executive Director



MRS. THILANGANI HERATH

Non-Executive Director



MS. MANOHARI ABEYSEKERA

Independent Non-Executive Director



MR. SIVAKUMAR ALEXANDER

Executive Director
Resigned 31/10/2023



MR. SURESH SUBASINGHE

Independent Non-Executive Director



MR. LAKSHMAN ABEYSEKERA

Independent Non-Executive Director

w.e.f 22/07/2024



DR. D. B. S. CHAMARA BANDARA

Independent Non-Executive Director

w.e.f 22/07/2024

BOARD OF DIRECTORS

MR. DULITH V HERATH

Founder / Chairman

Mr. Herath is a distinguished and highly accomplished serial entrepreneur hailing from Sri Lanka. Renowned as the King of E-commerce in his homeland, he holds the esteemed positions of Founder and Chairman at Kapruka.com, the largest e-commerce organisation in Sri Lanka. Mr. Herath currently serves as an Executive Director of Kapruka Holdings PLC and he was reappointed to the board on the 27th September 2023.

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In 2010, Mr. Herath's exceptional skills and entrepreneurial acumen were recognised when he was honoured with the prestigious Sri Lankan Entrepreneur of the Year award. His accolades continued to grow, with notable achievements such as the Asia Pacific Young Entrepreneur Award in 2013, a repeat win as Sri Lankan Entrepreneur of the Year in 2017, and the CSSL ICT Leader of the Year Award in the same year. Furthermore, he was selected as an Eisenhower Fellow by the President Eisenhower Foundation in the USA in 2017.

Mr. Herath's expertise lies in merging technical prowess with innovative business models in Sri Lanka. Prior to his ventures at Kapruka, he served as a Development Specialist at Dell Perot Systems, where he crafted robust software and web applications to enhance operational efficiency for DELL clients. His tenure as an Application Architect at Microsoft showcased his ability to lead and design applications from inception to fruition, overseeing technical teams throughout development projects.

A graduate of the University of Kentucky, USA, Mr. Herath holds a Bachelor of Science Degree in Computer Science, underscoring his strong technical foundation and aptitude for driving technological innovation in the business landscape.

MRS. ANURADHA HERATH

Non-Executive Director

Mrs. Herath holds a Bachelor of Commerce from Bangalore University, India, and an MBA from Eastern Kentucky University, USA. Prior to her tenure at Kapruka, she gained experience at the University of Kentucky Federal Credit Union, USA. Additionally, she is a successful entrepreneur, having founded Sri Lanka's largest coffee house chain, Java Lounge. With a deep understanding of US-based e-commerce platforms and cross-border e-commerce opportunities, she brings valuable domain expertise to her role. Mrs. Herath currently serves as a Non-Executive Director of Kapruka Holdings PLC and she was reappointed to the board on the 26th September 2022.

Mrs. Herath has been honoured with numerous prestigious awards, including the Women Entrepreneur Global Award 2023 by Women in Management in Sri Lanka at the Top 50 Professional and Career Women's Awards 2023, and the Women Entrepreneur Recognition Award for Western Province Large Category by the Women's Chamber of Commerce 2024. Additionally, she has received the Glorious Sirimavian's Top 50 Lifetime Award 2023 from Sirimavo Bandaranayaka Vidyalaya Col 07 and the Most Remarkable Sirimavian of the Year Award in 2021.

She served as the Chairperson of the COYLE Ladies Chapter of the Chamber of Young Lankan Entrepreneurs from 2022 to 2023, demonstrating exceptional leadership and entrepreneurial skills.

MRS. PRIYANTHI PIERIS

Independent Non-Executive Director

Mrs. Pieris is an Attorney-at-Law of the Supreme Court of Sri Lanka, a Solicitor of England and Wales. With 44 years of experience in the field of

Corporate/Securities Law, Mrs. Pieris' expertise spans handling corporate restructuring, privatisations, capital market transactions, takeovers, mergers, and amalgamations.

Mrs. Pieris currently serves as an Independent Non-Executive Director of Kapruka Holdings PLC and she was reappointed to the board on the 27th September 2023. Mrs. Pieris also serves on the Boards of JAT Holdings PLC, Central Depository Systems (Pvt) Limited, Associated Electrical Corporation Ltd, and is the current Chairperson / Consultant of P W Corporate Secretarial (Pvt) Ltd – a firm that provides capital market-related services to listed companies.

Mrs. Pieris served as the Legal Adviser to the Ministry of Finance from 2002 to 2004. She was a Legal consultant to the Colombo Stock Exchange (2004-2011). She also served as a Member of the Committee of the Securities and Exchange Commission of Sri Lanka on Takeovers and Mergers Code and as a Member of the Corporate Governance Committee of the Institute of Chartered Accountants; she is a Member of the Law Commission.

MR. TISHAN SUBASINGHE

Independent Non-Executive Director

Mr. Tishan Subasinghe is the Managing Director and Joint Managing Partner of Moore Stephens Consulting (Private) Limited and Moore Stephens Aiyar, respectively. Additionally, he is a Council Member of the University of Moratuwa, the Chairman of the Sanasa General Insurance Company Limited and is a Director at Amana Bank PLC, having previously served as the Head of Audit and Assurance at BDO Partners. Mr. Subasinghe currently serves as an Independent Non-Executive Director of Kapruka Holdings PLC and he was reappointed to the board on the 27th September 2023. Mr. Subasinghe is a

specialist in information systems auditing and is a Certified Information Systems Auditor (CISA-USA), Fellow Member of CA Sri Lanka, Attorney-at-Law and also holds an MBA in Finance from the University of Colombo. His influence and expertise is global as he maintains working relationships with PwC in New York, Philadelphia and Botswana, having received international training in the USA, Hong Kong, Bangkok, Hyderabad, Mumbai, Malaysia, Indonesia, Rome and others in areas such as Sarbanes Oxley section 404 integrated audits, audit software and the adoption of IFRSs. He is also a visiting lecturer and trainer at leading local and foreign universities. He has also served as a member of the Presidential Commission for the Simplification of Laws and Regulations and the CBSL's Advisory Committee for the revival of failed Licensed Finance Companies.

MRS. THILANGANI HERATH

Non-Executive Director

With over 35 years of entrepreneurial experience she possesses strong leadership and human resource management skills. She is a founding member of many businesses in Sri Lanka in the fields of construction, feng-shui science, health (Island Pharmacy chain) and education (Asian International School). Mrs. Herath currently serves as an Non -Executive Director of Kapruka Holdings PLC and she was reappointed to the board on the 27th September 2023.

MS. MANOHARI ABEYESEKERA

Independent Non-Executive Director

Manohari Abeyesekera is a Fellow Member of the Institute of Chartered Accountants Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants UK, having 20-year + post qualifying experience serving in leadership C suite Executive

positions in both private and state sectors in Sri Lanka.

She graduated from the University of Colombo reading for the Bachelor of Science Degree (Biological Sciences) with First Class Honours and read for the Masters in Business Administration from University of Colombo topping the batch winning 3 gold medals. She read for the Post-Graduate Diploma in International Relations conducted by the Bandaranaike International Diplomatic Training Institute, and was awarded the Vernon Mendis Memorial Prize.

Ms. Abeyesekera has successfully completed the Board Leadership Program conducted by Sri Lanka Institute of Directors (SLID)/ International Finance Corporation (IFC).

Ms. Abeyesekera currently serves as an Independent Non-Executive Director of Kapruka Holdings PLC, Orient Finance PLC and Acuity Stockbrokers (Pvt.) Ltd. She also serves as a Council Member of the Chartered Institute of Management Accountants (CIMA UK) and a Council Member of the SLID.

Previously, Ms. Abeyesekera served a three year stint (2020-2022) as an Independent Non-Executive Director/ Chairperson -Audit Committee of the National Savings Bank (NSB), and its subsidiary NSB Fund Management. She also served as a Directors of Sri Lanka Accounting and Auditing Standards Monitoring Board for two years (2022-2024)

Ms. Abeyesekera served the Hayleys Group in multiple leadership roles in her 18-year stint (Year 2002-2020). She was the Head – Strategic Business Development- Hayleys PLC, Director – Strategy & Business Development - Fentons Limited and Director-Hayleys Group Services (Pvt) Ltd.

In 2019, Ms. Abeyesekera was selected to represent Sri Lanka by the US State Department in the Fortune Mentoring

Program and for the prestigious International Visitor Leadership Program (IVLP) in 2014. She had Executive Education at ISB Hyderabad, ADB Manila and BHF Bank Germany and is a recipient of the AOTS Scholarship Japan in 2015.

Ms. Abeyesekera has received many awards for Women Leadership –Women in Management Sri Lanka, World Women Leadership Congress -Mumbai and South Asian Partnership Summit- Dhaka. She has penned articles in CIMA Edge, Daily FT and other journals. Manohari is a Toastmaster, and has spoken at many professional events. She was featured in CIMA Insight “Breaking the glass ceiling in Sri Lanka”

MR. SIVAKUMAR ALEXANDER

Executive Director

(Resigned 31/10/2023)

Mr. Alexander has over 19 years of experience in e-commerce and fulfilment. He is also an executive director of Grasshoppers Pvt Ltd where he utilises his core strength, last mile e-commerce logistics.

Prior to working at Kapruka, he served as the Trading Manager in SN Entertainment. He holds an MBA from Cardiff Metropolitan University, UK.

MR. SURESH SUBASINGHE

Independent Non-Executive Director

Mr. Suresh Subasinghe stands as a distinguished technology expert and visionary leader, renowned for his exceptional proficiency in enterprise architecture, innovation, and digital transformation. His illustrious career spans across diverse industries, marked by co-founding technology companies, spearheading digital platforms for Fortune 100 corporations, and orchestrating strategic transformations within the global financial landscape.

BOARD OF DIRECTORS

Professional Odyssey of Mr. Suresh Subasinghe is as follows Managing Partner, Arc75 (May 2022 - Present): Co-founded Arc75, an Architecture & Development Agency in San Francisco. Leading AI, MarTech, and Operations platforms for Fortune 100 companies in high-compliance sectors. Co-Founder & CTO, GoGetDoc (May 2021 - Jan 2023): As Co-Founder & CTO, propelled GoGetDoc's digital healthcare solutions, serving a million patients, generating \$250M revenue. Director, Air Canada: Pioneered Air Canada's Digital Experience Platform, powering a \$15B e-commerce and loyalty app. Principal Architect, United Airlines: Drove \$45B revenue through e-commerce, Loyalty, and IoT projects, Cloud migration, and AI integration. Enterprise Solutions Architect, Zurich Financial Services: Led global tech initiatives, spanning US, Switzerland, and UK.

Mr. Subasinghe's educational journey has been marked by noteworthy accomplishments such as, Executive Program in Artificial Intelligence, University of Toronto — Rotman School of Management (2019). Master of Business Administration (MBA), Duke University — The Fuqua School of Business (2009 - 2010). Bachelor of Science in Computer Engineering, University of Utah (2002 - 2005).

On the 13th of July 2023, Mr. Subasinghe assumed the role of Independent Non-Executive Director at Kapruka Holdings PLC, a testament to his esteemed reputation and extensive expertise. Leveraging his profound understanding of technology, architecture, and transformation, he now plays a pivotal role in shaping the strategic direction of the company.

Mr. Suresh Subasinghe's journey is a testament to his trailblazing impact as a technology maven, propelling innovation across industries, shaping organizational landscapes, and charting a visionary course for the future.

MR. LAKSHMAN ABEYSEKERA Independent Non-Executive Directors

(Appointment w.e.f 22/07/2024)

The individual described is a highly respected social entrepreneur and advocate for good governance, boasting over 35 years of experience. They have played a significant role in promoting SME development, fostering capacity building, and creating entrepreneurial opportunities for rural youth. Holding a fellowship with the Institute of Chartered Accountants of Sri Lanka and an MBA from the Postgraduate Institute of Management at the University of Sri Jayewardenepura, they have also been affiliated with AAT Sri Lanka and the Institute of Quality and Productivity Management.

Throughout their career, they have held key positions such as Chairman of the Rubber Research Board of Sri Lanka and Senior Director at People's Insurance PLC. Notably, they have served as a Non-Executive Independent Director at Sanasa Development Bank PLC, where they also chaired the board. Their academic involvement includes being a council member at the University of Visual and Performing Arts and leading the SME Task Force at the Institute of Chartered Accountants of Sri Lanka. Presently, they hold the position of Senior Director at JanRich Foods Ltd and are an EXCO member at the Institute of Quality and Productivity Management. Additionally, they contribute to the Consultative Panel of the Sri Lanka Inventors Commission. With a diverse background in both public and private sectors, including roles at multinational companies such as KPMG and AMW PLC, they have founded multiple business ventures and engaged in international training programs to enhance their leadership and entrepreneurial skills.

DR. D B S CHAMARA BANDARA Independent Non-Executive Director

(Appointment w.e.f.22/07/2024)

Dr. Bandara is a highly accomplished Senior Chartered Accountant with over twenty years of experience in financial management, accounting, corporate tax, secretarial practice, audits, and business consulting. He has a proven track record of delivering exceptional results in challenging environments, showcasing outstanding negotiation and problem-solving skills. Dr. Bandara possesses a unique combination of visionary leadership, entrepreneurial acumen, and a strong commitment to strategic planning and achieving bottom-line results.

As the founder of Corporate Doctors (Pvt) Ltd. and SCB Corporate (Chartered Accountants), he leads successful business ventures offering a wide range of corporate and business services, including strategic planning, accounting process outsourcing, financial restructuring, and audit services. Dr. Bandara holds a PhD in Business/Management, Chartered Accountant qualifications from England and Wales and Sri Lanka, and an MBA from the University of Southern Queensland, Australia. In his current role as Founder/CEO, he oversees business sustainability, strategic planning, customer satisfaction, and service quality. Dr. Bandara is actively involved in professional organisations, serving as Vice President of AAT Sri Lanka and contributing to various committees and initiatives within the industry. He has authored publications and delivered presentations on topics such as business failure, IFRS for SMEs, and business success appraisal. Dr. Bandara's expertise and leadership have made significant contributions to the field of finance and accounting.

CORPORATE MANAGEMENT



MR. SURESH ERANDA
General Manager



MS. GAYATHRI BANNEHEKA
Chief Technology Officer



MR. MANJULA KUMARA
Head of Finance



MS. SHANIKA DILRUKSHI
Manager - Internal Audit



MR. AKILA THALPAWILA
Deputy General Manager



MR. KASUN KULAWANSHA
Manager - Human Resources

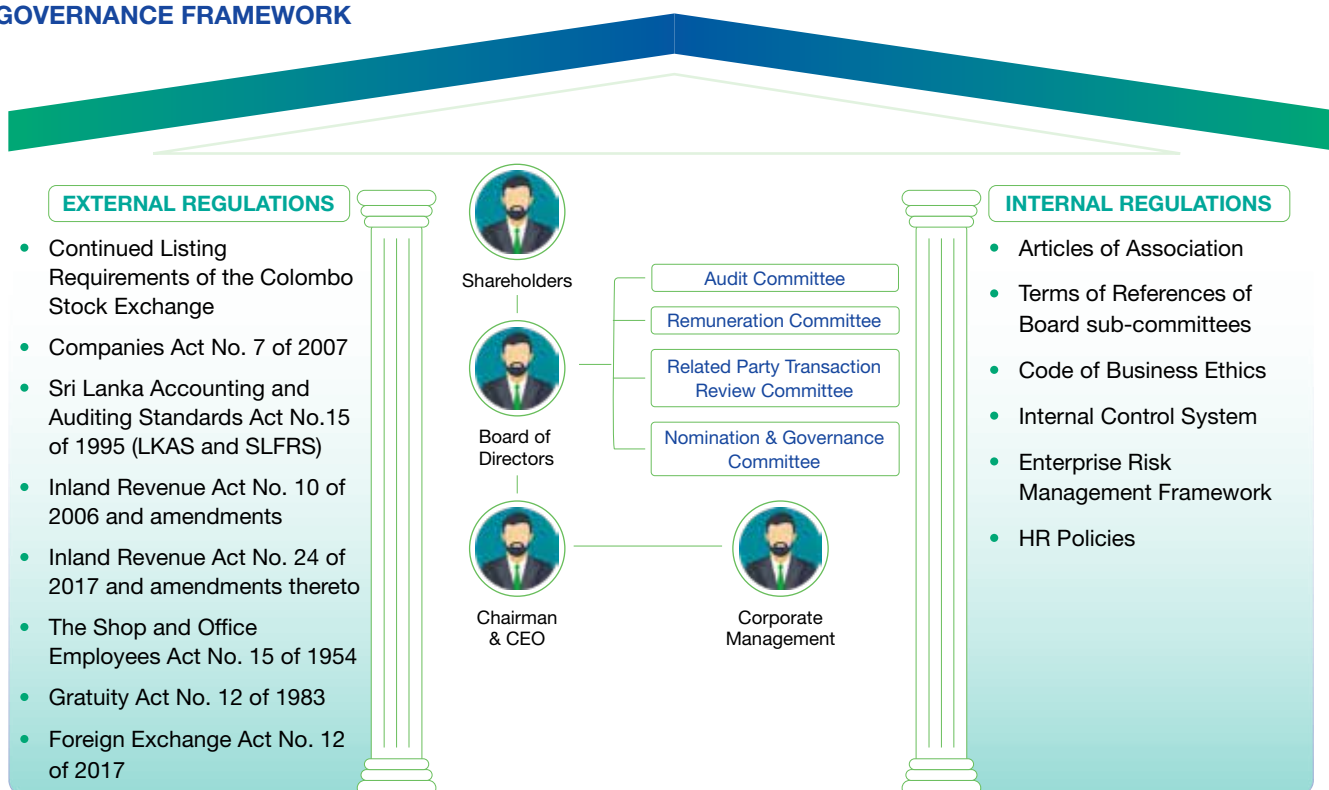
CORPORATE GOVERNANCE



The resilient performance in the face of unprecedented challenges during the last few years is a strong testament to the company’s sound corporate governance practices. We remain committed to enhancing our corporate governance practices as we see the fundamental value of good governance in creating long term stakeholder value. We therefore continue to adopt best practices while ensuring strict regulatory compliance to improve accountability and transparency across our operations.

GOVERNANCE FRAMEWORK

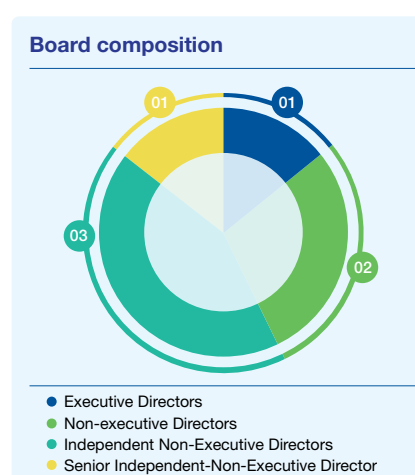
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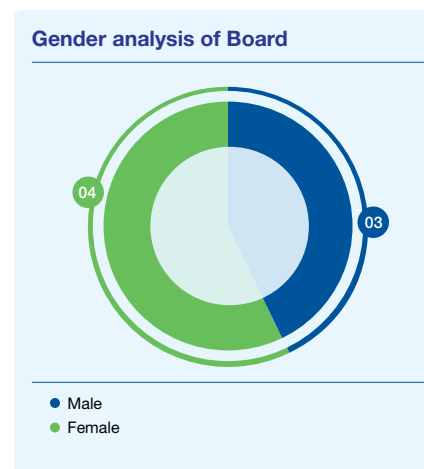
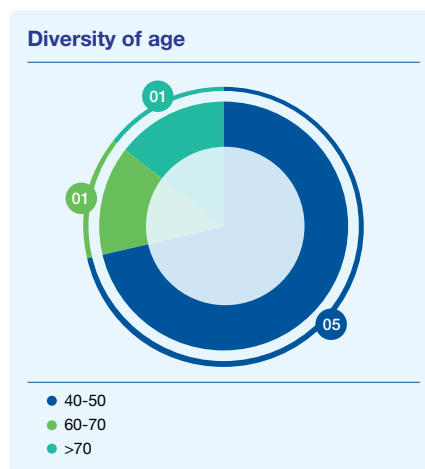
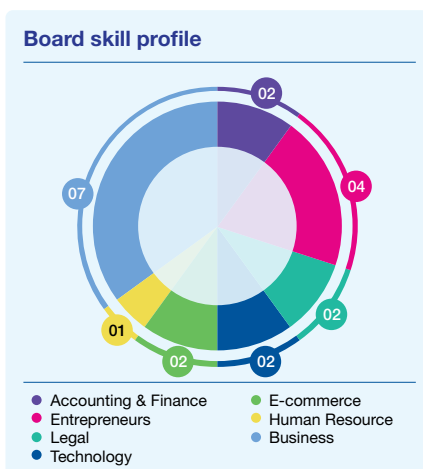


BOARD COMPOSITION AND EXPERTISE

The Board of Directors is ultimately responsible for ensuring that Kapruka functions within a rigorous and effective governance structure. The Board provides ethical and entrepreneurial leadership, to safeguard stakeholder value creation within a framework of robust and effective controls. The Board is well balanced and competent to discharge their statutory and fiduciary duties, objectively and effectively. Careful consideration has been given to ensure that the Board has the right mix of skills and experience as well as varying perspectives.

The Board comprises 7 directors as of the year ended, 4 of whom are independent non-executive directors, including 1 director serving as the senior independent Director among them. They have been appointed in compliance with the CSE Listing Rules supporting objectivity and performance oversight, particularly in financial and legal matters. All Board members have experience in business roles. The Chairman has the in-depth expertise in technology and is supported by the team at Kapruka Techroot in providing the technology that powers the growth of this technology-based Group.





ROLES AND RESPONSIBILITIES

The roles of the Chairman and Chief Executive have been combined taking into account the business needs of the Group and the skills, experience and vision of the Chairman who is also the largest beneficial shareholder. The Chairman of Kapruka Holdings PLC serves as the Chairman of all the subsidiaries and the associate company, ensuring that the strategies of the

subsidiaries are aligned to the vision and strategies of the Group.

While maintaining accountability, the Board has delegated responsibility to relevant Board sub-committees and Management with clearly defined missions and authorities. Accordingly, the Board is supported by 4 sub-committees which have oversight responsibility on specific areas delegated to them, thereby





allowing the Board to devote its time to strategic agenda items. The Audit Committee, Remuneration Committee, Nomination & Governance Committee and Related Party Transactions Review Committee assist the Board, as permitted by the listing rules of the CSE.

Committee	Composition	Areas of oversight
Audit Committee (AC)	<p>Mr. Tishan Subasinghe Chairman</p> <p>Mrs. Manohari Abeyesekera - Member</p> <p>Mrs. A. Herath - Member (Appointment w.e.f 22/07/2024)</p>	<ul style="list-style-type: none"> Compliance with financial reporting requirements, Adequacy and effectiveness of internal controls Adequacy and effectiveness of risk management processes Assessment of the independence and performance of the external auditors Make recommendations to the Board pertaining to external auditors including remuneration and terms of engagement
Remuneration Committee (RC)	<p>Mrs. Priyanthi Pieris - Chairperson</p> <p>Mrs. Manohari Abeyesekera - Member</p> <p>Mrs. A. Herath - Member (Appointment w.e.f 22/07/2024)</p>	<ul style="list-style-type: none"> Considering and recommending to the Board, the broad policy for the remuneration package of Executive Directors, Non-executive directors and Key Corporate Management Recommending and approving total remuneration package including fixed and variable components of the executive directors including the Chief Executive Officer Determining the policy for the terms of employment of the executive Directors Monitoring the performance conditions subject to which any long-term incentive awards may be granted under the schemes adopted by the Company and approving grant of long-term incentive awards, such as share appreciation rights and performance shares for Executive Directors and Key Corporate Management. Reviewing the design of all share incentive schemes. Bearing the responsibility for selecting and appointing any remuneration consultants who advises the committee

CORPORATE GOVERNANCE

Committee	Composition	Areas of oversight
Nomination and Governance Committee (NGC)	Mrs. Priyanthi Pieris - Chairperson	<ul style="list-style-type: none"> Reviewing Board and Board-level Committee structure, composition, and competencies. Recommending new appointments and re-election of Directors. Ensuring governance-related legal and regulatory requirements of Directors to hold office. Overseeing Board and senior management succession plans.
	Mr. Tishan Subasinghe - Member	
	Mrs. Manohari Abeysekera - Member	
	Mr. Suresh Subasinghe - Member	
Related Party Transactions Review Committee (RPTC)	Mrs. Manohari Abeysekera - Chairperson	<ul style="list-style-type: none"> Establishing a policy framework and process to review related party transactions of the Group Ensuring that due process is followed for all related party transactions Determining whether related party transactions to be entered into by the Group require Board or shareholder approval. Ensuring that immediate market and Annual Report disclosures are made in a timely and detailed manner as required by the CSE Listing Rules
	Mrs. A. Herath - Member	
	Mr. Tishan Subasinghe - Member	

THE BOARD'S CONTRIBUTION TO VALUE CREATION IN 2023/24

 <p>STRATEGY</p> <p>Formulation of the strategic direction to create shared and sustainable stakeholder value. Given the unprecedented operating conditions that prevailed during the year, the Board engaged proactively with the business to ensure continuity of operations amidst volatile business conditions.</p>	 <p>SHAPING THE CORPORATE CULTURE</p> <p>Board members model ethical behaviour in their decisions and actions and their conduct sets the tone for the entire organisation. The Board maintains transparency in board activities and decisions to build trust and accountability.</p>
 <p>RISK MANAGEMENT</p> <p>The Board assisted by the Audit Committee ensures effective risk management. Effective risk management is underpinned by the Group's risk management framework which has been designed to optimise risk-reward factors.</p>	 <p>STAKEHOLDER ENGAGEMENT</p> <p>The Board plays a pivotal role in fostering robust stakeholder engagement, which is crucial for building trust, enhancing reputation, and ensuring long-term success. By establishing clear channels for stakeholder interaction and ensuring regular, honest updates, the Board maintains an ongoing dialogue with all stakeholders.</p>

MEETING ATTENDANCE

The Board meets quarterly/monthly to review performance and progress against strategy and to assess risks arising from the operating environment. The agenda and Board Papers for meetings are generally sent 7 working days before the meeting, allowing members sufficient time to review the same.

BOARD MEETINGS							
Attendance	13th July 2023	28th July 2023	20th October 2023	27th November 2023	06th February 2024	19th March 2024	
1. Mr. Dulith Herath (DH) - Chairman	✓	✓	✓	✓	✓	✓	
2. Ms. M P Abeysekera (MA)	✓	✓	✓	✓	✓	✓	
3. Mr. S M T H Subasinghe (TS)	✓	✓	✓	✓	✓	✓	
4. Ms. Priyanthi Pieris (PP)	✓	✓	✓	✓	✓	✓	
5. Mrs.R.A.T.Herath (TH)	✓	✓	✓	✓	✓	✓	
6. Mrs.A.Herath (AH)	✓	✓	✓	✓	✓	✓	
7. Mr.S.S.Alexandar (SA)	✓	✓	Excused	N/A	N/A	N/A	
8. Mr Suresh Subasinghe (SS)	N/A	✓	✓	✓	✓	Absent	✓

AUDIT COMMITTEE													
Attendance	18th May 2023	29th May 2023	31st May 2023	06th June 2023	17th July 2023	11th August 2023	29th August 2023	02nd October 2023	26th October 2023	04th January 2024	06th February 2024	18th March 2024	
Mr. S M T H Subasinghe (TS) (Chair)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms. M P Abeysekera (MA)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE						
Attendance	18th May 2023	11th August 2023	26th October 2023	27th November 2023	06th February 2024	
Ms. M P Abeysekera (MA) (Chair)	✓	✓	✓	✓	✓	
Mr. S M T H Subasinghe (TS)	✓	✓	✓	✓	✓	
Ms Anuradha Herath (AH)	✓	✓	✓	✓	✓	

REMUNERATION COMMITTEE				
Attendance	13th July 2023	28th August 2023	27th November 2023	
Ms. Priyanthi Pieris (PP) (Chair)	✓	✓	✓	
Ms. M P Abeysekera (MA)	✓	✓	✓	

CORPORATE GOVERNANCE

MEETING OF THE INDEPENDENT DIRECTORS CHAIRED BY THE SENIOR INDEPENDENT DIRECTOR, WITHOUT THE PRESENCE OF OTHER DIRECTORS

Attendance	27th March 2024
Ms. Priyanthi Pieris (PP) (SID)	✓
Ms. M P Abeyesekera (MA)	✓
Mr. S M T H Subasinghe (TS)	✓
Mr. Suresh Subasinghe (SS)	-

MEETING OF THE NON-EXECUTIVE DIRECTORS CHAIRED BY THE SENIOR INDEPENDENT DIRECTOR, WITHOUT THE PRESENCE OF THE CHAIRMAN

Attendance	27th March 2024
Ms. Priyanthi Pieris (PP) (SID)	✓
Ms. M P Abeyesekera (MA)	✓
Mr. S M T H Subasinghe (TS)	✓
Mr. Suresh Subasinghe (SS)	-
Ms. Anu Herath (AH)	✓
Ms. Thilangani Herath (TH)	✓

STATEMENT OF COMPLIANCE WITH THE COMPANIES ACT NO. 7 OF 2007

Rule	Compliance Status	Reference (within the Report)
168 (1) (a) The nature of the business together with any change thereof	Compliant	Annual Report of the Board of Directors – Page 78
168 (1) (b) Signed financial statements of the Kapruka Holdings Group and the Company	Compliant	Statement of Directors Responsibilities – Page 47
168 (1) (c) Auditors' Report on financial statements of the Company and Kapruka Holdings Group	Compliant	Independent Auditor's Report – Page 85
168 (1) (d) Accounting policies and any changes therein	Compliant	Notes to the Financial Statements – Page 94
168 (1) (e) Particulars of the entries made in the Interests Register	Compliant	Annual Report of the Board of Directors – Page 78
168 (1) (f) Remuneration and other benefits paid to Directors of the Company	Compliant	Notes to the Financial Statements – Page 94
168 (1) (g) Corporate donations made by the Company	Compliant	Notes to the Financial Statements – Page 94
168 (1) (h) Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Compliant	Annual Report of the Board of Directors – Page 78
168 (1) (i) Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Compliant	Notes to the Financial Statements – Page 94
168 (1) (j) Auditors' relationship or any interest with the Company and its Subsidiaries	Compliant	Independent Auditor's Report – Page 85
168 (1) (k) Acknowledgement of the contents of this Report and signatures on behalf of the Board	Compliant	Statement of Financial Position – Page 88

STATEMENT OF COMPLIANCE UNDER SECTION 7.10 OF THE RULES OF THE COLOMBO STOCK EXCHANGE (CSE) ON CORPORATE GOVERNANCE

CSE Rule No.	Subject	Compliance Requirement	Compliance Status	Applicable Section in the Annual Report
7.10 (a-c)	Compliance	The Company is in compliance with the Corporate Governance Rules and any deviations are explained where applicable	Compliant	Corporate Governance
7.10.1 (a-c)	Non-Executive Directors	Two or at least one-third of the total number of Directors should be NEDs, whichever is higher	Compliant	Composition of Board, page 46
7.10.2(a)	Independent Directors	Two or one-third of NEDs, whichever is higher, should be independent	Compliant	Composition of Board, page 46
7.10.2(b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/ NonIndependence in the prescribed format	Compliant	Available with the Secretaries for review
7.10.3(a)	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the NEDs Names of the Independent Directors should be disclosed in the Annual Report	Compliant	Profiles of Directors on page 41
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of Independent Director, if criteria specified for Independence is not met	Compliant	The criteria for independence is met
7.10.3(c)	Disclosure relating to Directors	A brief resumé of each Director should be included in the Annual Report and should include the Directors areas of expertise	Compliant	Profiles of Directors on page 41
7.10.3(d)	Disclosure relating to Directors	Provide a brief resumé of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE	Compliant	New Director appointed on 22nd July 2024. Profiles of Directors on page 41
7.10.4 (a-h)	Criteria for defining Independence	Requirements for meeting criteria to be Independent	Compliant	Fully compliant with the CSE definition of Independence for directors
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee. The Remuneration Committee (equivalent of the RC with a wider scope) of the listed Parent Company may function as the Remuneration Committee.	Compliant	Kapruka Holdings PLC has a Remuneration Committee as set out above and the report of the Committee is given on page 71
7.10.5(a)	Composition of the Remuneration Committee	A listed Company shall have a Remuneration Committee. The Remuneration Committee (equivalent of the RC with a wider scope) of the listed Parent Company may function as the Remuneration Committee.	Compliant	Corporate Governance
7.10.5.(b)	Composition of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Executive Directors	Compliant	Corporate Governance

CORPORATE GOVERNANCE

CSE Rule No.	Subject	Compliance Requirement	Compliance Status	Applicable Section in the Annual Report
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Directors comprising the Remuneration Committee Statement of Remuneration Policy Aggregated remuneration paid to EDs and NEDs	Compliant	Report of the Remuneration Committee on page 71
7.10.6	Audit Committee	The Company shall have an Audit Committee	Compliant	Roles & Responsibilities on page 47 and Report of the Audit Committee on page 67
7.10.6(a)	Composition of Audit Committee	<p>Audit Committee shall comprise of NEDs a majority of whom should be Independent A NED shall be appointed as the Chairman of the Committee</p> <p>The CEO should attend Audit Committee Meetings</p> <p>The Chairman of the Audit Committee or one member should be a member of a professional accounting body”</p>	Compliant	<p>The majority of the Audit Committee consists of independent Non-Executive Directors, including the Chair</p> <p>The CEO is invited to attend Audit Committee Meetings The Chairman of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka</p>
7.10.6(b)	Audit Committee Functions”	<p>Overseeing of the Preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS)</p> <p>Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirement</p> <p>Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards</p> <p>Assessment of the independence and performance of the External Auditors</p> <p>Make recommendations to the Board pertaining to appointment, re appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditor</p>	Compliant	See report of the Audit Committee on page 67
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	Names of Directors comprising the Audit Committee The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions	Compliant	See report of the Audit Committee on page 67

COMPLIANCE WITH SECTION 9 OF THE LISTING RULES ISSUED BY THE COLOMBO STOCK EXCHANGE

CSE Rule	Requirement	Effective Date	How We Comply
9.1	Corporate Governance Rules		
9.1.3	Statement confirming the extent of compliance with the Corporate Governance Rules	01st October 2023	The extent of compliance with Section 9 of the Listing Rules of the Colombo Stock exchange on Corporate Governance Rules is tabulated in the table given below Also refer 'Annual Report of the Board of Directors' of this Annual Report
9.2	Policies		
9.2.1	Listed Company shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Company on its website; a) Policy on the matters relating to the Board of Directors b) Policy on Board Committees c) Policy on Corporate Governance, Nominations and Re- election d) Policy on Remuneration e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities f) Policy on Risk management and Internal controls g) Policy on Relations with Shareholders and Investors h) Policy on Environmental, Social and Governance Sustainability i) Policy on Control and Management of Company Assets and Shareholder Investments j) Policy on Corporate Disclosures k) Policy on Whistleblowing l) Policy on Anti-Bribery and Corruption	01st October 2024	The Company is in the process of developing the policies referred in Sec 9.2.1 said polices will be made available on the corporate website on or before the effective date
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted	01st October 2024	N/A
9.2.3	i List of policies in place as per Rule 9.2.1, with reference to website ii Any changes to policies adopted	01st October 2024	Refer 'How We Comply' under Rule 9.2.1 above
9.2.4	Listed Company shall make available all such policies to shareholders upon a written request being made for any such Policy	01st October 2024	Refer 'How We Comply' under Rule 9.2.1 above

CORPORATE GOVERNANCE

CSE Rule	Requirement	Effective Date	How We Comply
9.3	Board Committees		
9.3.1	Listed Company shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include: (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee	01st October 2023	The Company has in place a Nominations and Governance Committee, Remuneration Committee, Audit Committee and a Related Party Transactions Review Committee. When Annual report issued. All the Committees directors composition rule has been compiled when annual report issued.
9.3.2	Listed Company shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules	01st October 2023	Refer 'How we Comply' under Rules 9.11, 9.12,9.13 and 9.14 below
9.3.3	The Chairperson of the Board of Directors of the Company shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above	01st October 2024	Compliant Refer 'How we Comply' under Rules 9.11, 9.12,9.13 and 9.14 below
9.4	Principles of Democracy in Shareholder Dealings		
9.4.1	Listed Company shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Company. The Company shall provide copies of the same at the request of the Exchange and/or the Securities and Exchange Commission (SEC). a) The number of shares in respect of which proxy appointments have been validly made; b) The number of votes in favour of the resolution; c) The number of votes against the resolution; and d) The number of shares in respect of which the vote was directed to be abstained	01st October 2023	The Company Secretaries maintain records of all resolutions of General Meetings and information related thereto
9.4.2	a) Listed Company should have a policy on effective communication and relations with shareholders and investors b) Listed Company should disclose the contact person for such communication c) The policy on relations with shareholders and investors on the process to make all Directors aware of major issues and concerns of shareholders	01st October 2024	The company's corporate website provides a platform to obtain shareholder and other stakeholder communication methods, which are also disclosed on the 'About Us' page of this report. The company's Shareholder Communication and Relations Policy will be published on or before effective dates.
9.5.1	Listed Company shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall include the matters listed under this Rule	01st October 2024	This will be compliant with the establishment of the Policy on matters relating to Board of Directors

CSE Rule	Requirement	Effective Date	How We Comply
9.5.2	Confirmation on compliance with the requirements of the Policy on matters relating to the Board of Directors. If non- Compliant reasons for the same with proposed remedial action	01st October 2024	This will be compliant with the establishment of the Policy on matters relating to Board of Directors
9.6	Chairperson and CEO		
9.6.1	The Chairperson of every Listed Company shall be a Non- Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual, unless otherwise a SID is appointed by such Entity in terms of Rule 9.6.3 below	01st October 2023	Compliant Refer Senior Independent Director Report on page 66
9.6.2	Where the Chairperson of a Listed Company is an Executive Director and/or the positions of the Chairperson and CEO are held by the same individual, such Entity shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an Immediate Market Announcement if such date of appointment and/or combination of the said roles falls subsequent to the implementation of these Rules	01st October 2023	Compliant Since the Chairperson and CEO of the Company is the same Person, a market announcement was made on 30th October 2023 stating the rationale for combining the two roles.
9.6.3	Report of Senior Independent Director demonstrating the effectiveness of duties	01st October 2023	Compliant Refer Senior Independent Director Report on page 66
9.6.4	Rationale for appointing Senior Independent Director	01st October 2023	Compliant Refer Senior Independent Director Report on page 66
9.7	Fitness of Directors and CEOs		
9.7.1	Listed Company shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of the Listing Rules In evaluating fitness and propriety of the persons referred in these Rules, the Company shall utilise the 'Fit and Proper Assessment Criteria' set out in Rule 9.7.3 of the Listing Rules	01st October 2023	The Company Secretaries obtain annual declarations from the Directors of the Company to ensure that they are at all times fit and proper persons as specified in the criteria given in Rule 9.7.3 of the Listing Rules of the CSE
9.7.2	Listed Company shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper as required in terms of these Rules before such nominations are placed before the shareholders' meeting or appointments are made	01st October 2023	Compliant
9.7.3	A Director or the CEO of a Listed Company shall not be considered as 'fit and proper' if he or she does not meet with the fit and proper assessment criteria specified under "Honesty, Integrity and Reputation", "Competence and Capability" and "Financial Soundness" as set out in Rule 9.7.3 (a), (b) and (c) respectively	01st April 2024	Refer 'How We Comply' under Rule 9.7.1 above

CORPORATE GOVERNANCE

CSE Rule	Requirement	Effective Date	How We Comply
9.7.4	Listed Company shall obtain declarations from its Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation	01st October 2023	Annual declarations from Directors confirming that each of them has continuously satisfied the fit and proper assessment criteria set out in the CSE revised Listing Rules were obtained as at 31st March 2024
9.7.5	(a) Statement on Directors and CEO satisfying Fit and Proper Assessment Criteria (b) Any non-compliance/s and remedial action taken	01st October 2023	Compliant Refer the 'Annual Report of the Board of Directors' of this Annual Report N/A
9.8	Board Composition		
9.8.1	The Board of Directors of a Listed Company shall, at a minimum, consist of five (05) Directors	01st October 2024	As of the date of the publication of this Annual Report, the Company consists of 9 Directors, thereby complying with the requirement stipulated under Rule 9.8.1 of the Listing Rules of the CSE.
9.8.2	Minimum Number of Independent Directors: (a) The Board of Directors of a Listed Company shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Company at any given time, whichever is higher (b) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change	01st October 2024	Compliant
9.8.3	A Director shall not be considered independent if he/she does not meet the criteria for determining independence as set out in Rule 9.8.3 of the Listing Rules	Criteria 9.8.3 (i) to (viii) - 01st October 2023 Criteria 9.8.3 (ix) - 01st January 2025	Compliant in terms of Rule 9.1.4(3)
9.8.5	(a) Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified in Rule 9.8.3 of the Listing Rules and in the format in Appendix 9A of the said Rules (b) Make an annual determination as to the "independence" or "non-independence" of each Independent Director based on the Directors' declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report (c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof	01st October 2023	The Independent Directors submit signed declarations annually with regard to their independence/non-independence against the specified criteria stipulated under Rule 9.8.3 of the Listing Rules of the CSE Refer 'Independence of the Directors' in the Corporate Governance Report of this Annual Report

CSE Rule	Requirement	Effective Date	How We Comply
9.10	Disclosures Relating to Directors		
9.10.1	Listed Company shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Company shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 of the Listing Rules	01st October 2024	This will be compliant with the establishment of the Policy on matters relating to Board of Directors
9.10.2	Listed Company shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following: <ul style="list-style-type: none"> i. a brief resume of such Director; ii. his/her capacity of directorship; and, iii. Statement by the Company indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Company 	01st October 2023	Compliant Refer 'Appointment, Re-election and Resignation of Directors' in the Corporate Governance Report of this Annual Report
9.10.3	Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board of Directors or Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof	01st October 2023	Would comply if a need arise
9.10.4	Directors details <ul style="list-style-type: none"> a) name, qualifications and brief profile b) nature of his/her expertise in relevant functional areas c) whether either the Director or Close Family Members has any material business relationships with other Directors d) whether Executive, Non-Executive and/or independent Director e) total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or KMP stating whether listed or unlisted, whether functions as executive or non-executive (If the directorships are within the Group names need not be disclosed) f) number of Board meetings attended g) names of Board Committees in which the Director serves as Chairperson or a member h) Attendance of board committee meetings i) Terms of Reference and powers of Senior Independent Directors 	01st October 2023	<ul style="list-style-type: none"> a), b) and d) - Refer 'Board profiles' of this Annual Report c) Based on the individual declarations obtained from the Directors, it was evident that none of the Directors or their close family members have material business relationships with other Directors of the Company. A Statement to this effect is included in the 'Annual Report of the Board of Directors' of this Annual Report e) Refer 'Corporate Governance Report' of this Annual Report f) and g) - Refer 'Composition' and 'Details of Directors' Attendance at Board Meetings held during the financial year 2023/2024' in the Corporate Governance Report of this Annual Report h) Refer Committee Reports of this Annual Report i) Refer Senior independent director Reports of this Annual Report

CORPORATE GOVERNANCE

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CSE Rule	Requirement	Effective Date	How We Comply
9.11	Nominations and Governance Committee		
9.11.1	Listed Company shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11 of the Listing Rules	01st October 2024	<p>Compliant</p> <p>Company formed Nomination and Governance committee with effect from 3rd July 2024.</p> <p>Refer 'Nominations and Governance Committee Report' of this Annual Report</p>
9.11.2	Listed Company shall establish and maintain a formal procedure for the appointment of new Directors and re- election of Directors to the Board through the Nominations and Governance Committee	01st October 2024	<p>Compliant</p> <p>Refer 'Nominations and Governance Committee Report' of this Annual Report</p>
9.11.3	The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings	01st October 2024	<p>Compliant</p> <p>Refer 'Nominations and Governance Committee Report' of this Annual Report</p>
9.11.4	<p>(1) The members of the Nominations and Governance Committee shall;</p> <p>(a) comprise of a minimum of three (03) Directors of the Listed Company, out of which a minimum of two (02) members shall be Independent Directors of the Company</p> <p>(b) not comprise of Executive Directors of the Listed Company.</p> <p>(2) An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors</p> <p>(3) The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Company</p>	01st October 2024	<p>Compliant</p> <p>Refer 'Nominations and Governance Committee Report' of this Annual Report</p>
9.11.5	The functions of the Nominations and Governance Committee	01st October 2024	<p>Compliant</p> <p>Refer 'Nominations and Governance Committee Report' of this Annual Report</p>
9.11.6	<p>The Annual Report of a Listed Company shall contain a report of the Nominations and Governance Committee signed by its Chairperson</p> <p>Nominations and Governance Committee Report shall include the following:</p> <p>(a) Names of chairperson and members with nature of directorship</p> <p>(b) Date of appointment to the committee</p> <p>(c) Availability of documented policy and processes when nominating Directors</p>	01st October 2024	<p>Nominations and Governance Committee Report containing the requirements stipulated under this Rule partly complied</p>

CSE Rule	Requirement	Effective Date	How We Comply
	<p>(d) Requirement of re-election at regular intervals at least once in 3 years</p> <p>(e) Board diversity</p> <p>(f) Effective implementation of policies and processes relating to appointment and reappointment of Directors</p> <p>(g) Details of directors re-appointed</p> <ul style="list-style-type: none"> • Board Committees served • Date of first appointment • Date of last re-appointment • Directorships or Chairpersonships and other principal commitments, present and held over the preceding three years • Any relationships – close family member, more 10% shareholding <p>(h) Performance of periodic evaluation of board</p> <p>(i) Process adopted to inform independent directors of major issues.</p> <p>(j) Induction / orientation programs for new directors on corporate governance, Listing Rules, securities market regulations or negative statement</p> <p>(k) Annual update for all directors on corporate governance, Listing Rules, securities market regulations or negative statement</p> <p>(l) Compliance with independence criteria</p> <p>(m) Statement on compliance with corporate governance rules, if non-compliant reasons and remedial actions</p>		
9.12	Remuneration Committee		
9.12.2	Listed Company shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of the Listing Rules	01st October 2023	<p>Compliant</p> <p>Refer 'Remuneration Committee Report' of this Annual Report</p>
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration	01st October 2023	<p>Compliant</p> <p>Refer 'Director's Remuneration' in the Corporate Governance Report of this Annual Report and the 'Remuneration Committee Report' of this Annual Report</p>
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired	01st October 2023	Refer 'How We Comply' under Rule 9.2.1 above

CORPORATE GOVERNANCE

CSE Rule	Requirement	Effective Date	How We Comply
9.12.5	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings	01st October 2023	Compliant Refer 'Remuneration Committee Report' of this Annual Report
9.12.6	(1) The members of the Remuneration Committee shall; (a) comprise of a minimum of three (03) Directors of the Listed Company, out of which a minimum of two (02) members shall be Independent Directors of the Company (b) not comprise of Executive Directors of the Listed Company (3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	01st October 2024 01st October 2023	Compliant Refer 'Composition of the Committee' in the Remuneration Committee Report of this Annual Report
9.12.7	The functions of the Remuneration Committee	01st October 2023	Compliant Refer 'Remuneration Committee Report' of this Annual Report
9.12.8	Remuneration Committee Report shall contain the following: (a) Names of chairperson and members with nature of directorship (b) A statement regarding the Remuneration Policy (c) The aggregate remuneration of the Executive and Non- Executive Directors	01st October 2023	Compliant Refer 'Remuneration Committee Report' of this Annual Report Refer Note 09 to the Financial Statements of this Annual Report
9.13	Audit Committee		
9.13.1	Where Listed Company does not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Company shall additionally perform the Risk Functions set out in Rule 9.13 of the Listing Rules	01st October 2023	The Audit Committee of the Company also performs the risk functions.
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties	01st October 2023	Compliant
9.13.3	(1) The members of the Audit Committee shall; (a) comprise of a minimum of three (03) directors of the Listed Company, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors. (b) not comprise of Executive Directors of the Listed Company.	01st October 2024	Presently the Company is compliant in terms of Rule 7.10.6(b) Will be fully compliant on or before the effective date.
	(2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.		Compliant

CSE Rule	Requirement	Effective Date	How We Comply
	(3) The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market.		Compliant Refer the Audit committee director's attendance on corporate governance section in this report
	(4) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.		Compliant
	(5) Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of a Listed Company shall attend the Audit Committee meetings by invitation.		Compliant
	(6) The Chairperson of the Audit Committee shall be a Member of a recognised professional accounting body		Refer Audit Committee Report on pages 67
9.13.4	The functions of the Audit Committee	01st October 2024	Compliant Refer Audit Committee Report on pages 67
9.13.5	Disclosures in the Annual Report (1) Listed Company shall prepare an Audit Committee Report which shall be included in the Annual Report (2) The Audit Committee Report shall contain disclosures set out in Rule 9.13.5 (2)	01st October 2024	Compliant Refer Audit Committee Report on pages 67
9.14	Related Party Transactions Review Committee		
9.14.1	Listed Company shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of the Listing Rules.	01st October 2023	Compliant Refer 'Related Part Transactions Review Committee Report' of this Annual Report
9.14.2	The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of a Listed Company, out of which two (02) members shall be Independent Directors of the Company. It may also include executive directors, at the option of the Company. An Independent Director shall be appointed as the Chairperson of the Committee	01st April 2024	Compliant Refer 'Related Part Transactions Review Committee Report' of this Annual Report
9.14.3	The functions of the Related Party Transactions Review Committee	01st October 2023	Compliant Refer 'Related Part Transactions Review Committee Report' of this Annual Report
9.14.4	1) The Related Party Transactions Review Committee shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.	01st October 2023	Compliant Refer 'Related Part Transactions Review Committee Report' of this Annual Report

CORPORATE GOVERNANCE

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CSE Rule	Requirement	Effective Date	How We Comply
	<p>2) The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person.</p> <p>3) Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.</p> <p>4) If a Director of a Listed Company has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not:</p> <p>(a) be present while the matter is being considered at the meeting; and,</p> <p>(b) vote on the matter</p>		
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	01st October 2023	<p>Compliant</p> <p>Refer 'Related Part Transactions Review Committee Report' of this Annual Report</p>
9.14.6	Listed Company shall obtain Shareholder approval for the Related Party Transactions set out in Rule 9.14.6 of the Listing Rules	01st October 2023	<p>There were no Related Party Transactions during the year which required shareholder approval</p> <p>The Company would comply with this Rule should a need arise</p>
9.14.7	Listed Company shall make an immediate Market Announcement to the Exchange for the Related Party Transactions as set out in Rule 9.14.7 (a) and (b)	01st October 2023	<p>There were no Related Party Transactions during the year which required an immediate Market Announcement</p> <p>The Company would comply with this Rule should a need arise</p>
9.14.8 (1)	<p>Related Party Disclosures</p> <p>Non-recurrent RPT exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format)</p>	01st October 2023	<p>Compliant</p> <p>Refer 'Related Party Transactions Review Committee Report' and the 'Annual Report of the Board of Directors' of this Annual Report and related party note No.15</p>
9.14.8 (2)	Recurrent Related Party Transactions exceeding 10% of the gross revenue/income (in the specified format)	01st October 2023	<p>Compliant</p> <p>Refer 'Related Party Transactions Review Committee Report' and the 'Annual Report of the Board of Directors' of this Annual Report</p>

CSE Rule	Requirement	Effective Date	How We Comply
9.14.8 (3)	<p>Related Party Transactions Review Committee Report</p> <ul style="list-style-type: none"> Names of the Directors comprising the Committee Statement that committee has reviewed RPTs and communicated comments/observations to the Board Policies and procedures adopted by the Committee 	01st October 2023	<p>Compliant</p> <p>Refer 'Related Part Transactions Review Committee Report' of this Annual Report</p>
9.14.8 (4)	Affirmative declaration by the Board of Directors on compliance with RPT Rules or negative statement to that effect	01st October 2023	<p>Compliant</p> <p>Refer 'Annual Report of the Board of Directors' of this Annual Report</p>
9.14.9	<p>Acquisition and disposal of assets from/to Related Parties</p> <p>Except for transactions set out in Rule 9.14.10, Listed Company shall ensure that neither the Company nor any of its subsidiaries, acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Company without obtaining the approval of the shareholders of the Company by way of a Special Resolution</p>	01st October 2023	<p>N/A</p> <p>The Company has not acquired or disposed of any assets from/to Related Parties during the year under review</p> <p>The Company would comply with this Rule should a need arise</p>
9.16	Additional Disclosures		
	<p>Additional disclosures by Board of Directors Declaration on the following:</p> <ul style="list-style-type: none"> All material interests in contracts and have refrained from voting on matters in which they were materially interested Reviewed of the internal controls covering financial, operational and compliance controls and risk management and obtained reasonable assurance of their effectiveness and successful adherence and, if unable to make any of these declarations an explanation on why it is unable to do so; Made themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions; Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations 	01st October 2023	<p>Compliant</p> <p>Refer 'Annual Report of the Board of Director' of this Annual Report</p>

RISK MANAGEMENT

Risk management is a critical component of our organisational strategy, aimed at identifying, assessing, and mitigating risks that could potentially impact the achievement of our business objectives. In the dynamic and uncertain business environment, effective risk management ensures that Kapruka can navigate potential threats while seizing opportunities for growth and innovation. A structured process is in place to review risks and opportunities facilitating early identification, mitigation, adaptation and resource allocation. Kapruka continues to improve its risk management processes each year, in line with the evolving business and regulatory landscape.

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RISK GOVERNANCE

The Board bears ultimate responsibility for managing the risk of the Kapruka Group. The Board oversees the management in the design, implementation and monitoring of the risk management and internal control systems, and the management provides a confirmation to the Board on the effectiveness of these systems.

The Board and the management of Kapruka continuously face the challenge

of striking a balance between the downside exposure and upside potential to optimise or preserve value creation and strive to create a culture of risk awareness throughout the Group.

The Audit Committee plays a key role in the management of risk by monitoring the effective function and adequacy of the internal controls in place to ensure the reliability of information, financial reporting processes, safeguarding of assets and compliance with regulatory requirements.



RISK MANAGEMENT PROCESS

Identify
The Risk



Assess
the Risk

Monitor
the Risk

Treat
the Risk

Kapruka has been a leader in the e-commerce industry for over a decade, consistently expanding its reach within the domestic market while establishing itself as a key exporter of Sri Lankan-manufactured products. Recognising the opportunity for backward integration, Kapruka has focused on products with high demand where customer value can be significantly enhanced through consistent quality. As a result, the business has diversified, leading to a more complex risk profile.

The principal risks in achieving the Company’s objective of enhancing stakeholder value and safeguarding its assets are outlined below.

Principal risks	Potential impact	Response and mitigating action
Rapid evolution of technology	Kapruka operations are underpinned by robust technology platforms and needs to continually upgrade its technology to ensure it keeps pace with the latest technology used by its consumer base.	Kapruka Techroot operations are dedicated to ensuring that it continues to be at the cutting edge of technology by attracting, developing and retaining talent in this extremely competitive field.
Changing consumer behaviour	Changes in consumer behaviour have been favourable to the Kapruka business model. E-commerce transaction volumes and values increased exponentially over the past 3 years spurred by the pandemic and the country’s fuel crisis which underpinned consumer behaviour. As the pandemic reaches endemicity, there is a risk that consumer behaviour may normalise with moderation in e-commerce growth rates as well as inflation and declining disposable incomes.	Kapruka continues to evolve as a business, ensuring that it becomes more relevant to consumers. Expansion of the range of products and services has been a key mitigant. Additionally, the growth of Sri Lankan consumers who purchase for themselves has also been a successful area supporting the growth of the consumer base. Encouragingly, the average ticket size has increased reflecting the success of the strategies implemented.
High stock holding costs	At present, Kapruka holds its inventory for quality control purposes. As interest rates increase, the stock holding costs also increase reducing margins.	Moving towards working with reputed producers towards a partner central model that enables Kapruka to expand its offering to consumers while reducing its stock holding costs.
Increase in fuel prices and availability of fuel	The operational costs of the e-commerce business model are expected to increase as the government gradually eases fuel subsidies and moves to a market price-based model for fuel.	Kapruka will continue to review developments and move towards lower-cost models of operations. We are encouraged by the growing number of options and potential solutions that are being deployed to mitigate this key cost and will look to strengthen our fuel efficiencies as well as reduce our carbon footprint.
Fiscal reforms have an adverse impact on business	The country’s economic crisis and the necessary structural reforms are likely to result in increased taxation on both direct and indirect taxes as well as driving a contraction in demand.	Kapruka accepts the fiscal reforms as part of responsible corporate citizenry and is committed to payment of taxation in line with regulations. We will monitor developments in this regard and ensure compliance with the same while also seeking the opportunities that accompany all crises.
Foreign exchange crisis and Import restrictions	The foreign exchange crises and related import restrictions present both a risk and an opportunity. While it limits the number of imported merchandise we offer, we can expand our range of locally sourced goods and enhance foreign exchange earnings as the diaspora seeks to assist their families.	Retaining our 1 million + customer base with exciting offerings enables us to increase our foreign exchange earnings as well the Global Shop operations which will strengthen the Group’s foreign exchange earnings, building resilience of the Group against exchange rate shocks.
Talent retention	Talent migration to overseas markets is a key concern among all employers due to the current economic crisis. As a technology company, there is a strong global demand for IT professionals who are necessary to ensure that the company remains a cutting-edge technology firm.	The reputation of the Group as a tech company with a vibrant culture continues to attract high achievers in the field at present. We monitor the talent market closely and continually seek to bridge the gap to attract the quality required. High performers are recognised and rewarded, and appropriate training is provided to support career growth.
Strategic risks	Kapruka has a dynamic business model that continues to adapt to seize the opportunities perceived in its operating environment.	While the Group pursues businesses around its technology and e-commerce growth, the new ventures serve to diversify its inherent risks. Optimal working capital management by streamlining resource utilisation.

STATEMENT BY THE SENIOR INDEPENDENT DIRECTOR



Priyanthi Pieris
Senior Independent Director

I was appointed by the Board as the Senior Independent Director (SID) on 20th October 2023 (during the financial year 2023/2024) in compliance with Listing Rule 9.6.3, since the positions of the Chairperson and the Chief Executive Officer are not segregated.

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The Board was of the view that Mr. Dulith Vinodan Herath should continue to hold both positions, at least in the medium term, based on the following rationale.

- (i) Mr. Herath is the Founder and the driving force behind “Kapruka”
- (ii) Kapruka currently heavily relies on his leadership for its business
- (iii) This reliance was evident at the Public Listing approximately two and a half years ago, during which a notable number of investors placed their faith in his vision and leadership
- (iv) Sri Lanka’s e-commerce landscape is still in its infancy. Therefore, it will be challenging to find executives with a wealth of experience in this sector locally, especially for a large-scale commercial platform such as Kapruka.

Based on the aforesaid circumstances, the Board considered it too early since the company was listed, for Mr. Herath to step down from either of these positions, which may undermine the trust placed in him.

ROLE OF THE SENIOR INDEPENDENT DIRECTOR

The SID provides guidance to the Chairman on matters of governance of the company and also provides emphasis on transparency on matters relating to governance. In fulfilling this duty, the SID is required to meet with the Independent Directors at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the company and the operation of the Board. The SID is required to provide feedback and recommendations from such meetings to the Chairperson and the other Board Members.

The SID shall hold a meeting of the Non-Executive Directors without the Chairperson at least annually to appraise the Chairperson’s performance and on such other occasions as are deemed appropriate.

Currently, the Board is composed of Four (4) Independent Non-Executive Directors, two (02) Non-Executive Non-Independent Directors, and one (01) Executive Director, who is the Chairman and Chief Executive Officer.

ACTIVITIES DURING THE YEAR

In line with regulatory requirements, I presided over one meeting with the Independent Non-Executive Directors since my appointment on 20th November 2023, covering the financial year 2023/2024, which was attended by three of the four Directors. This

was followed by a further meeting with the Non-Executive Non-Independent Directors (02) in number, both meetings without the presence of the Executive Director.

At these meetings, the performance of the Chairman and the Executive Director was appraised. Discussions related to matters and concerns pertaining to the entity and the operations of the Board. The proceedings of this meeting, together with the views, suggestions, and recommendations of the Independent Directors, were minuted in detail, and the minutes circulated to the Chairman and the Board soon thereafter.

I believe that I have effectively discharged the duties entrusted to the SID in accordance with the Corporate Governance guidelines.

Dayangani Priyanthi Pieris
Senior Independent Director

30th August 2024

THE REPORT OF THE AUDIT COMMITTEE



Thishan Subasinghe
Chairman
Audit Committee

In accordance with the Code of Best Practice on Corporate Governance and the requirements of the Securities Exchange Commission of Sri Lanka for public limited companies an Audit Committee has been established. The functions, authorities and duties have been clearly identified in the Terms of Reference (TOR). This TOR integrates the requirements of the Securities and Exchange Commission and Code of Best Practice on Corporate Governance.

The role of the Audit Committee is to oversee the financial reporting system of the Company with a view to safeguarding the interests of all the stakeholders. This includes selecting and applying appropriate accounting policies for the purpose of financial reporting, ensuring sound internal control principles and its effective implementation, thus ensuring the integrity of Financial Statements.

COMPOSITION

The Audit Committee, appointed by the Board of Directors (the Board), comprises two (02) Independent, Non-Executive Directors as follows:-

- | | |
|----|---|
| 1. | Mr. S.M.T.H Subasinghe (IND/NED) |
| 2. | Mrs. M.P Abeyesekera (IND/NED) |

(IND/NED) (IND - Independent Director and NED – Non-Executive Director)

On 22nd July 2024, Ms. Anuradha Herath, was appointed as a member of the committee in terms of Listing Rule 9.13.3

The Chairman of the Committee, Mr. Tishan Subasinghe, who is an

Independent Non-Executive Director is a Fellow and a Council Member of the Institute of Chartered Accountants of Sri Lanka. Mrs. M. P. Abeyesekera is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Brief profiles of the members of the Committee are given on pages 41 to 44 of the Annual Report. The Company Secretary functions as the Secretary to the Committee.

DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

In addition to its key areas of discussion, the Committee receives regular updates from management in relation to key financial controls, IT general controls, treasury, taxation and internal audit. The Committee’s oversight responsibilities include the following;

- Overseeing the preparation, presentation and adequacy of disclosures in the financial statements in accordance with the Sri Lanka Accounting Standards.
- Assisting the Board in fulfilling its oversight responsibilities towards ensuring the integrity of the financial statements of the Company and the Group.
- Overseeing compliance with financial reporting requirements, information requirements of the Companies Act, and compliance with all relevant statutory and regulatory requirements.
- Assessing the processes to ensure that the internal controls and risk management framework are adequate to safeguard the Company’s assets and its interests.

- Reviewing the independence and performance of the External Auditors; Making recommendations to the Board pertaining to the appointment, re-appointment and removal of External Auditors.
- Monitoring the effectiveness of the internal audit function.

AUDIT COMMITTEE MEETINGS

The Committee held four Twelve scheduled meetings during the year. Each meeting was conducted based on a clear agenda prepared in advance of the meeting which covered all pertinent matters requiring the attention of the Committee. The Committee has a periodic and structured forward-looking planner, designed to ensure that responsibilities are discharged in full during the year and that regulatory developments continue to be brought to the Committee’s attention.

The Committee met Twelve (12) occasions during the year 2023/24. Attendance by the Committee members at these meetings is as follows:-

1.	Mr. S.M.T.H. Subasinghe (IND/NED)	12/12
2.	Mrs. M.P. Abeyesekera (IND/NED)	12/12

The regular attendees on the invitation to the meetings are the Chairman, Senior Manager - Finance, Deputy Manager - Finance, and the Head of Internal Auditor. Further, where necessary, Key Management Personnel such as the Chief Technology Officer and the Head of Human Resource Management were also invited to attend relevant segments of the meetings to identify the operating

THE REPORT OF THE AUDIT COMMITTEE

effectiveness of the Internal controls and also to enhance the awareness of the Committee with regard to the developments taking place.

The External Auditors also attended these meetings by invitation. Further, two meetings were held after 31 March 2023 to consider and recommend to the Board of Directors, the Company's Quarterly and Annual Financial Statements. The Committee submits its minutes and reports with the action plan document on its activities to the Board regularly and also assists the Board in its general oversight of financial reporting, internal controls, and functions relating to internal and external audits.

FINANCIAL REPORTING, STATUTORY & REGULATORY REQUIREMENTS

In relation to the financial statements, the Committee ensures that the Group provides accurate and timely financial results in conformity with the Sri Lanka Accounting Standards and applies judgements effectively. During the year, the Committee considered and recommended the quarterly financial statements, annual financial statements and connected documents for Board approval, within the stipulated timelines.

The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and annual financial statements to ensure the reliability of the entire process, consistency of the accounting policies and procedures adopted and their compliance with Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standards.

The Committee reviews the quarterly regulatory compliance reports submitted and concludes that the Company and its subsidiaries' compliance framework provides reasonable assurance that all relevant laws, rules, regulations, code of ethics and standards of conduct have been followed in compiling these reports.

This procedure ensures that compliance with all statutory and regulatory requirements is effectively monitored.

The Committee supported the Board in discharging its responsibilities towards ensuring statutory compliance by companies in the Group and received and reviewed compliance data covering the aforementioned items. The Committee discussed the controls and mitigating actions deployed in support of the Group's overall compliance strategy and culture to reduce instances of fraud and compliance breaches.

CHARTER OF THE AUDIT COMMITTEE

The Audit Committee Charter is periodically reviewed and revised with the consensus of the Board of Directors. The terms of reference of the committee are clearly defined in the Charter of the Audit Committee.

INTERNAL AUDIT

The Audit Committee reviewed the objectivity and performance of the internal audit function and the adequacy of its resources. The internal audit reports submitted to the committee and audit findings presented in the reports were prioritized based on risk levels. Follow up reviews are scheduled to ascertain that audit recommendations are being acted upon. The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded, and that the financial reporting system can be relied upon in the preparation and presentation of Financial Statements.

EXTERNAL AUDIT

The Committee held meetings to review the role of the External Auditors and the scope of its work. The Committee considers the "Management Letter" submitted by the external auditor and management's response to their recommendations. The Committee

periodically assesses the quality of the external auditor's contribution and effectiveness, considers their appointment, approves auditor remuneration and monitors the provision of non-audit services and associated fees in order to ensure that their independence as External Auditors had not been compromised.

CONCLUSION

The Committee received information and support from the management team during the year to enable it to carry out its duties and responsibilities effectively.

The Committee is satisfied that the Company's internal controls and procedures are in place and are effectively implemented as designed to assess and manage risks and that the Company's assets are adequately safeguarded.

The Committee is also satisfied that the operating controls and the application of appropriate accounting policies provide reasonable assurance that the financial statements of the Company and Group provide a true and fair view of its state of affairs.

The Audit Committee has proposed to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants be recommended for re-appointed as Statutory Auditors of the Company for the financial year ending 31st March 2025, subject to approval by the shareholders at the forthcoming Annual General Meeting



Thishan Subasinghe
Chairman
Audit Committee

30th August 2024

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE



Manohari Abeysekera
Chairperson
Related Party Transaction Review Committee

COMPOSITION

The Related Party Transaction Review Committee (the Committee) appointed by the Board of Directors (the Board) consists of two Independent Non-Executive Directors & one Non-Independent Non-Executive Director.

- **Mrs. M. P. Abeysekera**
(IND/NED) - Chairperson
- **Mrs. A. M. Herath** (NIND/ NED)
- **Mr. S. M. T. H. Subasinghe**
(IND/NED)
- **Mrs. Priyanthi Peiris**
(IND/ NED) - On invitation

(IND/NED) (IND - Independent Director and NED – Non Executive Director)

(NIND/NED) (NIND - Non Independent Director and NED – Non Executive Director)

Mrs. Manohari Abeysekera is a Fellow Member of Chartered Institute of Management Accounts (CIMA-UK) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). She is a Council Member of the CIMA UK, and Sri Lanka Institute of Directors, and serves as a Director of Sri Lanka Accounting Standards Monitoring Board. She possesses 20 + years of post-qualifying experience. Brief profiles of the members of the Committee are given on pages 41 to 44 of the Annual Report. The Company Secretary functioned as the Secretary to the Committee.

PURPOSE

The purpose of the Committee is to review all proposed related party transactions ensuring that they comply

with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee is responsible for the independent reviewing of all proposed non-recurrent Related Party Transactions between the Company and its Related Parties, either prior to entering into a transaction or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction. Further, the Committee reviews all recurrent Related Party Transactions on a quarterly basis and annually to ensure compliance with the limits and reporting guidelines specified by the Listing Rules of CSE.

The Committee is responsible for evaluating and reviewing the threshold for Related Party Transactions which require either shareholders' approval or immediate market disclosures annually.

TERMS OF REFERENCE

The Committee operates as per the Board approved and formally documented Terms of Reference (TOR), outlining the Committee's authority and duties. The TOR has been carefully designed to discharge the Committee's purpose, duties and responsibilities and it covers aspects relating to matters prescribed in the Listing Rules of the Colombo Stock Exchange.

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

- Compliance with 'the Code' and the Listing Rules of the CSE
- Shareholder interests are protected; and

- Fairness and transparency are maintained.

DUTIES AND RESPONSIBILITIES

- Adopting policies and procedures to review related party transactions of the Company and evaluating transactions that fall within the ambit of a normal business relationship and whether the terms of such transactions are no more favorable than would reasonably be expected of transactions negotiated on an arm's length basis.
- Reviewing in advance all proposed related party transactions of the Company and its subsidiaries either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party and determine whether related party transactions to be entered into by the Company require Board or shareholder approval.
- Establishing a set of guidelines as explained in the CSE Listing Rules where related party transactions are "recurrent in nature", for the senior management to follow in their continuing dealings with the relevant related party.
- Ensuring that no Director of the Company participates in any discussion of a proposed related party transaction for which he or she is a related party, unless such

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee.

- Advising the Board in making immediate market disclosures on applicable Related Party Transactions as required by Section 9 of the Continuing Listing Requirements of the CSE.
- Advising the Board in making appropriate disclosures on RPT in the Annual Report as required by Section 9 of the Continuing Listing Requirements of the CSE.
- Ensuring that necessary policies, procedures, guidelines, and manuals to review transactions have been implemented. Ensuring that there is an adequately effective and efficient system in place to capture information which is relevant to its review function.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.

MEETINGS HELD

The Committee met Nine (09) occasion during the year 2023/24. Attendance by the Committee members at these meetings is as follows:-

Members

1.	Mrs. M.P. Abeysekera (IND/NED)	5/5
2.	Mr. S.M.T.H. Subasinghe (IND/NED)	5/5
3.	Mrs. A. M. Herath (NIND/ NED)	5/5
4.	Ms. Priyanthi Pieris (PP) - By Invitation (IND/NED)	1/5

The Chairman/ CEO, Head of Finance, Deputy Finance Manager, and Head of Internal Audit attended the meetings by invitation.

The relevant Related Party Transactions between the Company and its related parties were observed by the Committee when required and communicated its observations to the Board.

Below mentioned main areas were discussed and reviewed by the Committee.

- Committee formation and Terms of Reference
- Analysis of the structure of Kapruka Holdings Plc and its subsidiaries - The Committee reviewed the organizational structure of the Company and its subsidiaries and recommended appropriate changes to be in line with the Listing Rules of the Colombo Stock Exchange (CSE)
- Assessed the adequacy of related party reporting
- Related Party Transaction policy framework was proposed by the committee to guide the management in identifying and recording Related Party Transactions.
- The committee proposed to establish a policy on the management fee including the basis of computation and a recovery plan to collect receivables from its subsidiaries.
- The Committee reviewed and pre-approved all recurrent and non-recurrent Related Party Transactions of the Company and its subsidiaries along with the disclosures and assurances provided by the senior management of the Company in relation to such transactions in terms of formulated guidelines so as to validate compliance with Section 9.5(a) of the listing rules.
- Other significant transactions of non-listed subsidiaries were presented to the Committee for information.
- Established guidelines for the management and reporting of related party transactions - The Committee

considered the necessary market disclosures in a timely and detailed manner and disclosures in the Annual Report as required by the applicable rules/regulations;

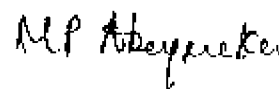
- Transaction limits for the approval of the Board – The Committee proposed to impose transaction limits for the approval of the Board to proceed as a mode of maintaining good governance within the Company.
- Reviewed thresholds for Related Party Transactions between the company and its subsidiaries which require either shareholders' approval or immediate market disclosure based on the Financial Statements for the year ended 31st March 2023.

REPORTING TO THE BOARD

The activities and views of the Committee have been communicated to the Board of Directors through verbal briefings and minutes of the Committee Meetings were tabled at the immediately following Board Meeting enabling all Board Members to have access to the same.

DECLARATION

The Committee has reviewed all related party transactions during the period and has established that they are in the best interest of the Company and comply with all standards of best practice and reporting. The related party transactions of the Company are given in detail on pages 118 to 121.



Manohari Abeysekera

Chairperson

Related Party Transaction Review Committee

30th August 2024

REPORT OF THE REMUNERATION COMMITTEE



Dayangani Priyanthi Pieris
Chairperson
Remuneration Committee

COMPOSITION OF THE COMMITTEE

The Remuneration Committee of Kapruka Holdings PLC; during the year under reference consisted of the following two Non-Executive, Independent Directors:-

- **Mrs. D P Pieris** - Chairperson
- Independent Non-Executive Director
- **Mrs. M P Abeysekera** -
Independent Non-Executive Director

Brief profiles of the members of the Committee are given on pages 41 to 44 of the Annual Report.

On 22nd July 2024, Ms. Anuradha Herath, was appointed as a member of the committee in terms of Listing Rule 9.12.6

PURPOSE

The purpose of the Committee is to assist the Board in fulfilling its responsibility to Shareholders to ensure that the Company's remuneration policy is based on fair and responsible rewards linked to corporate and individual performance, and as per the relevant statutory requirements.

TERMS OF REFERENCE

The Committee operates within the agreed Terms of Reference. The committee examines the proposals and recommendations made by the management on the remuneration package for the Company's Executive Directors and Senior Management of the Company and its subsidiaries and makes recommendations to the Board for their approval.

The scope of the Committee also involves, looking into the fees and perquisites of the Chairman and the Non-Executive Directors of the Board of the Company as recommended by the management, and submitting the Committee's recommendations for the approval of the Board.

All Non-Executive Directors receive fees for serving on sub-committees, except for Mrs. D P Pieris, who had opted not to receive a separate fee for attending the Remuneration Committee meetings.

REMUNERATION POLICY

The Committee considers fixed and variable components such as competition, individual and collective performance, industrial standards, comparison to market accessible rates, and the current inflation rate while determining the Company's overall remuneration policy for the year under review.

DUTIES AND RESPONSIBILITIES

- Providing advice and recommendations to the Board or the Chairman on appointments.
- Formulating remuneration policies (salaries, allowances and other financial payments) relating to Directors and Key Management Personnel of the Company and submitting the same for the approval of the Board.
- Formulating broad policy for incentivization package of Executive Directors and Key Corporate Management.

- Evaluating the performance of Key Management Personnel and providing recommendations for revising remuneration, benefits, and other performance-based incentives.
- Approving Remuneration:
 - (a) Directors' emoluments
 - (b) Annual Salary and bonus based on performance evaluations
 - (c) Incentives, allowances, and other perquisites.
- Reviewing the Company's remuneration practices and policies to ensure fairness in directors' remuneration.
- Determining the policy for the terms of employment of the executive Directors.

MEETINGS HELD

The Committee met three (03) times during the year under review with the attendance of all its members.

Mrs. D. P. Pieris (Chairperson)	3/3
Mrs. M. P. Abeysekera	3/3

The CEO, Finance Manager & the Head of Internal Audit attended the meeting by invitation to assist in the Committee's deliberations.

Below mentioned main areas were discussed and reviewed by the Committee:-

- Increment of Remuneration for Directors and Employees- The Committee recommended changes

REPORT OF THE REMUNERATION COMMITTEE

to the remuneration packages of the Directors and employees after reviewing the current remunerations.

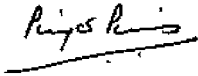
- Employee performance appraisal
- The Committee recommended conducting a performance appraisal on employee promotions and increments with their respective pay levels as a best practice.
- Staff promotions - The Committee also reviewed the staff cadre categorization to make the appropriate changes and kept abreast of the dynamic changes that were required during the year.

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The Company Secretaries of the Company, Kreston Corporate Services (Pvt) Ltd, functioned as the Secretary to the Remuneration Committee.

DIRECTORS' EMOLUMENTS

The Directors' emoluments are disclosed in page No 119.



Dayangani Priyanthi Pieris

Remuneration Committee

30th August 2024

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT



Dayangani Priyanthi Pieris
Chairperson
Nominations and Governance Committee

The primary function of the Nominations and Governance Committee is to assist the Board in making recommendations on Board appointments to maintain a balance of skills, expertise, and diversity on the Board and its Sub-Committees. The Committee was formed in line with CSE Listing Rule 9.11. The Committee will ensure compliance with the requirements set out in Rule 9.11 of the CSE Rules.

COMPOSITION OF THE COMMITTEE

The Committee was established on the 3rd day of July 2024

The Committee comprises four Non-Executive Directors appointed by the Board of the Company with the establishment of the Committee on the 3rd day of July 2024. The following Directors currently serve on the Committee.

- **Mrs. D Priyanthi Pieris** – Chairman – Independent Non-Executive Director
- **Mr. Tishan Subasinghe** – Member – Independent Non-Executive Director
- **Mrs. Manohari Prasadini Abeysekera** – Member – Independent Non-Executive Director
- **Mr. Suresh Deepal Subasinghe** – Member – Independent Non-Executive Director

The Company Secretaries of the Company, Kreston Corporate Services (Pvt) Ltd, functioned as the Secretary to the Nomination & Governance Committee.

FUNCTIONS

The functions of the Nominations and Governance Committee shall include the following:

- (i) Evaluate the appointment of Directors to the Board of Directors and Board Committees of the Listed Entity. However, a Nominations and Governance Committee member shall not participate in decisions relating to his/her own appointment.
- (ii) Consider and recommend (or not recommend) the re-appointment / re-election of current Directors taking into account;
 - The combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Listed Entity and the discharge of the Board's overall responsibilities; and
 - The number of directorships held by the Director in other listed and unlisted companies and other principal commitments.
- (iii) Establish and maintain a formal transparent procedure to evaluate, select and appoint/re-appoint Directors of the Listed Entity.
- (iv) Establish and maintain a set of criteria for selection of Directors such as the academic/professional qualifications, skills, experience and key attributes required for eligibility, taking into consideration the nature of the business of the Entity and industry specific requirements.
- (v) Establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the CEO of the Entity to ensure that their responsibilities and satisfactorily discharged.
- (vi) Develop succession plan for Board of Directors and Key Management Personnel of the Listed Entity.
- (vii) Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities.
- (viii) Review and recommend the overall corporate governance framework of the Listed Entity taking into account the Listing Rules of the Exchange, other applicable regulatory requirements and industry/ international best practices.
- (ix) Periodically review and update the Corporate Governance Policies/ Framework of the Entity in line with the regulatory and legal developments relating to same, as a best practice.
- (x) Receive reports from the Management on compliance with the Corporate Governance framework of the Entity including the Entity's compliance with provisions of the SEC Act, Listing Rules of the Exchange and other applicable laws, together with any deviations/non-compliances and the rationale for same.

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

POLICY AND PROCESS DOCUMENTS

The written terms of reference defining the scope of authority, duties, and matters pertaining to the quorum of meetings are under preparation.

ACTIVITIES DURING THE YEAR

The Committee, established on 3rd July 2024, was post the year under review.

On the 15th day of July 2024, the Committee evaluated the appointment of a Director to the Audit Committee as per Listing Rule 9.13.3(1).

On the 18th day of July 2024, the Committee evaluated the appointment of two Independent Directors to the Board, namely Mr. Lakshman Abeysekera and Dr. Dingiri Bandage Sunil Chamara Bandara.

On the 19th day of July 2024, the Committee evaluated the appointment of a Director to the Remuneration Committee as per Listing Rule 9.12.6(1).

The Committee also considered and recommended the re-election of the following Directors on 31st July 2024, at the Annual General Meeting to be held for the year 2024.

1. Mrs. Ranasinghe Arachchige Thilangani Herath, who was first appointed to the Board on 7th February 2002, was last reappointed on 27th September 2023. She is due to retire under Section 211 of the Companies Act No. 7 of 2007. The Committee recommended to the Board that they recommend the election of Mrs. Herath to the shareholders. (Mrs. Herath has a close family relationship with the Chairman/Managing Director/holder of 80 percent shares of the company).

2. Mr. Lakshman Abeysekera (appointed on 22nd July 2024), and Dr. Dingiri Bandage Sunil Chamara Bandara (appointed on 22nd July 2024), appointed under Article 95 of the Articles of Association of the Company, are due to retire at the forthcoming Annual General Meeting of the Company. The Committee recommended to the Board that they recommend to the shareholders the election of the said two directors via two separate resolutions. (Mr. Lakshman Abeysekera, who held the position of Director at People's Insurance PLC. resigned with effect from 11.08.2023. He was also a director of Sanasa Development Bank PLC and retired with effect from 22.04.2022).

3. Mrs. Dayangani Priyanthi Pieris, who attained the age of 70 years in July 2024, although entitled in terms of the Listing Rules to continue on the Board until 1st January 2025 as an Independent Director and thereupon as a Non-Independent Director, has informed the Board that she would resign from the Board prior to the forthcoming Annual General Meeting (immediately upon the audited accounts for the year ended 31st March 2024 being approved by the Board) was not considered for re-appointment in terms of Section 211 of the Companies Act. (Mrs. Pieris held directorships/and on sub-committees in Asia Asset Finance PLC and LOLC Finance PLC up to 2021 and currently serves on the Board and one sub-committee of JAT Holdings PLC).

4. Accordingly, out of the Eight Non-Executive Directors (2 Non-Independent and 6 Independent), 3 Directors referred to in 1 and 2 above and a further director referred to in 3 above are not considered

in terms of Section 88(1) for retirement by rotation. Out of the remaining four, 1 director, Mr. Suresh Subasinghe (appointed on 13th July 2023) is due to retire in terms of Section 88(1). The Committee recommended to the Board that they recommend the election of Mr. Subasinghe to the shareholders. .

(In terms of Article 88(1) of the Articles of Association of the Company, one-third of the directors for the time being or if their number is not a multiple of three, the number nearest to but not greater than one-third retire from office – Accordingly of the 4 remaining directors aforesaid one-third of directors to retire shall be 1).

PERIODIC EVALUATION

The Committee was established recently, and no periodic evaluations have been conducted on the performance of the Board of Directors or the CEO as required by Rule 9.11.5.

INDUCTION PROGRAMMES/ ORIENTATION PROGRAMMES

The Committee was established recently, and therefore, the Committee has not yet formulated Induction Programmes/ Orientation Programmes for the incoming directors. However, the Chairman has provided information about the Company's business and its current performance, together with the recently published financials, to the new directors.

ANNUAL UPDATES GIVEN TO THE DIRECTORS ON CORPORATE GOVERNANCE, LISTING RULES, SECURITIES REGULATIONS AND OTHER APPLICABLE LAWS AND REGULATIONS/DECLARATIONS

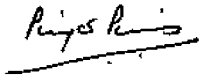
The Secretaries of the Company gave the Board of Directors an update on the new Corporate Governance Listing Rules at the Board meeting on 19th March 2024.

The Secretaries were provided declarations from the Independent Directors as to their independence as per the declaration referred to in Appendix 9A of the Listing Rules for the year ended 31st March 2024. The Secretaries were also provided declarations by the Non-Executive Directors as per Appendix 9C

The Secretaries forwarded via an email to the Board of Directors to the extent of compliance with the Corporate Governance Rules on 26th July 2024. Compliance with certain rules is in progress.

ATTENDANCE AT MEETINGS

No meetings were held during this period. All decisions of the committee were made via Circular Resolutions with the participation of all Committee Members.



Dayangani Priyanthi Pieris

Chairperson

Nominations and Governance Committee

30th August 2024



**FINANCIAL
STATEMENTS -
GUIDING INFORMED
DECISIONS**



FINANCIAL STATEMENTS

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

Annual Report of the Board of Directors on the Affairs of the Company as required by section 168 of the Companies Act No. 07 of 2007 as amended (“the Companies Act”).

1. GENERAL

The Board of Directors of Kapruka Holdings PLC have the pleasure of presenting their Report on the affairs of the Company together with the Audited Consolidated Financial Statements for the year ended 31st March 2024. The details set out herein provide the pertinent information required under Section 168 of the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules, and the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka.

The Company was incorporated in Sri Lanka on 7th Feb 2002 as a Private Limited liability Company under the previous Companies Act No. 17 of 1982 in the name of Lanka Dot Info (Private) Limited. On January 07, 2005, the Company changed its name to Kapruka Dot Com (Private) Limited under the previous Companies Act No.17 of 1982 and re-registered under the provisions of Companies Act No. 07 of 2007 on July 29, 2008, obtaining PV 5789 as the Company’s Reregistration Number. The status of the Company was changed from Private Limited to a Public Limited Company under provisions of the Companies Act No. 07 of 2007 on 06th November 2021. Thereafter the Company changed its name from Kapruka Dot Com Limited to Kapruka Holdings Limited on 20th November 2021.

The ordinary shares of the company have been listed on the Colombo Stock Exchange with effect from 07th January 2022. The Company changed its status from Kapruka Holdings Limited to Kapruka Holdings PLC under the Registration No. PQ00247881 with effect from 13th April 2022. 164,130,360 fully paid Ordinary Voting Shares were listed

on the Main Board of the Colombo Stock Exchange (CSE) on 07th January 2022.

The Registered Office as well as the Head Office of the company is located at No 147, Old Kottawa Road, Mirihana, Nugegoda.

The Financial Statements reviewed and recommended by the Audit Committee were approved by the Board on 30th August 2024 along with this report.

2. PURPOSE AND VALUES

In achieving its set goals and objectives all Directors, management, and employees of the Company conduct their activities to the highest level of ethical standards and integrity as set out in the Code of Ethics of the company.

3. REVIEW OF THE BUSINESS

3.1 Principal Business Activities of The Company and The Group

Kapruka Group consists of a portfolio of diverse business operations in the online business market today by continuously expanding into multiple western markets in line with the core strategy of creating wealth for all stakeholders.

The principal business activities of the Company and the Group are given below as required by Section 168 (1)(a) of the Companies Act.

3.1.1 The Company

Kapruka Holdings PLC which is the holding company provides administrative services to the companies within the group.

3.1.2 Subsidiaries

The company had 4 subsidiaries as at 31st March 2024. The names of the subsidiaries, percentage of the ownership and their principal business activities are as tabulated below:

Entity	Principal Business Activities	% of Holdings
Kapruka E-Commerce (Pvt) Ltd	Providing E-commerce Services	100%
Kapruka Tech Root (Pvt) Ltd	Registered Internet Service Provider (ISP)	100%
Kapruka Productions (Pvt) Ltd	Manufacture and distribution of cakes, chocolates and baked food products	100%
Kapruka USA LLC	Providing Global Payment Gateway integration facility & operate the Cross boarder operation w.e.f. 01/01/2024	100%

The 4 subsidiaries and equity accounted investees of Kapruka Holdings PLC are listed on page 5. The main activities of these companies’ sectors are described in the Portfolio Review page on 4 of this Report.

3.2 Review of Operations of The Company and The Group The Group’s

Businesses and their performance during the year, with comments on financial results, as well as future business developments are appraised in the Chairman’s message (page 10-12).

3.3 Changes to the Company Structure

The company changed its operating structure in October 2021 by transferring its operations to Kapruka E-Commerce (Pvt) Ltd.

3.4 Financial Statements of The Company and the Group

The Financial Statements of the Company and the Group for the year ended 31st March 2024 which have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) are given on pages 88 to 143 of this report.

3.5 Auditors' Report

The Auditor's of the Company and the Group, Messrs. Ernst & Young, Chartered Accountants carried out the Audit for the financial year ended 31st March 2024 and their response on those financial statements are given on pages 85 to 87.

3.6 Accounting Policies and Changes During the year

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 which requires compliance with Sri Lanka Accounting Standards. The detailed accounting policies adopted in the preparation of the Financial Statements are given on pages 94 to 143 There were no changes to the Accounting Policies used by the Group and the Company during the year.

3.7 Entries in the Interests Register

The Company, in compliance with the Companies Act No.07 of 2007, maintains an Interests Register.

3.7.1 Directors' interest in transactions

The Directors of the Company and its Subsidiaries have made the general disclosures provided for in section 192(2) of the Companies Act No.07 of 2007.

Note 15. to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

3.7.2 Directors' Interests in Shares

The shareholdings of Directors who held office as at 31 March 2024 were as follows:-

Name of the Directors	Number of Shares
Mrs. A M Herath	Nil
Mrs. R A T Herath	Nil
Mr. S Alexander Res w.e.f. 31.10.2023	2,215
Mrs. D P Pieris	Nil
Mr. S M T H Subasinghe	Nil
Mrs. M P Abeyesekera	Nil
Mr. S D Subasinghe Appt w.e.f. 13.07.2023	Nil

3.2.1 Directors' Remuneration

	31st March 2024	31st March 2023
Director's Emoluments	20,416,850	19,674,526

4. FUTURE DEVELOPMENTS

Future developments are discussed in the Chairman's message (page 10-12), of this Report.

5. PERFORMANCE AND RESERVES

5.1. Performance

The Group's Loss Before Tax amounted to Rs. 109 Mn. After deducting Rs. 8 Mn Mn for taxation the loss was Rs. 117 Mn No noncontrolling interests was available, the Group loss attributable to owners of the Parent for the year was Rs. 117 Mn.

5.2 Reserves

Total Group Reserves as at 31st March 2024 amounts to Rs. 171Mn. Other components of equity was Rs.769 Mn and Revenue Reserves Rs. 147Mn.

The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

6. PROPERTY, PLANT AND EQUIPMENT

Capital expenditure during the year, on Property, Plant & Equipment (including capital work-in-progress), and Right-of-use assets by the Group and the Company amounted to Rs. 42 Mn and Rs. 17 Mn respectively. Details relating to capital expenditure on Property, Plant & Equipment (including capital work- in-progress), Right-of-use assets, Investment properties, Intangible assets, are given in Notes 06 - 08 to the Financial Statements.

7. MARKET VALUE OF FREEHOLD

The most recent revaluations of the lands were carried out as at 2024. Details of revaluations, carrying values and market values are provided in Note 06 to the Financial Statements.

8. ISSUE OF SHARES

The company issued 32,826,000 New Ordinary Voting Shares of the Company at an Issue Price of LKR 15.40 to General Public on 4th January 2022. Accordingly, the stated capital of the Company as at 31 March 2023 was Rs 778 Mn represented by 164,130,360 ordinary shares.

9. VARIATION OF APPLICATION OF FUNDS IN RESPECT OF TWO (2) OBJECTIVES AS STATED IN THE PROSPECTUS DATED 14TH DECEMBER 2021, ISSUED BY THE COMPANY

(a) UPGRADING EXISTING TECHNOLOGIES AND INFRASTRUCTURE

We are pleased to inform you that the Company has successfully completed this project at a total cost of Rs.40,900,000/-, although the initial planned investment was Rs. 100,000,000/-. This was due to efficient strategies, including the in-house development of our Warehouse Management System (WMS) using open-source software and conducting the rest of the software development internally.

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

This project was developed to expand the core system with the ultimate goal of offering a world-class online purchasing experience to the end consumer via the use of better technologies. The original intention as set out in the Prospectus, was to purchase SAP or Oracle ERP and WMS. However, as stated above, the development was conducted internally, thereby saving Rs. 59,100,000/-.

At the AGM, held on 30th September 2022, the shareholders approved to utilize a sum of Rs. 30,000,000/- out of the aforesaid saving to upgrade in addition to the existing technologies and infrastructure set out in the Prospectus, the infrastructure of the building premises, namely the installation of a solar roof for the newly built warehouse in Mirihana and the installation of additional storage racks and storage equipment.

As part of the continuous efforts of the management, to evaluate the cost-effectiveness of all investments, and as recommended to the Board, it has been decided not to proceed with the installation of the planned solar roofing system since after careful analysis the management was of the view that the anticipated savings in the electricity cost were not substantial enough to justify the investment.

The unutilized funds amounting to Rs. 59,100,000/- from this project are recommended to be channeled towards meeting the working capital requirements and thereby, strengthening the Balance Sheet of Kapruka Holdings PLC, which the management believes will further enhance the Company's financial stability and ensure a robust foundation for the Company's future initiatives.

(b) USED-GOODS MARKETPLACE UNDER THE OBJECTIVE SET OUT IN CLAUSE 3.5.2 "LAUNCHING KAPRUKA PLATFORM SERVICES"

In terms of the IPO Prospectus dated 14th December 2021, one of the

objectives of raising funds was for the purpose of investing a sum of Rs. 55,520,400/-, to develop Kapruka business-to-business (B2B) operations which combine the bulk purchases, convenience, and value of Kapruka high-quality order fulfillment with features that help improve business purchasing for reselling purposes. Grocery items would be the primary category here whilst it was to be later expanded to wholesale of fruit and vegetables. This operation was to be carried out by Kapruka E-commerce (Pvt) Ltd. The proceeds were to be invested in the recruitment of marketing, operational, and support teams. Initial inventory purchase and marketing (Credit card promotions and other membership-based initial discounts for customer acquisition). Recruitments and the said start-up expenses were to be at market values and did not involve related party transactions.

During the progression of the IPO objective of the Kapruka Partner Central Project, the management recognized the feasibility of incorporating the planned features of the Kapruka wholesale Marketplace into the Kapruka Partner Central platform; without incurring any extra expenses.

This integration will serve to streamline Kapruka e-Commerce (Pvt) Ltd's operations as it combines both - business-to-consumer (B2C) and business-to-business (B2B) functionalities into a single, unified platform, thereby minimizing administrative complexities.

The fusion of resources, personnel, and technological development, which were initially intended for two distinct platforms, will result in notable cost efficiencies. This strategy is more conducive to the effective allocation of the IPO proceeds.

The Rs. 55,520,400/- previously allocated for the separate B2B project which is unutilized is recommended to be channeled towards meeting

the working capital requirements and thereby, strengthening the Balance Sheet of Kapruka Holdings PLC, which the management believes will further enhance the Company's financial stability and ensure a robust foundation for the Company's future initiatives.

Share Information

Information relating to earnings, dividend, net assets, market value per share, share trading and distribution of shareholding is given on pages 144.

10. DIRECTORS

The Board comprises of 07 Directors, out of whom 01 is an Executive Directors & 06 are Non-Executive Directors to maintain the Board balance. Names of the Directors served during the financial year are given on pages 41 of this report. The brief profiles of the Board of Directors appear on pages 41.

The basis on which Directors are classified as Independent Non- Executive Directors is discussed in the Corporate Governance Report.

In terms of Article 88(1) of the Articles of Association of the Company, Mr. S. D. Subasinghe - Director retire by rotation and offers themselves for re-election at the Annual General Meeting. In terms of Article 95 of the Articles of Association of the Company, Mr. D. B. S. C. Bandara-Director and Mr. L. Abeysekera offers themselves for re-election at the Annual General Meeting.

Pursuant to section 211 of the Companies Act No.07 of 2007 ordinary Resolution will be put before the shareholders for the reappointment of Mrs. R A T Herath - Director notwithstanding the age limit of seventy years stipulated by section 210 of the Companies Act.

In accordance with section 9.6.3. the Senior Independent director continues in her role since the board of Directors has decided that since the Chairman

is the founder and driving force behind “Kapruka” and the Company heavily relies on his leadership. Furthermore, as the e-commerce landscape in Sri Lanka is still in its infancy it will be a challenge to find executives with a wealth of experience in the sector locally for a large platform like Kapruka.

11. SENIOR INDEPENDENT DIRECTOR

In accordance with section 9.6.3. the Senior Independent director continues in her role since the board of Directors has decided that since the Chairman is the founder and driving force behind “Kapruka” and the Company heavily relies on his leadership. Furthermore, as the e-commerce landscape in Sri Lanka is still in its infancy it will be a challenge to find executives with a wealth of experience in the sector locally for a large platform like Kapruka.

12. BOARD SUB COMMITTEES

12.1 Audit Committee

All the members of the Audit Committee are independent Non- Executive Directors. Senior members in the finance division, internal auditors and external auditors attend the meetings by invitation. The Audit Committee’s Report is given on Pages 67 of this Annual Report.

12.2 Remuneration Committee

All the members of the Remuneration Committee are Independent Non- Executive Directors. The Report of the Remuneration Committee is given on Pages 71 of this Annual Report.

12.3 Related Party Transactions Review Committee

The Related Party Transaction Review Committee consist of 02 Independent Non-Executive Directors and 01 Non - Executive Director. The Report of the Related Party Transactions Review Committee is given on Page 69 of this Annual Report.

12.4 Nomination and Governance Committee

All the members of the Nomination and Governance Committee are Independent Non- Executive Directors. The Report of the Nomination and Governance Committee is given on Pages 73 of this Annual Report.

13. RELATED PARTY TRANSACTIONS

The Board of Directors states that the related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee and are in compliance with the Section 09 of the CSE Listing rules.

14. ENVIRONMENTAL PROTECTION

The Group’s efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives, are described in the Natural Capital on page 38.

15. STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government, other regulatory institutions and those related to employees have been made on time.

The declaration relating to statutory payments is made in the Statement of Directors’ Responsibilities on page 47.

16. OUTSTANDING LITIGATION

In the opinion of the Directors, the Company will not have a material impact due to the litigation against the company on the reported financial results or future operations of the Company.

17. COMPLIANCES WITH LAWS AND REGULATIONS

The Company has not engaged in any activity contravening any laws and regulations.

18. EVENTS AFTER THE REPORTING DATE

No event of material significance that requires adjustment to the Financial Statements, has occurred subsequent to the date of the reporting date, other than those disclosed in Note 37 to the Financial Statements on page 136.

19. GOING CONCERN

The Directors, after considering the financial position, operating conditions, regulatory and other factors including matters addressed in the Corporate Governance Code, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

20. APPOINTMENT OF AUDITORS

In accordance with Section 154(1) of the Companies Act No 07 of 2007, a resolution proposing the re-appointment of Messrs Ernest & Young, Chartered Accountants, as auditors of the company for the year 2024/25 will be proposed at the Annual General Meeting.

21. AUDITORS’ REMUNERATION AND INTEREST IN CONTRACTS

In terms of Section 155(a) of the Companies Act No.07 of 2007, a resolution authorising the Directors to fix the remuneration of the Auditors Messrs. Ernst & Young, Chartered Accountants for the ensuing year will be proposed at the Annual General Meeting. The fees paid to the Auditors are disclosed in Note 29 to the financial statements. The Auditors of the Company and its Subsidiaries, have confirmed that they do not have any relationships (other than that of Auditor) with, or interests in, the Company or any of its Subsidiaries.

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

22. RATIOS AND MARKET PRICE INFORMATION

The ratios relating to equity and debt as required by the listing requirements of the Colombo Stock Exchange are given on pages 144 of this Report.

23. EMPLOYEES & INDUSTRIAL RELATIONS

The Group has a structure and a culture that recognises the aspirations, competencies and commitment of its employees.

Career growth and advancement within the Group is promoted.

Details of Group's human resource practices are given in Social Performance section of the Sustainability Review.

24. SHAREHOLDERS

It is the Group's policy to endeavour to ensure equitable treatment to its shareholders. The Shareholding of the Company is stated on Page 144 of this report.

25. INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period. The Board is in the process of reviewing the system of internal controls.

26. CORPORATE GOVERNANCE

The Board of Directors is committed to develop the corporate governance principles of the Company and furthermore has adopted a Corporate Governance Charter mentioned in the Listing Rules.

27. ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday 27th September 2024 at 11.00 a.m via online meeting platform.


NOTICE OF MEETING

The Notice of the Annual General Meeting to the Shareholders is given on page 147.

On behalf of the board



Dulith Herath
Chairman & Chief Executive Officer



Kreston Corporate Services (Pvt) Ltd
Secretaries of the Company

30th August 2024

BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

REQUIREMENT

The Code of Best Practice on Corporate Governance 2023 issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants, Sri Lanka, recommends Board to present a statement on internal controls.

RESPONSIBILITY

The Board of Directors is responsible for the adequacy and effectiveness of the Company's system of internal controls. However, such a system is designed to manage the group's key exposure areas within an acceptable risk profile rather than eliminating the risk of failure to achieve the group's objectives. Accordingly, the system of internal controls can only provide a reasonable assurance but not absolute against the material misstatement of management and financial information and records or against financial losses or fraud. The Board has established an ongoing process for identifying, evaluating and managing the significant exposures faced by the Company and this process includes enhancing the system of internal controls as and when there are changes for the business environment or regulatory framework.

The Board has assessed the internal control system taking into account the principles for the assessment of internal control systems as given in that guidance. The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in implementation of the Board policies and procedures.

KEY INTERNAL CONTROL PROCESSES

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting includes the following:

The Board sub-committees are established to assist the Board in ensuring the effectiveness of the group's operations and that they are in accordance with corporate objectives, strategy, and annual budget, policies and business environment.

The Company's internal audit functions provide comfort on the efficiency and effectiveness of the internal control system. It monitors compliance on policies and procedures and highlights significant findings in respect of noncompliance. Audits are carried out on all subsidiaries and frequency of which is determined by the level of risk assessed. The annual audit plan is reviewed and approved by the Audit committee.

The Audit Committee reviews internal control issues identified by the group's internal auditors/external auditors, regulatory authorities and the management and evaluates the adequacy of internal controls.

In assessing the internal control systems, the management of the Company continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Company/ Group.

CONFIRMATION STATEMENT

The Board of Directors of Kapruka Holdings PLC (Group) confirm that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting system and the

preparation of financial statements for external purposes has been done in accordance with Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange, requirements of Security and Exchange Commission of Sri Lanka and other regulatory requirements.

By order of the Board



Dulith V Herath
Chairmen/CEO



Tishan Subasinghe
Chairman - Audit Committee

30th August 2024

CHIEF EXECUTIVE OFFICER & CHIEF FINANCE OFFICER'S RESPONSIBILITY STATEMENT

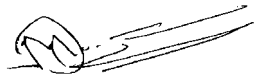
The Financial Statements are prepared in conformity with the requirements of the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Listing Rules of the Colombo Stock Exchange

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal control and accounting. The Financial Statements were audited by the Independent Auditors, Messrs Ernst & Young, Chartered Accountants

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the manner in which these Auditors are performing their responsibilities and to discuss auditing, internal control and reporting issues. To ensure complete independence, the Independent Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.



Dulith V Herath
Chief Executive Officer



Manjula Dharmasri Kumara
Chief Financial Officer

30th August 2024

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
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TO THE SHAREHOLDERS OF KAPRUKA HOLDINGS PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Kapruka Holdings PLC (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (“the Group”), which comprise the statement of financial position as at 31 March 2024, and statements 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 material accounting policy information.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2024, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p>Revenue from Contracts with Customers</p> <p>The Group derived its revenue of Rs. 1.7 Bn from E - Commerce services as disclosed in Note 25 to the financial statements.</p> <p>Revenue from contracts with customers was a key audit matter due to;</p> <ul style="list-style-type: none"> • The materiality of revenue reported during the year. • The Group has processes and controls, many of which are automated, to enable the processing and recording of revenue. 	<p>Our audit procedures include the following:</p> <ul style="list-style-type: none"> • We evaluated the design and tested the operating effectiveness of relevant key controls over the recognition of revenue. Our procedures included testing the general IT control environment and the key IT application controls relating to significant IT systems relevant to revenue recognition. • We performed appropriate analytical procedures to understand and assess the reasonableness of the reported revenue. • We tested the appropriateness of revenue recognized during the year, particularly towards year end, by reviewing relevant sales invoices, delivery confirmations and other relevant supporting documents. <p>We also assessed the adequacy of the disclosures in respect of revenue in Note 3.19.1 and 25 to the financial statements.</p>
<p>Assessment of fair value of Land</p> <p>Property, Plant and Equipment include land carried at fair value. The fair value of land were determined by external valuers engaged by the Group.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> • The materiality of the reported fair value loss of land which amounted to Rs.6.1 Mn for the reporting date; and • The degree of assumptions, judgements and estimation uncertainties associated with fair valuation of land using the Market approach. <p>Key areas of significant judgments, estimates and assumptions used in assessing the fair value of lands, as disclosed in Notes 06 to the financial statements, included judgements involved in ascertaining the appropriate valuation techniques and estimates such as:</p> <ul style="list-style-type: none"> • Estimate of per perch value of the land 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Assessed the competence, capability and objectivity of the external valuer engaged by the Group. • Read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each land. • Assessed the reasonableness of significant assumptions, judgements and estimates made by the valuer such as per perch value, valuation techniques as relevant in assessing the fair value of each land. <p>We also assessed the adequacy of the disclosures made in Notes 06 to the financial statements.</p>

OTHER INFORMATION INCLUDED IN THE 2023/24 ANNUAL REPORT

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express

any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

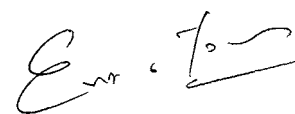
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4169.



30th August 2024
Colombo

STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2024	Note	Group		Company	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	6.	887,503,103	879,791,531	643,933,612	650,081,933
Right-of-use assets	7.	39,570,657	52,848,864	36,945,976	44,412,909
Intangible assets	8.	15,223,423	17,065,806	913,423	1,165,806
Investments in subsidiaries	9.	-	-	697,446,042	550,606,060
Investment in Associates	10.	-	20	-	20
Other non-current financial assets	11.	-	939,808	-	939,808
Consumable biological assets	12.	-	148,232	-	-
Deferred tax assets	22.	12,674,389	12,249,208	-	-
		954,971,572	963,043,468	1,379,239,053	1,247,206,536
Current assets					
Inventories	13.	144,980,918	200,182,342	-	-
Trade and other receivables	14.	23,176,229	49,649,901	9,298,636	23,008,932
Amounts due from related parties	15.2	46,536,563	41,996,892	7,218,890	5,645,505
Deposits, advances and prepayments	16.	29,948,158	10,768,427	6,401,250	3,037,590
Income tax receivable	23.1	1,164,081	-	915,626	-
Short term financial assets	17.	323,620,400	372,161,915	323,620,400	359,000,000
Cash and cash equivalents	18.1	60,194,827	36,132,139	7,886,319	3,561,590
		629,621,176	710,891,617	355,341,120	394,253,617
Total assets		1,584,592,748	1,673,935,085	1,734,580,173	1,641,460,153
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	19.1	769,174,795	769,174,795	769,174,795	769,174,795
Revaluation reserve	19.2	146,717,852	150,999,424	137,979,424	150,999,424
Foreign currency translation reserve	19.3	226,154	-	-	-
Retained earnings		23,828,657	141,763,392	290,246,780	277,068,541
Total equity		939,947,458	1,061,937,611	1,197,400,999	1,197,242,760
Non-current liabilities					
Interest-bearing loans and borrowings	20.	200,440,757	183,916,699	142,682,976	112,227,670
Retirement benefit obligations	21.	26,746,532	20,919,490	9,088,546	7,399,663
Deferred tax liabilities	22.	68,304,654	73,407,869	65,436,944	73,379,264
		295,491,943	278,244,058	217,208,466	193,006,597
Current liabilities					
Interest-bearing loans and borrowings	20.	148,293,536	193,214,400	78,958,202	63,139,768
Trade and other payables	23.	99,228,589	84,904,243	2,703,865	2,802,609
Amounts due to related parties	15.3	22,948,077	-	198,162,593	137,908,572
Income tax payable	23.1	-	9,742,750	-	9,677,614
Provisions and accrued expenses	24.	78,683,145	45,892,022	40,146,048	37,682,233
		349,153,347	333,753,415	319,970,708	251,210,796
Total equity and liabilities		1,584,592,748	1,673,935,085	1,734,580,173	1,641,460,153

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



Manjula Kumara
Head of Finance

The Board of Directors is responsible for these financial statements.



Dulith V Herath
Director



Thilangani Herath
Director

The accounting policies and notes on pages 94 to 143 form an integral part of these financial statements.

30th August 2024
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2024	Note	Group		Company	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
Revenue from contracts with customers	25.	1,790,746,222	1,953,218,800	203,337,061	208,395,751
Cost of sales		(1,247,038,290)	(1,425,458,315)	-	-
Gross profit		543,707,932	527,760,485	203,337,061	208,395,751
Other income	26.	15,560,938	7,237,411	9,830,457	212,314
Selling and distribution expenses		(259,616,858)	(303,056,419)	-	-
Administrative expenses		(457,895,282)	(386,427,161)	(198,645,200)	(183,355,171)
Results from operating activities		(158,243,269)	(154,485,684)	14,522,318	25,252,893
Share of Profit/(Loss) of Investment in Associates	10.	-	(1,557,042)	-	-
Finance cost	27.	(52,316,550)	(56,967,219)	(53,651,194)	(61,373,965)
Finance income	28.	100,834,268	182,215,329	60,971,251	107,994,024
Net Finance income		48,517,718	125,248,110	7,320,058	46,620,059
Profit/(loss) before tax	29.	(109,725,551)	(30,794,616)	21,842,377	71,872,954
Income tax expense	30.	(8,095,633)	(55,074,440)	(8,937,977)	(58,526,835)
Profit/(loss) for the year		(117,821,185)	(85,869,056)	12,904,400	13,346,118
Other comprehensive income					
Other comprehensive income that may be reclassified to statement of profit or loss in subsequent periods					
Exchange Deference on translation of foreign operation	19.3	226,154	-	-	-
Net other comprehensive income that may be reclassified to statement of profit or loss in subsequent periods		226,154	-	-	-
Other comprehensive income that may not be reclassified to statement of profit or loss in subsequent periods					
Actuarial gains/(losses) on defined benefit plans	21.	(162,215)	(1,390,007)	391,200	(2,598,009)
Income tax effect on defined benefit plan	22.1	48,664	417,002	(117,360)	779,403
Revaluation gain/(loss) on Land	19.2	(6,116,530)	-	(18,600,000)	-
Income tax effect on revaluation on Land	22.1	1,834,958	2,384,202	5,579,999	2,384,202
Net other comprehensive income that may not be reclassified to statement of profit or loss in subsequent period		(4,395,122)	1,411,197	(12,746,160)	565,595
Other comprehensive income for the year, net of tax		(4,168,968)	1,411,197	(12,746,160)	565,595
Total comprehensive income for the year, net of tax		(121,990,152)	(84,457,859)	158,239	13,911,714
Profit attributable to:					
Equity holders of the parent company		(117,821,185)	(85,869,056)	12,904,400	13,346,118
Non-controlling interest		-	-	-	-
		(117,821,185)	(85,869,056)	12,904,400	13,346,118
Total comprehensive Income attributable to:					
Equity holders of the parent company		(121,990,152)	(84,457,859)	158,239	13,911,714
Non-controlling interest		-	-	-	-
		(121,990,152)	(84,457,859)	158,239	13,911,714
Basic/Diluted earnings/(deficit) per share	31.	(0.72)	(0.51)	0.08	0.08

Figures in brackets indicate deductions.

The accounting policies and notes on pages 94 to 143 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2024		Attributable to equity holders of the parent				
		Group	Stated capital	Revaluation Reserve	Retained earnings	Foreign currency translation reserve
	Note	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31 March 2022		769,174,795	150,999,424	226,221,251	-	1,146,395,470
Loss for the year		-	-	(85,869,056)	-	(85,869,056)
Other comprehensive income						
Actuarial gains/(losses) on defined benefit plans	21.1	-	-	(1,390,007)	-	(1,390,007)
Income tax effect on defined benefit plan	22.	-	-	417,002	-	417,002
Income tax effect on revaluation on Land	22.	-	-	2,384,202	-	2,384,202
Total other comprehensive income/(loss), net of tax		-	-	1,411,197	-	1,411,197
Total comprehensive income/(loss) for the year, net of tax		-	-	(84,457,859)	-	(84,457,859)
Balance as at 31 March 2023		769,174,795	150,999,424	141,763,392	-	1,061,937,611
Loss for the year		-	-	(117,821,185)	-	(117,821,185)
Other comprehensive income						
Actuarial gains/(losses) on defined benefit plans	21.	-	-	(162,215)	-	(162,215)
Income tax effect on defined benefit plan	22.	-	-	48,664	-	48,664
Revaluation Gain/(Loss)		-	(6,116,530)	-	-	(6,116,530)
Foreign currency translation differences of foreign operations	19.3	-	-	-	226,154	226,154
Income tax effect on revaluation on Land	22.	-	1,834,958	-	-	1,834,958
Other comprehensive income for the year, net of tax		-	(4,281,571)	(113,550)	226,154	(4,168,968)
Total comprehensive income/(loss) for the year, net of tax		-	(4,281,571)	(117,934,735)	226,154	(121,990,152)
Balance as at 31 March 2024		769,174,795	146,717,852	23,828,657	226,154	939,947,458

Figures in brackets indicate deductions.

The accounting policies and notes on pages 94 to 143 form an integral part of these financial statements.

		Attributable to equity holders of the parent			
Year ended 31 March 2024					
Company		Stated capital	Revaluation Reserve	Retained earnings	Total
	Note	Rs.	Rs.	Rs.	Rs.
Balance as at 31 March 2022		769,174,795	150,999,424	263,156,825	1,183,331,043
Profit for the year		-	-	13,346,118	13,346,118
Other comprehensive income					
Actuarial gains/(losses) on defined benefit plans	21.1	-	-	(2,598,009)	(2,598,009)
Income tax effect on defined benefit plan	22.	-	-	779,403	779,403
Income tax effect on revaluation on Land	22.	-	-	2,384,202	2,384,202
Total other comprehensive income/(loss), net of tax		-	-	565,595	565,595
Total comprehensive income/(loss) for the year, net of tax		-	-	13,911,714	13,911,714
Balance as at 31 March 2023		769,174,795	150,999,424	277,068,541	1,197,242,760
Profit for the year		-	-	12,904,400	12,904,400
Other comprehensive income					
Actuarial gains/(losses) on defined benefit plans	21.	-	-	391,200	391,200
Revaluation Gain/(Loss)	19.2	-	(18,600,000)	-	(18,600,000)
Income tax effect on revaluation on Land	22.	-	5,579,999	-	5,579,999
Income tax effect on defined benefit plan	22.	-	-	(117,360)	(117,360)
Other comprehensive income for the year, net of tax		-	(13,020,001)	273,840	(12,746,160)
Total comprehensive income/(loss) for the year, net of tax		-	(13,020,001)	13,178,240	158,239
Balance as at 31 March 2024		769,174,795	137,979,424	290,246,780	1,197,400,999

Figures in brackets indicate deductions.

The accounting policies and notes on pages 94 to 143 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 March 2024	Note	Group		Company	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
Cash Flows From/ (Used In) Operating Activities					
Profit / (Loss) Before Tax		(109,725,551)	(30,794,616)	21,842,377	71,872,954
Adjustments For,					
Interest Expenses	27.	52,316,550	56,967,219	53,651,194	61,373,965
Interest Income	28.	(64,401,645)	(106,407,750)	(60,971,251)	(105,287,547)
Gain on Disposal of Property, Plant And Equipment	26.	(4,088,315)	(306,608)	(4,088,315)	-
Gain on ROU Derecognition		(5,292,142)	(212,314)	(5,292,142)	(212,314)
Depreciation of Property, Plant & Equipment	6.1.2	25,706,702	22,629,105	16,702,600	14,320,923
Depreciation of Right-of-Use Assets	7.1.1	21,125,820	17,597,095	15,952,984	11,408,970
Biological Asset Write Off	12.	148,232	248,115	-	-
Foreign Currency Exchange Gain	28.	(36,432,623)	(75,807,579)	-	(2,706,477)
Amortization for Intangible Assets	8.	1,842,383	1,399,262	252,383	800,051
Allowance for Expected Credit Loss	14.1	(3,846,485)	1,097,871	-	-
Bad Debt Write Off		3,460,819	-	-	-
Impairment Provision on Related Party Transactions	15.2	6,525,605	-	-	-
Other receivables write off		4,990,259	-	-	-
Share of Profit of Investment in Associate		-	1,557,042	-	-
Provision for Slow Moving Inventory	13.2	(8,691,516)	1,420,127	-	-
Provision for Retirement Benefit Obligations	21.	7,604,051	5,265,008	2,595,972	1,552,676
Operating Profit/(Loss) Before Working Capital Changes					
		(108,757,855)	(105,596,137)	40,645,801	53,123,200
(Increase) / Decrease in Inventory		63,892,940	54,514,098	-	-
(Increase) / Decrease Trade & Other Receivables		4,040,688	9,921,762	1,835,799	(15,254,468)
(Increase) / Decrease in Deposits & Prepayment		(19,179,731)	74,064,978	(3,363,659)	73,294,469
Increase / (Decrease) in Trade Creditors		14,324,345	(36,463,766)	(6,052,637)	(3,723,229)
Increase/(Decrease) in Accrued Expenses		32,791,123	(31,565,007)	2,463,815	(12,473,497)
Increase / (Decrease) in Amount Due to Related Parties		4,654,210	(16,885,779)	17,984,235	2,451,211
(Increase) / Decrease in Amount Due from Related Parties		(11,065,276)	6,673,653	(1,573,385)	10,820,152
Cash Generated from/(Used in) Operations					
		(19,299,555)	(45,088,083)	51,939,969	108,237,837
Interest Paid	27.	(52,316,550)	(56,967,219)	(29,675,275)	(33,147,192)
Income Tax Paid	30.	(16,693,345)	(21,134,062)	(16,057,004)	(20,077,623)
Retirement Benefit Obligation	21.	(1,939,224)	(1,614,852)	(515,888)	(784,000)
Net Cash Flow From/(Used in) Operating Activities					
		(90,248,674)	(124,804,216)	5,691,802	54,229,022

Year ended 31 March 2024	Note	Group		Company	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
Cash Flows From/(Used in) Investing Activities					
Acquisition of Property, Plant and Equipment	6.6.1	(24,022,186)	(142,205,653)	(13,641,662)	(121,899,830)
Development of Intangible Assets	8.	-	(15,900,000)	-	-
Sale Proceed on Disposal of Property, Plant and Equipment		7,900,000	2,300,000	7,900,000	-
Sale Proceed on Disposal of Right of Used Asset		11,400,000	1,342,222	11,400,000	1,342,222
Interest Income		73,506,724	107,017,080	70,076,331	105,287,547
Investment in Subsidiaries		-	-	(146,839,982)	(90,977,040)
Repayment of Finance Lease	20.2	(39,463,570)	(53,733,749)	(12,889,915)	(10,151,610)
Advance Payment for Leased Assets Acquisition		(1,720,000)	-	(1,720,000)	-
Gross Investment in Fixed Deposits		48,541,515	91,000,000	35,379,600	91,000,000
Withdrawal/(Investment) In Other Financial Assets		939,808	(160,225)	939,808	(160,225)
Net Cash Flows from/(Used In) Investing Activities		77,082,292	(10,340,323)	(49,395,820)	(25,558,936)
Cash Flows From/(Used in) Financing Activities					
Proceeds from Interest Bearing Loans & Borrowings	20.1	186,889,380	136,107,227	108,889,380	10,529,073
Repayment of Interest Bearing Loans & Borrowings	20.1	(118,397,842)	(107,872,727)	(53,294,115)	(49,876,751)
Net Cash From / (Used in) From Financing Activities		68,491,538	28,234,500	55,595,265	(39,347,678)
Effects of Exchange Rate Changes on Cash and Cash Equivalents		36,658,777	75,807,579	-	2,706,477
Net Increase/(Decreased) in Cash and Cash Equivalents		91,983,935	(31,102,460)	11,891,247	(7,971,106)
Cash and Cash Equivalents at the Beginning of the year	18.	(36,292,593)	(5,190,133)	(4,030,108)	3,940,998
Cash and Cash Equivalents at the end of the year	18.	55,691,342	(36,292,593)	7,861,139	(4,030,108)

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash as defined above, net of outstanding bank overdrafts.

The accounting policies and notes on pages 94 to 143 form an integral part of these financial statements.

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

1.1 Reporting Entity

The consolidated financial statements of the Kapruka Holdings PLC (Formally known as Kapruka Holdings Limited) and its subsidiaries (collectively, the Group) for the year ended 31 March 2024 were authorised for issue in accordance with a resolution of the directors on 30th August 2024. Kapruka Holdings PLC (the Company or the parent) is a public limited company incorporated and domiciled in Sri Lanka and whose shares are listed on Colombo Stock Exchange and publicly traded.

The registered office of the Company is located No.147, Old Kottawa Road, Mirihana, Nugegoda and the principal place of business is located at the above address.

1.2 Principal Activities and Nature of Operations

Kapruka Holdings PLC, the Group's holdings Company, manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the Kapruka Holdings Group. The subsidiaries are provided in Note 3.3.

1.3 Parent and Ultimate Parent Enterprise

Kapruka Holdings PLC does not have an identifiable parent of its own. Kapruka Holdings PLC is the ultimate parent of the Group. The Group's ultimate controlling party is Mr. Dulith Herath.

1.4 Authorisation for Issue

The Board of Directors is responsible for these Financial Statements. The Financial Statements were authorised for issue in accordance with a resolution of the Board of Directors on 30th August 2024.

1.5 Comparative Information

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed

in respect of previous period in the Financial Statements. The presentation and classification of the Financial Statements in the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

In addition, the Group presents an additional Statement of Financial Position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in Financial Statements.

1.6 Materiality, aggregation, offsetting and rounding

Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are treated immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements'. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Notes to the Financial Statements are presented in a systematic manner that ensures the understandability and comparability of Financial Statements.

Offsetting

Assets and liabilities or income and expenses are not set off unless required or permitted by a Sri Lanka Accounting Standard.

Rounding

Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless indicated otherwise.

1.7 Number of employees

The number of employees of the Group at the end of the year was 234 , Company – 40.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group entities to all periods presented in these Consolidated Financial Statements unless otherwise stated.

2.1 Basis of Preparation

These Financial Statements, comprising both the Company's separate Financial Statements and the Consolidated Financial Statements of the Company and its Subsidiaries ("Group") and comprise the Statements of Financial Position, Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows together with the Accounting Policies and Notes to the Financial Statements.

2.1.1 Statement of Compliance

These Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 which requires compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) promulgated by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 7 of 2007.

2.1.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and the retirement benefits obligations are measured at the present value of the defined benefit plans as explained in the respective notes to the Financial Statements.

2.1.3 Functional and presentation currency

The Financial Statements are presented in Sri Lanka Rupees, which is the Group's functional currency. The Sri Lankan Rupee remains the common functional and presentation currency for all entities in the Group.

2.2 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. The assessment took into consideration the performance of the Group and the measures adopted by the government to support the recovery of the economy. 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. Therefore, the financial statements continue to be prepared on the going concern basis.

2.3 Judgments

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the Consolidated Financial Statements.

3

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Current versus non-current classification

The Group presents assets and liabilities in the Statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

- Deferred tax liabilities are classified as non-current assets and liabilities

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as for the year ended 31 March 2024.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if,

the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and

circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Accounting under separate financial statements Investment in subsidiary is measured at cost less accumulated impairment in the separate financial statements.

3.3 Subsidiaries

Subsidiaries are those enterprises controlled by the parent and have been listed in the Group directory.

NOTES TO THE FINANCIAL STATEMENTS

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of all subsidiaries in the Group are prepared for a common financial year, which is 12 months ending 31 March, using consistent accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Subsidiaries & their controlling percentages of the Group, which have been consolidated are as follows:

Subsidiary	Principal Activities	Country of Operation	Effective Holdings 2024	Effective Holdings 2023
Kapruka E-commerce (Private) Limited	Online retailing	Sri Lanka	100%	100%
Kapruka Productions (Private) Limited	Manufacturing	Sri Lanka	100%	100%
Kapruka Tech Root (Private) Limited	Providing web services	Sri Lanka	100%	100%
Kapruka USA LLC	Providing Global Payment Gateway integration facility & operate the Cross boarder operation w.e.f. 01/01/2024	USA	100%	-

3.4 Associates

Associates are those enterprises which company having significant influence. The Group applies the equity method in accounting for the investment in associate.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter to the post equation change in the investor's share of the investee's net asset. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.

Investment in Associates are as follows:

Associate	Principle activities	Country of Incorporation	Effective Holdings 2024	Effective Holdings 2023
Kapruka Global Shop (Private) Limited	Import and selling order through online	Sri Lanka	25%	25%

3.5 Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Subsequently, profit or loss and each component of other comprehensive Income are attributed to equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

3.5.1 Loss of control

When the Group losses control over subsidiary derecognises the assets and liabilities of the Subsidiary, any non-controlling interests and other components of equity. Any surplus or deficit arising on the loss of control is recognised in the profit or loss. Any interest retains in the previous Subsidiary, is measured at fair value as at the date that control is lost.

3.5.2 Intra-Group Transactions

Pricing policies of all intra-group sales are identical to those adopted for normal trading transactions, which are at market prices.

3.5.3 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.6 Foreign currency

3.6.1 Foreign Currency Translation, Foreign Currency Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction.

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currency are translated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on changing fair value of the item.

3.6.2 Foreign operations

The statement of financial position and income statement of overseas subsidiaries which are deemed to be foreign operations are translated to Sri Lanka rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period, respectively.

The exchange rates applicable during the period were as follows:

	Closing rate		Average rate	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
US Dollar	301.18	327.28	317.96	355.53

The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the Income Statement.

The Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

3.7 Fair value measurement

The Group measures non-financial assets such as Biological assets, at fair value at each reporting date. Fair value related disclosures for non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the Note 36.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Management determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

3.8 Property, plant and equipment

3.8.1 Initial Recognition and Measurement

Items of property, plant & equipment are measured at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes expenditure that is directly attributable to the acquisition of the asset and includes the cost of replacing part of the property, plant & equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

9 8 The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and capitalised borrowing costs.

When significant parts of property, plant & equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

3.8.2 Subsequent Costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

3.8.3 Depreciation

Items of property, plant & equipment are depreciated on a straight-line basis over the estimated useful lives of the each component. Items of property, plant & equipment are depreciated from the month that they are installed and are ready for use, or in respect of internally constructed assets, from the month that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant & equipment are as follows:

Buildings	50 Years
Motor vehicles	4 Years
Computers	4 Years
Furniture and fittings	5 Years
Office equipment	4 Years
Machinery & Equipment	4 Years
Agri-Net House	4 Years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at end of each reporting period. An estimation change in the useful life of fixed asset during the period has occurred and the underlying assumptions considered are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively.

3.8.4 Revaluation

The lands in Kapruka group are measured at fair value less impairment losses recognized after the date of revaluation. Valuations are performed with sufficient frequency every three years to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in Other Comprehensive Income (OCI) and credited to the asset revaluation surplus in equity. However, if it reverses

a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation surplus. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

3.8.4.1. Revaluation of Land

Fair value of the Land are ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar location and category. Land are appraised in accordance with LKAS 16, SLFRS 13 and the Valuation Standards published by the Institute of Valuers of Sri Lanka and by the RICS, UK. In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered.

Further valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values. A sensitivity analysis on these assumptions is included in Note 6.3.

3.8.5 Assets in the course of construction

Capital expenditure incurred in relation to fixed assets which are not completed as at the reporting date are shown as capital work-in-progress and is stated at cost. On completion, the related assets are transferred to property, plant and equipment. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

3.8.6 Derecognition

An item of Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss statement in the year the asset is derecognised.

3.9 Leases

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

3.9.1 Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.9.2 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3.9.3 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change

in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings.

3.9.4 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.10 Intangible assets

3.10.1 Basis of recognition

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

3.10.2 Measurement and subsequent costs

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on internally generated intangible assets, excluding capitalised development costs, is recognised in profit or loss in the year in which the expenditure is incurred.

3.10.3 Research and development costs

Research costs are expensed as incurred. Development expenditures on base product developments are

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recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How will the asset generate future economic benefits?
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in other operating expenses during the period of development, the asset is tested for impairment annually.

3.10.4 Amortisation

The useful lives of intangible assets are assessed to be either finite or indefinite. The estimated useful lives of intangible assets with finite lives are as follows.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing

the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss statement in the expense category consistent with the function of the intangible asset.

3.10.5 Derecognition

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

3.11 Biological assets

The entity recognise the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

Consumable biological assets, comprise of managed Flower plants, are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41- Agriculture. The cost is treated as approximation to the fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial.

The fair value of Flower plants is measured comparing current market prices of flower and leaves.

3.12 Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of finished goods is computed, based on the weighted average cost method and includes material, labour and appropriate share of production overheads, based on normal operating capacity. In the case

of purchased inventories, cost includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. The cost of raw material is computed at weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.12.1 Provision for obsolete and slow moving inventory

A provision for slow moving inventories is recognised based on the best estimates available to management on their future recovery. As Management uses present conditions and historical information as the basis to determine the future recoverability, actual future losses on inventories could vary from the allowance made in these financial statements. The company's accounting policy on inventory impairment provision is meticulous and strategic. Impairment provisions are recognized based on aging dates, particularly focusing on inventory items aged by 182 days.

3.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

3.13.1 Financial assets

a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing

component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

b) Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling

of cumulative gains and losses upon de-recognition (equity instruments)

- Financial assets at fair value through profit or loss financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and amounts due from related parties.

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the

statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of

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principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

c) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards

of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

d) Impairment of financial assets

Further disclosure relating to impairment of financial assets are also provided in the following notes:

- Financial assets Note 11
- Trade receivables, including contract assets Note 14

The company's accounting policy on trade debtor impairment provision is meticulous and strategic. Impairment provisions are recognized based on aging dates, particularly focusing on debts overdue by 121 days.

A general provision method is used to account for impairments on trade receivables, considering customer types and aging profiles. Any discrepancies between over and under impairments are appropriately reflected in the profit and loss account. This policy aims to accurately represent the company's financial status while complying with accounting standards.

(A) Non- Derivative Financial Assets

Financial instruments and contract assets
The Group recognises a loss allowance for ECLs on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following which are measured at 12 months ECLs:

- Debt securities that are determined to have no credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since the initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether a credit risk of 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 of effort. This includes both quantitative and qualitative information and analysis, based on Group's historical experience and informed credit assessment and including forward – looking information.

The Group assumes that a credit risk on a financial asset has increased significantly if it is more than 121 days past due.

The Group considers financial asset to be in default when:

- The borrower unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security " if any is held"; or
- The financial asset is more than 365 days past due.

The Group considers a debt security to have no credit risk when its credit risk rating is equivalent to the globally understood definition of “investment grade”. The Group considers this is to be A- or higher.

Lifetime ECLs are the ECLs that result from all possible events over the expected life of a financial instrument. 12 months ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability- weighted estimate of credit loss. Credit losses are measured as the present value of all cash short falls (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 rates of the financial asset.

(B) Credit-Impaired Financial Assets

At each reporting date, the Group assess whether the financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is “credit impaired” when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit impaired includes the following observable data;

- Significant financial difficulty of the borrower or the issuer
- A breach of contract such as default or being more than 365 days being past due;

- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower enter bankruptcy or other financial reorganization or
- The disappearance of the active market for a security because of financial difficulty

Presentation of allowance for ECL in the Statement of Financial Position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the asset. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovery of financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write- off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group procedures for recovery of amounts due.

3.13.2 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, loans and borrowings and amounts due to related parties.

b) Subsequent Measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of SLFRS 9 are satisfied. The group has not designated any financial liability at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

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Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.

c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.13.3 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Such techniques may include:

- Using recent arm's length market transactions.
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 36.

3.14 Cash and cash equivalents

Cash and cash equivalents are cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

3.15 Impairment of non-financial assets

The Group assesses at each reporting date whether there is any objective evidence that a non-financial asset or a group of non-financial assets is impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the group of non-financial asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of non-financial assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The amount of impairment losses are recognised in the profit and loss during the reporting period.

3.16 Liabilities and provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Liabilities classified as current liabilities in the Statement of Financial Position are

those obligations payable on demand or within one year from the reporting date.

3.17 Retirement Benefit Obligations

3.17.1 Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations in Sri Lanka. The Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

3.17.2 Defined Benefit Plan – Gratuity

A defined benefit plan is a post - employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 21. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The gratuity liability is not funded in the planned assets.

3.18 Taxation

3.18.1 Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to

compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income taxes relating to items recognised directly in Other Comprehensive Income are also recognised in Other Comprehensive Income and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.18.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that 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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits 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 asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in statement of other comprehensive income are also recognised in statement of other comprehensive income and not in the statement of profit or loss.

Deferred tax assets and liabilities are set off if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.18.3 Social Security Contribution Levy (SSCL)

According to the Social Security Contribution Levy Act No. 25 of 2022, Kapruka Holdings PLC is liable for Social Security Contribution Levy at 2.5% on the liable turnover with effect from 01 October 2022.

3.19. Revenue

3.19.1 Revenue from contracts with customers

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue and associated costs incurred or to be incurred can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes. The following specific recognition criteria are used for the purpose of recognition of revenue:

a) Goods transferred at a point in time

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer. In relation to sales with local customers, this point is generally the delivery of goods, exports also take in to account the term related to each shipment of goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

b) Services transferred over time

The Group determines, at contract inception, whether it satisfies the performance obligation over time or at appoint in time. For each performance obligation satisfied over time, the Group recognises revenue over time, by using an output method to measure progress towards complete satisfaction of that performance obligation.

In determining the transaction price for the sale of goods and the services the

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Group considers the effects of variable consideration the existence of significant financing, non-cash considerations and consideration payable to customer (if any). However,

- The Group does not offer discounts, warranties or incentives to its customers.
- The Group does not receive long-term advances from its customers for the services which entails a financing element.
- The period between the transfer of the promised service to the customer and when the customer pays for that good will be one year or less

c) Presentation and disclosure

As required for the financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

Refer to Note 25 for the disclosure on disaggregated revenue.

3.19.2 Interest Income

Interest income is recognised in profit or loss as it accrues and is calculated by using the effective interest rate method.

3.19.3 Dividend Income

Dividend income is recognised when the shareholder's right to receive payment is established.

3.19.4 Rental Income

Rental income arising from renting out of leased premises are recognised as revenue on a straight-line basis over the term of the lease or agreement.

3.19.5 Other Income

Other income is recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other non-current assets including investments are accounted for in the Statements of Profit or Loss, after deducting from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

3.19.6 Finance income and finance costs

Finance income comprises interest income on funds invested and gain arisen from the foreign exchange translation of financial assets and liabilities. Interest income is recognised based on the EIR in the statement of profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and losses on hedging instruments that are recognised in the statement of profit or loss.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.19.7 Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of that asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with the in LKAS 23 - Borrowing Costs.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.20 Expenditure recognition

Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earnings of specific items of income.

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to statements of profit or loss in the year in which the expenditure is incurred.

3.21 Earnings per share

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.22 Cash Flow Statement

The Cash Flow Statement has been prepared using the indirect method.

3.23 Segment Reporting

The Group has the following four strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies

A summary describing the operations of each reportable segment is given in page 135.

Segment results that are reported to the Chief Operating Officer (the chief Operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated expenses comprise mainly corporate assets (primarily the Company’s head office), head office expenses and tax assets and liabilities.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulation, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establish provisions, based

on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on upon the likely timing and the level of future taxable profits together as with future tax planning strategies.

Employee benefit liability - Gratuity

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of long term Government Bonds (Treasury Bonds) corresponding to the average work life of the employees.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about pension obligations are provided in note 21.

Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on ‘Presentation of Financial Statements.

Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the Group and the Company. Understandability of the financial statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

Others

Other information about judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes to these financial statements.

Accounting estimate/ judgments	Notes
Going Concern	2.2
Property, plant and equipment	3.8.3
Valuation of inventories	3.12
Provision for obsolete and slow moving inventories	3.12.1

NOTES TO THE FINANCIAL STATEMENTS

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Classification of Liabilities as Current or Non-current - Amendment to LKAS 1

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024.

Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16

The amendments to SLFRS 16 Leases specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2024.

International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual periods beginning on or after 1 January 2024.

6 PROPERTY, PLANT AND EQUIPMENT
6.1 Group
6.1.1 Gross Carrying Amounts

Year ended 31 March 2024	Balance as at 01.04.2023	Revaluation Surplus/ (Deficits)	Additions	Transfers In/(Out)	Disposal	Balance as at 31.03.2024
At cost/valuation	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	347,336,530	(6,116,530)	-	-	-	341,220,000
Buildings	407,125,516	-	28,248,229	-	-	435,373,745
Motor Vehicle	88,278,147	-	-	18,824,490	(6,675,000)	100,427,637
Computers	17,129,874	-	1,439,185	-	-	18,569,060
Furniture & Fittings	24,095,158	-	2,061,903	(700,000)	-	25,457,061
Office Equipment	41,753,105	-	3,587,939	-	-	45,341,043
Machinery & Equipment	6,367,719	-	2,742,495	700,000	-	9,810,214
Agri Net House	1,768,050	-	-	-	-	1,768,050
Total	933,854,099	(6,116,530)	38,079,751	18,824,490	(6,675,000)	977,966,810

In the course of construction	Balance as at 01.04.2023	Revaluation Surplus/ (Deficits)	Incurred during the year	Transfers In/(Out)	Disposal	Balance as at 31.03.2024
At cost/valuation	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Capital work in progress - Building	84,825,267	-	4,236,303	-	-	89,061,570
	84,825,267	-	4,236,303	-	-	89,061,570
Total gross carrying amount	1,018,679,366	(6,116,530)	42,316,053	18,824,490	(6,675,000)	1,067,028,380

6.1.2 Depreciation

Year ended 31 March 2024	Balance as at 01.04.2023	Revaluation Surplus/ (Deficits)	Charge for the Year	Transfers In/(Out)	Disposal	Balance as at 31.03.2024
At cost	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	-	-	-	-	-	-
Buildings	12,165,442	-	7,991,363	-	-	20,156,806
Motor Vehicle	81,023,371	-	3,069,346	18,824,490	(3,893,750)	99,023,458
Computers	11,799,642	-	2,438,136	-	-	14,237,778
Furniture & Fittings	9,919,288	-	3,901,273	-	-	13,820,561
Office Equipment	18,054,150	-	7,675,169	-	-	25,729,318
Machinery & Equipment	5,336,591	-	189,662	-	-	5,526,253
Agri Net House	589,350	-	441,753	-	-	1,031,103
Total depreciation	138,887,835	-	25,706,702	18,824,490	(3,893,750)	179,525,277

NOTES TO THE FINANCIAL STATEMENTS

6.1.3 Net book values

Year ended 31 March 2024	2024	2023
At cost	Rs.	Rs.
Land	341,220,000	347,336,530
Buildings	415,216,939	394,960,074
Motor Vehicle	1,404,180	7,254,776
Computers	4,331,282	5,330,232
Furniture & Fittings	11,636,500	14,175,870
Office Equipment	19,611,725	23,698,955
Machinery & Equipment	4,283,960	1,031,127
Agri Net House	736,947	1,178,700
	798,441,533	794,966,264
In the course of construction		
Capital work in progress - Building	89,061,570	84,825,267
Total carrying amount of property, plant and equipment	887,503,103	879,791,531

(a) Property, Plant & Equipment has been pledge as securities for bank facilities. please refer note no. 20.4

(b) No borrowing cost was capitalised during the year.

- 6.1.4** During the financial year, the group acquired property, plant and equipment to the aggregate value of Rs. 38,079,751/- Cash payments amounting to Rs. 24,022,186/- were made during the year for purchase of property, plant and equipment.
- 6.1.5** In 2024, the Group sold property, plant, and equipment with a net carrying amount of Rs. 2,781,250/- for a cash consideration of Rs.7,900,000/-. The net gains on these disposals were recognised as part of other income in the statement of profit or loss.
- 6.1.6** During the financial year, the group incurred Rs. 4,236,303/- for the capital work in progress in building and improvements.
- 6.1.7** Property, Plant and Equipment includes fully depreciated assets having gross carrying value of LKR 105 Mn (2023-LKR 98 Mn).

6.2 Measurement of fair values of freehold land - Group

(a) Valuation process

The Group's freehold lands are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated impairment losses. The Group has revalued all of its freehold land in the reporting period ending 31st March 2024. The value measurements were carried out in conformity with the requirements of the Sri Lanka Accounting Standards by Mr.D.Prathapsinghe, an independent chartered valuation surveyor (Membership No: 1157675) of Prathap Chartered Valuation & Consultancy (Pvt) Ltd, with appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The deficit arising on such valuations have been transferred to revaluation reserves.

(b) Valuation techniques used

Valuation technique (1) : - Market Comparable Approach

The lands are valued using the market comparable approach. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. The valuer used the comparable method of valuation involving analysing data obtained from local selling prices for the entire portfolio, by property type. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per perch.

(c) Fair value hierarchy

The fair value measurement for all the lands are categorised as a Level 3 fair value based on the inputs to the valuation technique used.

A significant increase in the market value per perch, capitalisation rate and market rent used in arriving at fair value would result in a significant increase in fair value, and vice versa. There has been no change to the valuation technique during the year.

Level 1 - Quoted prices in active markets

Level 2 - Significant observable inputs

Level 3 - Significant unobservable inputs

6.3 Significant Unobservable Inputs

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value Measurement to Inputs
Market Comparable Method		
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property. In this process outlier transactions, indicative of particular motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for Land	Estimated fair value would increase (decrease) if; <ul style="list-style-type: none"> • Price per perch increases/ (decreases)
<p>During the year, the value of the company's land was revalued. The per perch value decreased from LKR 5,353,846.15 to LKR 5,000,000, reflecting current market conditions. Additionally, a resurvey of the land was conducted by N. Abayasiri, a registered licensed surveyor (Reg. No: 19680165), on 22nd February 2015. The resurvey determined that the land extent reduced from 32.5 perches to 31.08 perches. This adjustment has been reflected in the financial statements.</p>		

6.4 Carrying Value

Year ended 31 March 2024	Group	
	2024	2023
	Rs.	Rs.
At Cost	546,283,103	532,455,001
At Valuation	341,220,000	347,336,530
	887,503,103	879,791,531

6.5 The carrying amount of revalued Freehold Land, if they were carried at cost less depreciation would be as follows,

	Cost	Accumulated Depreciation	Net Carrying Amount	
			2024	2023
	Rs	Rs	Rs.	Rs.
Freehold Land	227,332,000	-	227,332,000	227,332,000
	227,332,000	-	227,332,000	227,332,000

NOTES TO THE FINANCIAL STATEMENTS

6.6 Company

6.6.1 Gross Carrying Amounts

Year ended 31 March 2024	Balance as at 01.04.2023	Revaluation Surplus/ (Deficits)	Additions	Asset Transfer	Disposal	Balance as at 31.03.2024
At cost/revaluation	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	255,120,000	(18,600,000)	-	-	-	236,520,000
Buildings	380,795,114	-	28,248,229	-	-	409,043,343
Motor Vehicle	28,795,000	-	-	18,824,490	(6,675,000)	40,944,490
Computers	14,016,860	-	664,610	-	-	14,681,470
Furniture & Fittings	6,790,075	-	1,217,910	-	-	8,007,985
Office Equipment	31,294,588	-	1,804,781	-	-	33,099,369
Total	716,811,637	(18,600,000)	31,935,529	18,824,490	(6,675,000)	742,296,657

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6.6.2 Depreciation

Year ended 31 March 2024	Balance as at 01.04.2023	Revaluation Surplus/ (Deficits)	Charge for the year	Asset Transfer	Disposal Transfer	Balance as at 31.03.2024
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Buildings	11,987,772	-	7,464,755	-	-	19,452,527
Motor Vehicle	22,817,164	-	2,163,763	18,824,490	(3,893,750)	39,911,667
Computers	10,110,912	-	1,745,171	-	-	11,856,083
Furniture & Fittings	6,575,913	-	46,828	-	-	6,622,740
Office Equipment	15,237,943	-	5,282,083	-	-	20,520,027
Total depreciation	66,729,702	-	16,702,600	18,824,490	(3,893,750)	98,363,044

6.6.3 Net book values

	Company	
	2024	2023
At cost	Rs.	Rs.
Land	236,520,000	255,120,000
Buildings	389,590,816	368,807,342
Motor Vehicle	1,032,823	5,977,836
Computers	2,825,387	3,905,947
Furniture & Fittings	1,385,244	214,162
Office Equipment	12,579,342	16,056,645
Total carrying amount of property, plant and equipment	643,933,612	650,081,933

6.6.4 In 2024, the company acquired property, plant, and equipment to the aggregate value of Rs. 31,935,529/- (2023 - Rs.15,543,526/-). Cash payments amounting to Rs.13,641,662/- (2023 - Rs.15,543,526/-) were made during the year for purchase of property, plant and equipment.

6.6.5 In 2024, the Group sold property, plant, and equipment with a net carrying amount of Rs. 2,781,250/- for a cash consideration of Rs.7,900,000/-. The net gains on these disposals were recognised as part of other income in the statement of profit or loss.

6.6.6 Property, Plant and Equipment includes fully depreciated assets having gross carrying value of LKR 39.6 Mn (2023-LKR 36.9Mn).

6.7 Value and ownership of freehold land and freehold buildings of the Group/Company.

Location	Property	No. of Buildings	Extent	Carrying value Rs.
Mirihana - Production Building	Land	-	A-0, R-0, P11.40	62,700,000
	Building - WIP	01	10,000 Sq. ft	89,061,570
Mirihana - Head Office	Land	-	A-0, R-0, P31.08	155,400,000
	Building	01	32,000 Sq. ft	330,001,770
Nugegoda - Office Building	Land	-	A-0, R-0, P13.52	123,120,000
	Building	02	7,934 Sq. ft	59,589,046

7 RIGHT-OF-USE ASSETS
7.1 Group
7.1.1 Gross carrying amounts

	Land Rs.	Building Rs.	Motor Vehicles Rs.	Total Rs.
Cost				
As at 1 April 2023	21,914,154	25,774,584	42,595,490	90,284,228
New lease entered during the year	-	5,389,675	11,130,000	16,519,675
De-Recognition	-	(18,958,472)	(9,986,000)	(28,944,472)
Transfer to Property plant & Equipments	-	-	(18,824,490)	(18,824,490)
As at 31 March 2024	21,914,154	12,205,787	24,915,000	59,034,941
Accumulated depreciation				
As at 1 April 2023	870,761	16,722,051	19,842,552	37,435,364
Depreciation charge for the year	1,741,522	6,292,517	13,091,780	21,125,820
De-Recognition	-	(14,655,285)	(5,617,125)	(20,272,410)
Transfer to Property plant & Equipments	-	-	(18,824,490)	(18,824,490)
As at 31 March 2024	2,612,283	8,359,283	8,492,717	19,464,284
Carrying value				
			2024 Rs.	2023 Rs.
Land			19,301,870	21,043,393
Buildings			3,846,504	9,052,533
Motor Vehicles			16,422,283	22,752,939
Total carrying value			39,570,657	52,848,864

NOTES TO THE FINANCIAL STATEMENTS

7.2 Company

7.2.1 Gross carrying amounts

31st March 2024	Land	Building	Motor Vehicles	Total
	Rs.	Rs.	Rs.	Rs.

Cost

At the beginning of the year	21,914,154	3,844,846	42,595,490	68,354,490
New lease entered during the year	-	1,724,925	11,130,000	12,854,925
De-Recognition	-	(3,844,846)	(9,986,000)	(13,830,846)
Transfer to Peoperty Plant & Equipments	-	-	(18,824,490)	(18,824,490)
At the end of the year	21,914,154	1,724,925	24,915,000	48,554,079

Accumulated depreciation

At the beginning of the year	870,761	3,228,269	19,842,552	23,941,582
Depreciation charge for the year	1,741,522	1,119,681	13,091,780	15,952,984
De-Recognition	-	(3,844,846)	(5,617,125)	(9,461,971)
Transfer to Peoperty Plant & Equipments	-	-	(18,824,490)	(18,824,490)
At the end of the year	2,612,283	503,103	8,492,717	11,608,104

Carrying value	2024	2023
	Rs.	Rs.
Land	19,301,870	21,043,393
Buildings	1,221,822	616,578
Motor Vehicles	16,422,283	22,752,939
Total carrying value	36,945,976	44,412,909

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INTANGIBLE ASSETS

	Group		Company	
	2024	2023	2024	2023
Computer Software	Rs.	Rs.	Rs.	Rs.
Cost				
At the beginning of the year	22,223,777	6,767,132	6,323,777	6,767,132
Development/Acquisitions during the year	-	15,900,000	-	-
Transfers/write-off made during the year	-	(443,355)	-	(443,355)
At the end of the year	22,223,777	22,223,777	6,323,777	6,323,777
Amortization				
At the beginning of the year	5,157,971	4,801,275	5,157,971	4,801,275
Amortization for the year	1,842,383	800,051	252,383	800,051
De-Recognition	-	(443,355)	-	(443,355)
At the end of the year	7,000,354	5,157,971	5,410,354	5,157,971
Carrying value as at 31 March	15,223,423	17,065,806	913,423	1,165,806

9 INVESTMENT IN SUBSIDIARIES

	Number of shares		Holding		Company	
	2024	2023	2024	2023	2024	2023
Unquoted Subsidiaries					Rs.	Rs.
Kapruka E Commerce (Pvt) Ltd	8,131,156	5,939,964	100%	100%	692,045,904	545,236,040
Kapruka Productions (Pvt) Ltd	10,000	10,000	100%	100%	5,370,000	5,370,000
Kapruka Tech Root (Pvt) Ltd	2	2	100%	100%	20	20
Kapruka USA LLC	1	-	100%	-	30,118	-
					697,446,042	550,606,060

- (A) The subsidiaries of the Company are incorporated in Sri Lanka except for company Kapruka USA LLC
- (B) The main activities of the subsidiary companies are given in page 96
- (C) The Group has assessed each subsidiary that has non-controlling interests based on contribution made to the Group revenue, Group profit, total assets and net assets and have determined that such non-controlling interests are not material to the Group.

10 INVESTMENT IN ASSOCIATES

The company also acquired 25% of the shareholding of Kapruka Global Shop (Pvt) Ltd in October 2021 for a consideration of Rs. 20/-. The Group applies the equity method in accounting for the investment in associate. For the financial period, the share of loss from the investment in associate is greater than the balance of investment in associate. Hence, the loss has recognized up to the balance in investment in associate. Therefore, the Investment in Equity Accounted Investees is zero at the Year end.

As at 31 March	Equity Holding %		2024	2023
	2024	2023	Rs.	Rs.
Unquoted				
Kapruka Global Shop (Pvt) Ltd	25%	25%	20	1,557,062
Cumulative Loss Accruing to the Group Net of Dividend			-	-
Cumulative Other Comprehensive Income Accruing to the Group			-	-
Impairment of Investment in Associate			(20)	(1,557,042)
			(20)	(1,557,042)
Carrying Amount of the Investment			-	20

NOTES TO THE FINANCIAL STATEMENTS

10.1 Summarised Financial Information of Associate

	2024	2023
	Rs.	Rs.
Group Share of Associates' Statement of Financial Position;		
Current Assets	5,423,969	11,370,690
Non-Current Assets	2,919,087	2,913,599
Current Liabilities	(36,633,329)	(33,410,491)
Non-Current Liabilities	(430,348)	(305,624)
Carrying Amount of Associate	(28,720,621)	(19,431,827)
Group Share of Associates' Statement of Profit or Loss;		
Share of the Associate Revenue	62,056,344	127,656,273
Share of the Associate Profits/(Loss) Before Tax	(9,286,993)	(20,984,732)
Share of the Associate Profits/(Loss) After of Tax	(9,286,993)	(20,984,732)

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11 OTHER NON-CURRENT FINANCIAL ASSETS

Group/Company	Institution	2024	2023
		Rs.	Rs.
Non-Quoted Investments			
Investment in Unit Trust	NDB Wealth Management Ltd	-	939,808
Convertible Preference Shares	Grasshoppers (Pvt) Ltd	8,900,000	8,900,000
Less : Impairment		(8,900,000)	(8,900,000)
		-	939,808

*At the year end, company has fully withdrawn wealth funds.

12 CONSUMABLE BIOLOGICAL ASSETS

As at 31st March	2024	2023
	Rs.	Rs.
Group		
At the beginning of the year	148,232	396,347
Write off	(148,232)	(248,115)
At the end of the year	-	148,232
Group		
As at 31st March		
Mature Plant - Leaves	-	134,756
Mature Plant - Flowers	-	13,476
	-	148,232

The Group's/ Company's biological assets consist of flower plantation situated in the village of Sandalankawa and the company measure biological plants at cost at the reporting date.

13 INVENTORIES

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Trading items	149,162,470	208,758,467	-	-
Raw materials	15,510,029	20,366,665	-	-
Work in progress	4,731,485	4,171,792	-	-
	169,403,984	233,296,924	-	-
Less: Provision for stock variance and slow moving inventories (Note 13.2)	(24,423,066)	(33,114,582)	-	-
	144,980,918	200,182,342	-	-

13.1 Inventories are stated at cost or net realisable value, whichever is lower. The breakup of the carrying value on inventories are as follows:

As at 31st March	Group	
	2024	2023
	Rs.	Rs.
At Cost	144,980,918	200,182,342
At Net Realisable Value	-	-
Total	144,980,918	200,182,342

13.2 Provision for stock variance and slow moving inventories

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	33,114,582	34,534,709	-	-
Provision/(Reversal) during the year	(8,691,516)	(1,420,127)	-	-
At the end of the year	24,423,066	33,114,582	-	-

14 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
Trade receivables		11,550,154	18,033,865	-	-
Less: Provision for impairment for trade receivables	14.1	(801,766)	(6,753,906)	-	-
		10,748,387	11,279,959	-	-
Staff debtors		492,304	633,996	247,351	42,500
WHT Receivable		2,670,294	1,386,400	2,670,097	1,386,400
Interest receivable		6,381,188	22,092,083	6,381,188	21,580,032
Other receivables		2,884,055	14,257,462	-	-
		23,176,229	49,649,901	9,298,636	23,008,932

Impairment losses

All trade receivables that are past due, have been considered for impairment as at 31st March 2024.

The movement in the allowance for impairment of trade receivables is disclosed in Note No. 14.1.

NOTES TO THE FINANCIAL STATEMENTS

14.1 Provision for impairment for Trade receivables

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Balance at the beginning of the year	6,753,906	10,099,920	-	-
Provision/(Reversal) for the year	(3,846,485)	1,097,871	-	-
Write off during the year	(2,105,654)	(4,443,885)	-	-
Balance at the year end	801,766	6,753,906	-	-

15 RELATED PARTY DISCLOSURES

Refer Note.09 for effective equity holding percentages and other key information's of Group entities.

Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of the business at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures'.

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest are charged as AWPLR+4% and settlement occurs in cash. The sales to and purchases from related parties and interest on interest bearing borrowings are made at terms equivalent to those that prevail in arm's length transactions.

Non-recurrent Related Party Transactions

	Company	
	2024	2023
	Rs.	Rs.
Investment in Subsidiaries share capital	146,839,982	-

During the year, Kapruka Holdings PLC (Company) invested its IPO funds in Kapruka E-Commerce (Pvt) Ltd equity shares to initiate IPO objectives. Necessary market announcements were also published as per the requirements of the Colombo Stock Exchange Listing Rules.

Other than above, there were no other non-recurrent Related Party Transactions of the Company which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is disclosures in the Annual Report under Colombo Stock Exchange Listing Rule 9.14.8 and the Code of Best Practices on Related Party Transactions published in accordance with the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act, lower, as per March 31, 2024. Audited Financial Statements, which required additional disclosures in the Annual Report under Colombo Stock Exchange Listing Rule 9.14.8 and the Code of Best Practices on Related Party Transactions published in accordance with the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Recurrent Related Party Transactions

There were no other recurrent Related Party Transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2024 Audited Financial Statements, which required additional disclosures in the Annual Report under the Colombo Stock Exchange Listing Rule 9.14.8 and the Transactions under the Securities and Exchange Commission Directive issued. The Directors declare that they have complied with the provisions of the Code relating to full disclosure of Related Party Transactions entered into during the Financial Year ended March 31, 2024.

15.1 Amounts due from related parties

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Trade Receivables - Related parties	-	-	7,218,890	5,645,505
Non Trade Receivables - Related Parties (15.2)	46,536,563	41,996,892	-	-
	46,536,563	41,996,892	7,218,890	5,645,505

15.2 Amounts due from related parties

	Relationship	Group		Company	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
Kapruka Tech Root (Pvt) Ltd	Subsidiary	-	-	28,067	493,051
Kapruka Productions (Pvt) Ltd	Subsidiary	-	-	2,169,398	4,083,130
Kapruka Global Shop (Pvt) Ltd	Associate	33,449,508	17,684,193	3,908,316	706,118
Java Lounge (Pvt) Ltd	Affiliate	1,113,108	3,515,949	1,113,108	363,206
Grasshoppers (Pvt) Ltd	Affiliate	18,751,668	14,602,788	12,226,063	12,226,063
Kapruka LLC	Affiliate	-	15,121,935	-	-
Director's Current Account	Affiliate	11,973,946	3,029,888	-	-
Kapruka Goodwill Foundation	Affiliate	-	268,202	-	-
		65,288,231	54,222,955	19,444,953	17,871,568
Less: Provision for Impairment		(18,751,668)	(12,226,063)	(12,226,063)	(12,226,063)
		46,536,563	41,996,892	7,218,890	5,645,505

Impairment provision balance attributable to the affiliate company of Grasshoppers (Pvt) Ltd is due from the balance. As the major shareholder of Kapruka Global Shop (Pvt) Ltd, Mr. H.P.D.V. Herath acknowledges that the company owes Rs. 36 million to Kapruka Holdings PLC and Kapruka E-Commerce (Pvt) Ltd. An impairment has not been recorded, as Mr. Herath has provided a formal undertaking to settle the full amount. He is committed to recovering these funds and will personally cover any remaining balance after all recovery efforts.

15.3 Amounts due to related parties

	Relationship	Group		Company	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
Kapruka E Commerce (Pvt) Ltd	Subsidiary	-	-	198,162,593	137,908,572
Kapruka LLC	Affiliate	7,936,449	-	-	-
Kapruka Goodwill Foundation	Affiliate	1,324,560	-	-	-
Java Lounge (Pvt) Ltd	Affiliate	13,687,068	-	-	-
		22,948,077	-	198,162,593	137,908,572

15.4 Transaction with Key Management Personnel Compensation of the company

The Key Management Personnel of the Company are the members of its Board of Directors.

Key management personnel compensation

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Short Term Employee Benefits	21,616,850	19,674,526	20,416,850	19,674,526
	21,616,850	19,674,526	20,416,850	19,674,526

NOTES TO THE FINANCIAL STATEMENTS

Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Company

The Board of Directors (including Executive and Non-Executive) of the Company have been classified as KMP of the Company.

KMP of the Group

The Board of Directors (including Executive and Non-Executive) of the Company and the Board of Directors of the holding company have been classified as KMP of the Group. The officers who are only Directors of subsidiaries and not of the company have been classified as KMP for that subsidiary.

15.4.1 Transaction with subsidiaries, associate and other related parties;

Company	Relationship	Nature of the Transaction	Amount		Balance as at 31 March	
			2024	2023	2024	2023
			Rs.	Rs.	Rs.	Rs.
Kapruka E Commerce (Pvt) Ltd	Subsidiary				(198,162,593)	137,908,572
		Management Fee	216,466,025	208,943,744		
		Fund Transferred to/ from Related Party	(209,838,858)	(228,202,954)		
		Expenses Incurred on behalf	(42,905,270)	(77,780)		
		Interest charged on current account balance	(23,975,918)	(28,226,773)		
Kapruka Tech Root (Pvt) Ltd	Subsidiary				28,066	493,051
		Management Fee	5,918,923	5,695,704		
		Payments Made/ Received	(6,414,628)	(10,272,908)		
		Expenses Incurred on behalf	30,720	(1,187,878)		
Kapruka Productions (Pvt) Ltd	Subsidiary				2,169,398	4,083,133
		Management Fee	8,751,750	8,447,625		
		Payments Made/ Received	(10,686,542)	(9,162,495)		
		Expenses Incurred on behalf	21,057	2,497,700		
Kapruka Global Shop (Pvt) Ltd	Associate				3,908,316	706,118
		Management Fee	9,238,481	8,959,851		
		Fund Transferred to/ from Related Party	(5,598,718)	7,581,371		
		Expenses Incurred on behalf	(437,565)	419,766		
JAVA Lounge (Pvt) Ltd	Affiliate				1,113,109	363,206
		Management Fee	1,009,024	1,592,725		
		Payments Made/ Received	(1,396,323)	(3,253,643)		
		Expenses Incurred on behalf	1,137,202	470,827		
Grasshoppers (Pvt) Ltd	Affiliate				-	12,810,748
		Management Fee	-	1,430,392		
		Asset acquisitions	584,685	134,641		
		Impairment provision	12,226,063			

15.4.2 Material Transactions done by a Subsidiary with Affiliate

Company	Relationship	Nature of the Transaction	Amount		Balance as at 31 March	
			2024	2023	2024	2023
			Rs.	Rs.	Rs.	Rs.
Kapruka E - Commerce (Pvt) Ltd with Kapruka LLC	Affiliate				(7,936,449)	15,121,934
		Expenses Incurred on behalf of Related Parties	(231,360,378)	(246,090,004)		
		Fund Transferred From US Account to Sri Lanka	(588,990,003)	(1,114,099,458)		
		Funds Received From Customers	854,448,373	1,364,265,521		
		Loan proceeds from US bank	-	28,991,568		
		Supplier Payment made	(27,850,571)	(32,771,000)		
		Funds reclassified under USA LLC accounts name	(39,348,488)			
Funds Transfer From/(To) Inter LLC Accounts	10,042,686					
Kapruka E - Commerce (Pvt) Ltd with Kapruka USA LLC	Affiliate				23,391,799	-
		Expenses Incurred on behalf of Related Parties	(31,975,194)	-		
		Fund Transferred From US Account to Sri Lanka	(427,568,880)	-		
		Funds Received From Customers	463,329,140	-		
		Supplier Payment made	(16,299,069)	-		
		Funds reclassified under USA LLC accounts name	39,348,488	-		
		Funds Transfer From/(To) Inter LLC Accounts	(3,442,686)	-		
Kapruka E - Commerce (Pvt) Ltd with Kapruka Ohio LLC	Affiliate				(3,067,904)	(1,238,148)
		Service Fee Settlements	21,642,513	33,753,234		
		Services Received (Management Fee/ Processing Fee)	(23,472,269)	(32,524,370)		

NOTES TO THE FINANCIAL STATEMENTS

16 DEPOSITS, ADVANCES AND PREPAYMENTS

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Advance Payments to Suppliers	19,168,929	281,698	3,172,439	281,698
Rent Deposits	2,180,000	2,318,000	1,680,000	1,818,000
Other advances and prepayments	8,599,229	8,168,729	1,548,810	937,892
	29,948,158	10,768,427	6,401,250	3,037,590

17 SHORT TERM FINANCIAL ASSETS

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Other financial assets at amortized cost				
Non-Quoted Investments (Note 17.1)	209,000,000	209,000,000	209,000,000	209,000,000
Investment in fixed deposits (Note 17.2)	114,620,400	163,161,915	114,620,400	150,000,000
	323,620,400	372,161,915	323,620,400	359,000,000

17.1 Non-Quoted Investments

Institution	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Investment in Commercial Papers				
LOLC Holdings PLC	209,000,000	209,000,000	209,000,000	209,000,000
	209,000,000	209,000,000	209,000,000	209,000,000

17.2 Fixed Deposit

Institution	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Investment in Fixed Deposits				
Nations Trust Bank PLC	-	63,161,915	-	50,000,000
Commercial Bank of Ceylon PLC	-	50,000,000	-	50,000,000
Sampath Bank PLC	-	50,000,000	-	50,000,000
Hatton National Bank PLC	114,620,400	-	114,620,400	-
	114,620,400	163,161,915	114,620,400	150,000,000
	323,620,400	372,161,915	323,620,400	359,000,000

17.3 Impairment of investments in fixed deposits and money market funds

Management has assessed the impairment of fixed deposits and money market funds by considering the credit ratings of these institutions and considering other economic factors and concluded that the resulting impairment provision is immaterial to the financial statements.

18 CASH AND CASH EQUIVALENTS
18.1 Favourable cash and cash equivalent balances

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Cash and bank balances	60,194,827	36,132,139	7,886,319	3,561,590
	60,194,827	36,132,139	7,886,319	3,561,590

18.2 Unfavourable cash and cash equivalent balances

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Bank overdrafts	(4,503,485)	(72,424,732)	(25,179)	(7,591,698)
Total cash and cash equivalents for the purpose of cash flow statement	55,691,342	(36,292,593)	7,861,139	(4,030,108)

19 CAPITAL AND RESERVES
19.1 Stated Capital
Company / Group

	2024	2024	2023	2023
	Number of shares	Rs.	Number of shares	Rs.
Issued and fully-paid - ordinary shares				
Balance at the beginning of the year	164,130,360	769,174,795	164,130,360	769,174,795
Issue of shares	-	-	-	-
Transaction costs for issued share capital	-	-	-	-
Balance at the end of the year	164,130,360	769,174,795	164,130,360	769,174,795

19.2 Reserves
Company / Group

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Revaluation reserves				
Balance at the beginning of the year	150,999,424	150,999,424	150,999,424	150,999,424
Revaluation Gain/(Loss), net of tax	(4,281,571)	-	(13,020,001)	-
Balance at the end of the year	146,717,852	150,999,424	137,979,423	150,999,424

At the reporting date, the company has revalued its lands and recognized a revaluation loss as follows. The valuation was conducted by an independent chartered valuer.

NOTES TO THE FINANCIAL STATEMENTS

19.3 Foreign Currency Translation Reserve

	Group	
	2024	2023
	Rs.	Rs.
Balance at the beginning of the year	-	-
Revaluation Gain/(Loss), net of tax	226,154	-
Balance at the end of the year	226,154	-

The changes in the foreign currency translation reserve are attributed to the conversion differences related to transactions of Kparuka USA LLC, a foreign subsidiary, for the period ended on 31st March 2024.

20 INTEREST BEARING LOANS AND BORROWINGS

Other financial liabilities	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Current interest bearing loans and borrowings				
Bank loans (Note 20.1)	126,388,183	89,649,024	69,957,876	48,240,000
Lease liabilities (Note 20.2)	17,401,868	31,140,642	8,975,144	7,308,068
Bank overdrafts (Note 18)	4,503,485	72,424,732	25,179	7,591,698
	148,293,537	193,214,398	78,958,199	63,139,766
Non-current interest bearing loans and borrowings				
Bank loans (Note 20.1)	172,507,745	140,755,366	115,373,755	81,496,366
Lease liabilities (Note 20.2)	27,933,012	43,161,333	27,309,221	30,731,304
	200,440,757	183,916,699	142,682,976	112,227,670
Total Interest bearing loans and borrowings	348,734,293	377,131,097	221,641,175	175,367,436

20.1 Bank Loans

Group	As at	Loan	Interest	Repayment	As at	Current	Non-current
	01.04.2023	obtained			31.03.2024		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Union Bank of Colombo PLC	129,736,366	-	19,848,220	(64,068,220)	85,516,366	48,240,000	37,276,366
Amana Bank PLC	-	25,000,000	357,083	(357,083)	25,000,000	25,000,000	-
Hatton National Bank PLC	-	108,889,380	5,084,820	(14,158,935)	99,815,265	21,717,876	78,097,389
Commercial Bank of Ceylon PLC	83,259,000	25,000,000	10,638,635	(37,763,645)	81,133,990	24,000,000	57,133,990
PayPal Working Capital	17,409,024	28,000,000	1,030,389	(39,009,106)	7,430,307	7,430,307	-
	230,404,390	186,889,380	36,959,148	(155,356,989)	298,895,928	126,388,183	172,507,745

Company	As at	Loan	Interest	Repayment	As at	Current	Non-current
	01.04.2023	Obtained			31.03.2024		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Union Bank of Colombo PLC	129,736,366	-	19,848,220	(64,068,220)	85,516,366	48,240,000	37,276,366
Hatton National Bank PLC	-	108,889,380	5,084,820	(14,158,935)	99,815,265	21,717,876	78,097,389
	129,736,366	108,889,380	24,933,040	(78,227,155)	185,331,631	69,957,876	115,373,755

20.2 Lease liabilities

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 can not be readily determined, the Company's incremental borrowing rate. The movement of Lease creditor for the period is as follows;

Group				
As at 31 March	Land	Building	Motor Vehicles	Total
	Rs.	Rs.	Rs.	Rs.
Balance at the Beginning of the Year	24,366,691	9,863,851	40,071,433	74,301,975
Additions	-	5,389,675	7,660,000	13,049,675
De-Recognition	-	(5,969,824)	(3,377,827)	(9,347,651)
Interest Expense Recognised in Profit or Loss	1,659,112	1,495,454	5,816,856	8,971,422
Repayment of Liability	(2,620,000)	(6,322,512)	(32,698,031)	(41,640,543)
Balance at the End of the Year	23,405,803	4,456,645	17,472,431	45,334,879
As at 31.03.2023				
Amount repayable within 1 year	960,888	8,237,406	20,315,902	29,514,197
Amount repayable after 1 year	23,405,803	1,626,445	19,755,531	44,787,778
	24,366,691	9,863,851	40,071,433	74,301,975
As at 31.03.2024				
Amount repayable within 1 year	2,640,000	3,613,977	11,147,891	17,401,868
Amount repayable after 1 year	20,765,803	842,668	6,324,541	27,933,012
	23,405,803	4,456,645	17,472,431	45,334,879
Company				
	Land	Building	Motor Vehicles	Total
	Rs.	Rs.	Rs.	Rs.
Balance at the Beginning of the Year	24,366,691	393,162	13,279,519	38,039,372
Additions	-	1,724,925	7,660,000	9,384,925
De-Recognition	-	-	(3,377,827)	(3,377,827)
Interest Expense Recognised in Profit or Loss	1,659,112	210,790	2,369,085	4,238,986
Repayment of Liability	(2,620,000)	(1,030,000)	(8,351,092)	(12,001,092)
Balance at the End of the Year	23,405,803	1,298,878	11,579,684	36,284,365
As at 31.03.2023				
Amount repayable within 1 year	960,888	393,162	5,954,018	7,308,068
Amount repayable after 1 year	23,405,803	-	7,325,501	30,731,304
	24,366,691	393,162	13,279,519	38,039,372
As at 31.03.2024				
Amount repayable within 1 year	2,640,000	1,080,000	5,255,144	8,975,144
Amount repayable after 1 year	20,765,803	218,878	6,324,540	27,309,221
	23,405,803	1,298,878	11,579,684	36,284,365

NOTES TO THE FINANCIAL STATEMENTS

20.2.1 Total amount recognised in profit or loss

The following are the amounts recognised in profit or loss:

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Depreciation expense of right-of-use assets	21,125,820	17,597,095	15,952,984	11,408,970
Interest expense on lease liabilities	8,971,422	4,749,976	2,469,059	2,469,059
Total amount recognised in profit or loss	30,097,242	22,347,070	18,422,043	13,878,029

20.3 Nature and repayment terms of the facilities

Lender	Nature of facility	Nominal Interest rate	Repayment terms	Carrying value of facility	
				2024	2023
	Rs.			Rs.	Rs.
Kapruka Holdings PLC					
Union Bank of Colombo PLC	Term loan	Respective AWPLR+1.25%	5 years	85,516,366	129,736,366
Hatton National Bank PLC	Term loan	11.6% fixed	5 years	99,815,265	-
Kapruka Productions (Pvt) Ltd					
Commercial Bank of Ceylon PLC	Term loan	8.5% fixed	5 years	81,133,990	83,259,000
Kapruka E-Commerce (Pvt) Ltd					
PayPal & Amazon working capital loan	Working Capital	12% fixed	On demand	7,430,307	17,409,024

20.4 Assets pledged

The following assets have been pledged as security for above liabilities:

Lender	Nature of facility	Nature of the collateral	Carrying value of asset pledged	
			2024	2023
Kapruka Holdings PLC				
Union Bank of Colombo PLC	Term loan	Constructed building with land Located at :-No.147 Old Kottawa Road, Mirihana, Nugegoda.	485,401,770	509,371,027
Hatton National Bank PLC	Term loan	Fixed Deposit	114,620,400	-
Kapruka Productions (Pvt) Ltd				
Commercial Bank of Ceylon PLC	Term loan	Constructed building with land Located at :-No.175 Old kottawa Road, Mirihana, Nugegoda.	151,761,570	136,690,429

21 RETIREMENT BENEFIT OBLIGATION

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April	20,919,490	15,879,326	7,399,663	4,032,978
Current service cost	2,792,568	3,345,415	894,049	986,677
Interest cost	4,811,483	1,919,593	1,701,923	565,998
Actuarial (gain)/loss	162,215	1,390,007	(391,200)	2,598,009
Payments made during the year	(1,939,224)	(1,614,852)	(515,888)	(784,000)
As at 31 March	26,746,532	20,919,490	9,088,546	7,399,663

21.1 Following amount are recognized in profit or loss and other comprehensive income during the year in respect of the retirement benefit obligation.

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Expense recognized in profit or loss				
Current service cost	2,792,568	3,345,415	894,049	986,677
Interest cost	4,811,483	1,919,593	1,701,923	565,998
	7,604,051	5,265,008	2,595,972	1,552,676
Actuarial gains and losses recognized directly in OCI				
Recognized during the period	162,215	1,390,007	(391,200)	2,598,009

The gratuity liability of the Company, and the Group is based on the actuarial valuation carried out by Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The liability is not externally funded and it is a non-contributory defined benefit plan.

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefits that employees have earned in return for their service in the current and prior periods and discount that benefit using projected unit credit method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

However, under the Payment of Gratuity Act No. 12 of 1972, the liability to an employee arises only on the completion of five years of continued service. The Company is liable to pay gratuity in terms of the relevant statute.

21.2 The principal assumptions used in determining defined benefit obligation are shown below:

	Group		Company	
	2024	2023	2024	2023
Discount rate	12%	23%	12%	23%
Salary increment	10%	15%	10%	15%
Staff turnover	20%	30%	20%	30%
Retirement age	60 Years	60 Years	60 Years	60 Years

Assumptions regarding future mortality are based on A 1967/70 mortality table, issued by the Institute of Actuaries, London.

Weighted average retirement age of the Company is 4.5 years.

The demographic assumptions underlying the valuation with respect to retirement age, early withdrawals from the services and retirement on medical grounds.

NOTES TO THE FINANCIAL STATEMENTS

21.3 Sensitivity of assumptions employed in actuarial valuation

A change in discount rate and in salary increase would change the present value of the retirement benefit obligations as follows:

On comprehensive	2024		2023	
	Effect on comprehensive income increase (reduction)	Effect on employee benefit obligation increase / (reduction) in the liability	Effect on comprehensive income increase (reduction)	Effect on employee benefit obligation increase / (reduction) in the liability
	Rs.	Rs.	Rs.	Rs.
Increase/(decrease) in discount rate	+ 1 % (8,753,085)	8,753,085	7,249,811	(7,249,811)
	- 1 % (9,452,037)	9,452,037	(7,556,928)	7,556,928
Increase/ (decrease) in salary	+ 1 % (9,494,777)	9,494,777	(7,598,711)	7,598,711
Increment	- 1 % (8,707,411)	8,707,411	7,207,423	(7,207,423)

21.4 The following are the expected present value of defined benefit obligation in future years

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Within the next 12 months	5,262,661	6,480,606	1,839,130	2,330,227
Between 1 and 5 years	14,947,577	12,549,875	4,967,444	4,407,339
Between 5 and 10 years	4,231,800	1,618,957	1,316,868	540,324
Beyond 10 years	2,304,497	270,054	965,105	121,775
	26,746,535	20,919,492	9,088,547	7,399,665

21.5 Employee benefit expenses

As at 31st March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Wages and salaries	229,089,479	214,329,690	74,364,679	104,487,993
Expenses related to post-employment defined benefit plans	7,604,051	5,265,008	2,595,972	1,552,676
Total	236,693,530	219,594,698	76,960,651	106,040,669

22 DEFERRED TAX ASSETS AND LIABILITIES

	Group		Company	
	Statement of Financial Position		Statement of Financial Position	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability				
Accelerated Depreciation on Property, Plant and Equipment	(37,408,109)	(32,996,378)	(36,132,090)	(37,255,938)
Intangible Assets	(37,122)	-	(37,122)	(165,606)
Net Impact from Right of Use Asset and Lease Liability	(93,895)	(1,688,917)	(198,483)	-
Revaluation on Properties and Equipements	(43,464,869)	(45,299,827)	(39,719,828)	(45,299,827)
Total temporary difference of deferred tax liability	(81,003,994)	(79,985,121)	(76,087,523)	(82,721,371)
Deferred Tax Assets				
Net Impact from Right of Use Asset and Lease Liability	-	-	-	1,708,320
Employee Benefit Liability	7,924,584	5,578,930	2,726,564	2,588,340
Provision for Trade debtors	240,530	3,843,224	-	3,843,224
Others	9,881,696	-	7,924,015	1,202,223
Slow moving Provision made on Inventory	7,326,920	9,404,305	-	-
Total temporary difference of deferred tax assets	25,373,730	18,826,459	10,650,578	9,342,108
Net deferred tax Assets/(liability)	(55,630,265)	(61,158,661)	(65,436,944)	(73,379,263)
Made up as follows;				
Deferred tax assets	12,674,389	12,249,208	-	-
Deferred tax liabilities	(68,304,654)	(73,407,869)	(65,436,944)	(73,379,263)
	(55,630,265)	(61,158,661)	(65,436,944)	(73,379,263)

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22.1 Deferred tax expense /(reversal)

Movements in deferred tax balances

The analysis of deferred tax assets and deferred tax liabilities is as follows;

	Group				Company			
	Balance at the Beginning of the Year	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Balance at the End of the Year	Balance at the Beginning of the Year	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Balance at the End of the Year
As at 31 March	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deferred tax liability								
Accelerated Depreciation on Property, Plant and Equipment	(32,996,378)	(4,411,731)	-	(37,408,109)	(37,255,938)	1,123,848	-	(36,132,090)
Intangible Assets	-	(37,122)	-	(37,122)	(165,606)	128,484	-	(37,122)
Net Impact from Right of Use Asset and Lease Liability	(1,688,917)	1,595,021	-	(93,895)	-	(198,483)	-	(198,483)
Revaluation on Properties and Equipments	(45,299,827)	-	1,834,958	(43,464,869)	(45,299,827)	-	5,579,999	(39,719,828)
Total Deferred Tax Liability	(79,985,121)	(2,853,832)	1,834,958	(81,003,994)	(82,721,371)	1,053,849	5,579,999	(76,087,523)
Deferred Tax Asset								
Net Impact from Right of Use Asset and Lease Liability	-	-	-	-	1,708,320	(1,708,320)	-	-
Employee Benefit Liability	5,578,930	2,296,989	48,664	7,924,584	2,588,340	255,584	(117,360)	2,726,564
Provision for Trade debtors	3,843,224	(3,602,695)	-	240,530	3,843,224	(3,843,224)	-	-
Others	-	9,881,696	-	9,881,696	1,202,223	6,721,792	-	7,924,015
Slow moving Provision made on Inventory	9,404,305	(2,077,385)	-	7,326,920	-	-	-	-
Total Deferred Tax Asset	18,826,459	6,498,606	48,664	25,373,730	9,342,108	1,425,831	(117,360)	10,650,578
	(61,158,661)	3,644,774	1,883,623	(55,630,265)	(73,379,263)	2,479,680	5,462,639	(65,436,944)

23 TRADE AND OTHER PAYABLES

	Group		Company	
	2024	2023	2024	2023
Trade payables	89,986,011	65,990,012	2,703,865	2,802,609
Advances received from customers	9,242,577	18,914,231	-	-
	99,228,589	84,904,243	2,703,865	2,802,609

23.1 Income tax (Payable)/Receivable

	Group		Company	
	2024	2023	2024	2023
Income tax payable balances	-	(9,742,750)	-	(9,677,614)
Income tax receivable balances	1,164,081	-	915,626	-
	1,164,081	(9,742,750)	915,626	(9,677,614)

The above amounts are unsecured and have no credit periods attached to the same.

24 PROVISIONS AND ACCRUED EXPENSES

	Group		Company	
	2024	2023	2024	2023
Provisions	7,435,112	4,723,544	2,156,534	3,545,597
Accrued Expenses	71,248,033	41,168,478	37,989,514	34,136,636
	78,683,145	45,892,022	40,146,048	37,682,233

25 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Group		Company	
	2024	2023	2024	2023
Sale of Goods	1,782,224,901	1,743,985,722	-	-
Rendering of Services	8,521,321	209,233,078	203,337,061	208,395,751
Total Gross Revenue	1,790,746,222	1,953,218,800	203,337,061	208,395,751

25.1 Geographical Segmental Revenue

	Group		Company	
	2024	2023	2024	2023
Local revenue	630,886,421	656,720,089	203,337,061	208,395,751
Foreign revenue	1,159,859,801	1,296,498,711	-	-
	1,790,746,222	1,953,218,800	203,337,061	208,395,751

26 OTHER INCOME

	Group		Company	
	2024	2023	2024	2023
Profit on Disposal of Assets	9,380,457	518,922	9,380,457	212,314
Rent Income	450,000	-	450,000	-
Other Income	5,730,481	6,718,489	-	-
	15,560,938	7,237,411	9,830,457	212,314

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCE COST

	Group		Company	
	2024	2023	2024	2023
Overdraft Interest	4,840,044	19,381	62,102	19,381
Bank Loan Interest	36,959,148	47,145,745	25,137,097	30,658,752
Leasing Interest	8,971,422	9,802,093	4,476,076	2,469,059
Bank Charges	1,545,937	-	-	-
Intercompany Interest	-	-	23,975,918	28,226,773
	52,316,550	56,967,219	53,651,194	61,373,965

28 FINANCE INCOME

	Group		Company	
	2024	2023	2024	2023
Interest income	64,401,645	106,407,750	60,971,251	105,287,547
Foreign exchange gain	36,432,623	75,807,579	-	2,706,477
	100,834,268	182,215,329	60,971,251	107,994,024

29 PROFIT BEFORE TAX

	Group		Company	
	2024	2023	2024	2023
Include in cost of sales				
Employees benefits including the following				
- Defined contribution plan costs - Salaries,EPF & ETF	56,365,136	65,594,806	-	-
Included in administrative expenses				
Employees benefits including the following				
- Defined contribution plan costs,Salaries,EPF & ETF	109,074,426	96,132,828	74,364,679	64,582,300
- Other staff cost	24,586,967	23,379,592	2,740,266	3,473,611
Auditor's remuneration	990,000	716,944	400,000	504,516
Directors' Fee and Emoluments	21,616,850	19,674,526	20,416,850	19,674,526
Depreciation of property, plant and equipment	25,706,702	22,629,105	16,702,600	14,320,923
Amortization of intangible assets	1,842,383	1,399,262	252,383	800,051
Depreciation of right-of-use assets	19,338,514	15,106,824	15,952,984	504,516
Donations	2,835,000	97,350	2,830,000	-
Included in selling & distribution expenses				
Employees benefits including the following				
- Defined contribution plan costs - Salaries, EPF & ETF	63,649,916	57,994,466	-	-
- Other staff cost	2,658,638	1,812,163	-	-
Allowance for expected credit loss	(3,846,485)	1,097,871	-	-
Depreciation of property, plant and equipment	1,787,306	2,490,270	-	-

30 INCOME TAX EXPENSE

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Current income tax				
Current income tax charge (Note 30.1)	11,740,408	17,889,449	11,417,657	17,889,449
Income tax under provision in respect of previous years	-	14,226,538	-	14,226,538
	11,740,408	32,115,987	11,417,657	32,115,987
Deferred tax expense				
Deferred taxation charge/(reversal) (Note 22.1)	(5,528,397)	20,157,249	(7,942,319)	23,247,244
	6,212,011	52,273,236	3,475,338	55,363,231
Income tax expense made up as follow;				
Income Tax expense reported in the income statement	8,095,633	55,074,440	8,937,977	58,526,835
Income Tax reversal reported in the other comprehensive income (Note 22.1)	(1,883,623)	(2,801,204)	(5,462,639)	(3,163,604)
	6,212,011	52,273,236	3,475,338	55,363,231

30.1 A reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows;

	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Profit before taxation	(109,725,551)	71,872,954	21,842,377	71,872,954
Dividend income from group companies	-	-	-	-
Add: Aggregate disallowed items	120,669,322	35,258,167	60,777,353	35,258,167
Less: Aggregate allowable items	(164,509,497)	(148,867,927)	(102,737,123)	(148,867,927)
Add: Other sources of income	103,876,552	107,994,024	60,971,251	107,994,024
Less: Qualifying Payments	(2,795,000)	-	(2,795,000)	-
Adjustment for Tax Losses	91,618,867	-	-	-
Taxable profit	39,134,693	66,257,218	38,058,858	66,257,218
Income tax charged at:				
Income tax @ 24%	-	7,950,866	-	7,950,866
Income tax @ 30%	11,740,408	9,938,583	11,417,657	9,938,583
Current tax expense	11,740,408	17,889,449	11,417,657	17,889,449

30.2 Applicable Tax Rates

As per the Inland Revenue Act, No. 24 of 2017 and the subsequent amendment thereto, all Group companies which are resident in Sri Lanka are liable to Income Tax at 30% (2022/23 - w.e.f 01 October 2022 - 30%, upto 30 September 2022 - 24%) on taxable profit during the period with the exception of the Companies stated below.

Management has used its judgement in the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.

In terms of the Inland Revenue Act No. 24 of 2017, the profits/losses of companies listed below are subject to the income tax concessionary rates mentioned undertaking:

NOTES TO THE FINANCIAL STATEMENTS

Company	Basis	2024	2023
		Income tax rate	
Kapruka Holdings PLC	Investment Company	30%	24% - 30%
Kapruka E-Commerce (Pvt) Ltd	Retails	30%	24% - 30%
Kapruka Productions (Pvt) Ltd	Manufacturing of goods / Trading	30%	18% - 30%
Kapruka Tech root (Pvt) Ltd	IT services Company	30%	18% - 30%
Kapruka USA LLC	Cross Border Operations	21%	-

30.3 In determining the arm's length price, the Group has complied with the transfer pricing regulations prescribed in the Inland Revenue Act and amendment thereto and the Gazette notifications issued on transfer pricing.

31 BASIC/DILUTED EARNINGS PER SHARE

Basic Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to Ordinary Shareholders and the weighted average number of shares outstanding during the year.

Diluted Earnings per Share

The calculation of diluted earnings per share is based on the profit attributable to Ordinary Shares outstanding after adjustment for the effect of all potentially dilutive Ordinary Shares.

The following reflects the income and share data used in the basic earnings per share computations

For the year ended 31st March	Group		Company	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
Amounts used as the numerator :				
Net profit/(loss) attributable to equity holders of the company	(117,821,185)	(85,869,056)	12,904,400	13,346,118
Amounts used as the denominator :				
Weighted average number of ordinary shares in issue applicable to basic earnings per share	164,130,366	164,130,366	164,130,366	164,130,366
Earnings/(deficit) per share (Rs.)	(0.72)	(0.51)	0.08	0.08

32 INDUSTRY SEGMENT INFORMATION

For the year ended 31st March	Year ended 2024	Year ended 2023
	Rs.	Rs.
(a) Segmental Revenue		
E-Commerce	1,719,532,295	2,132,141,469
USA LLC (Cross Border)	60,902,413	-
Kapruka Production	178,972,924	174,133,046
Tech-Root (Web services)	23,390,193	18,571,500
Consolidation revenue adjustments	(192,051,602)	(390,198,715)
	1,790,746,222	1,953,218,800
(b) Segmental Expenses		
E-Commerce	(1,883,302,717)	(2,257,915,064)
USA LLC (Cross Border)	(68,562,941)	-
Kapruka Production	(187,261,990)	(167,020,125)
Tech-Root (Web services)	(22,018,018)	(18,239,742)
Other Income	15,560,938	7,517,252
Consolidation adjustments	199,025,610	327,953,215
Profit / (Loss) from operating activities	(155,812,895)	(154,485,664)
Share of Loss of Investment in Associates	-	(1,557,062)
Finance Income	100,834,268	182,215,329
Finance Expense	(52,316,550)	(56,967,219)
Net Finance Income	48,517,718	123,691,048
Profit / (Loss) before tax	(107,295,177)	(30,794,616)
(c) Segmental Profit / (Loss) before tax		
E-Commerce	(93,442,873)	(26,686,237)
USA LLC (Cross Boarders)	(5,697,594)	-
Kapruka Production	(24,014,501)	(4,422,811)
Tech-Root (Web services)	805,871	314,433

NOTES TO THE FINANCIAL STATEMENTS

33 COMMITMENTS AND CONTINGENCIES

33.1 Capital commitments

As at 31st March	Group	
	2024	2023
	Rs.	Rs.
Capital Commitments on building work in progress	89,061,570	84,825,267
	89,061,570	84,825,267

33.2 Contingencies

There have been no significant Capital Commitments, Contingent Assets or Contingent Liabilities as at the reporting date other than disclosed above which require disclosures in these Financial Statements.

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34 EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to the year-end, the Department of Inland Revenue (IRD) issued an assessment for the Year of Assessment (YA) 2020/2021 concerning the assessable income of the Company. As a result, the Company made a provision in the financial statements and subsequently paid an amount of Rs. 10,746,304 to the IRD under this assessment. The Directors have reviewed the circumstances surrounding the assessment and, based on the information available, are confident that the Company had followed due process and acted in accordance with prevailing tax laws. The provision was made as a prudent measure to address the potential obligation, recognizing that the conditions related to this assessment existed as of the reporting date.

Other than that mention above, no circumstances have arisen since the reporting date, which would require adjustment to or disclosure in the financial statements.

35 FINANCIAL INSTRUMENTS

The management assessed that the fair values of cash and short-term deposits, trade and other receivables, amounts due from related approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial liabilities of which carrying values are reasonable approximates at their fair value

The management assessed that the fair values of trade and other payables and interest bearing loans and borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long term loans and financial leases approximate their carrying amount as majority of the loan portfolio consist of loans obtained at variable interest rates.

36 FAIR VALUE MEASUREMENT

The Group held the following financial instruments carried at fair value in the statement of financial position:

36.1 Group / Company	Fair value measurement using						
	Fair value measurement hierarchy for assets as at 31 March 2023 and 2024:			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value:	Note	Date of valuation	Rs.	Rs.	Rs.	Rs.	Rs.
As at 31 March 2023							
Non-financial assets							
Consumable biological assets	12.	31 March 2023	148,232	-	-	-	148,232
Non financial assets as at 31 March 2023			148,232	-	-	-	148,232
As at 31 March 2024							
Non-financial assets							
Consumable biological assets	12.	31 March 2024	-	-	-	-	-
Property plant & equipments - Lands		31 March 2024	341,220,000	-	341,220,000	-	-
Non financial assets as at 31 March 2024			341,220,000	-	341,220,000	-	-

During the reporting period ended 31 March 2024 there were no transfers between Level 1 and Level 2 fair value measurements

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loans and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The senior management is supported by the Board of Directors (BOD) that advises on financial risks and the appropriate financial risk governance framework for the Group. BOD provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite. It is the Group's policy that all activities for risk management purposes are required to be approved by Board of Directors of Kapruka Holdings PLC.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

37.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits and equity investments and investments designated under fair value through profit or loss.

The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance.

NOTES TO THE FINANCIAL STATEMENTS

37.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Central Bank of Sri Lanka (CBSL) adopted a tightening monetary policy stance during the latter half of the financial year, resulting in an upward trend in interest rates. Elevated pressures on inflation on account of many factors including increases in global commodity prices, food supply and the sharp depreciation of the currency in March 2024 have resulted in strong policy actions by the CBSL on monetary policy post the end of the reporting period. Such actions have raised monetary policy rates significantly and helped bridge the gap between policy and market interest rates. The Group proactively managed the risk of increasing interest rates.

37.1.2 Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ decrease	Group	
		Effect on profit before tax	Effect on profit before tax
		Rs.	Rs.
2024	+ 50	268,256	253,853
	- 50	(268,256)	(253,853)
2023	+ 50	306,870	284,836
	- 50	(306,870)	(284,836)

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

37.1.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the import of raw materials, finished goods and packing materials.

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency risk as at 31st March 2023 and 2024, and sensitivity analysis to profit & loss and equity if exchange rate increased / (decrease) by 15%.

As at 31 March 2024	Change in rates	Company		Group	
		Effect on profit before tax	Effect on profit before tax	Effect on profit before tax	Effect on profit before tax
		Rs.	Rs.	Rs.	Rs.
USD	+ 15% - 15%	-	-	3,508,770	(3,508,770)

As at 31 March 2023	Change in rates	Company		Group	
		Effect on profit before tax	Effect on profit before tax	Effect on profit before tax	Effect on profit before tax
		Rs.	Rs.	Rs.	Rs.
USD	+ 15% - 15%	-	-	2,268,290	(2,268,290)

37.2 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Carrying amount of financial assets represents the maximum credit exposure of those assets. The Group's maximum exposure to credit risk at the reporting date were as follows;

	Note	Group			
		2024		2023	
		Rs.	%	Rs.	%
Trade and other receivables	14.	23,176,229	5%	49,649,901	10%
Amounts due from related parties	15.2	46,536,563	10%	41,996,892	8%
Short term financial assets					
- Investment in Commercial Papers	17.1	209,000,000	46%	209,000,000	42%
- Investment in fixed deposits	17.2	114,620,400	25%	163,161,915	33%
Cash at bank and cash equivalents	18.1	60,194,827	13%	36,132,139	7%
		453,528,019	100%	499,940,847	100%

37.2.1 Trade receivables

Customer credit risk is managed by each company subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the established credit risk evaluation policy and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored.

Minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

Receivable balances are monitored on an ongoing basis to minimise bad debt risk and to ensure default rates are kept very low, whilst the improved operating environment resulted in improved collections during the financial year although there could be stresses in the ensuing year on account of the macroeconomic uncertainty and related impacts to our customers on account of elevated inflation and interest rates and the possible impact on consumer discretionary spend.

Following table includes the ageing of the trade receivable as at the reporting date

	Group					
	2024			2023		
	Gross	Impairment	Net receivable	Gross	Impairment	Net receivable
As at 31st March	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Not past due	8,720,560	-	8,720,560	8,020,380	-	8,020,380
Past due 61-120 days	2,027,827	-	2,027,827	3,259,579	-	3,259,579
Past due more than 121 days	801,766	(801,766)	-	6,753,906	(6,753,906)	-
	11,550,154	(801,766)	10,748,387	18,033,865	(6,753,906)	11,279,959

NOTES TO THE FINANCIAL STATEMENTS

37.2.2 Cash and cash equivalents, money market, short term, and fixed deposits

Credit risk from balances with banks is managed in accordance with the Group treasury policy. Investments of surplus funds are made only with approved counterparties as per this policy.

37.3 Liquidity risk

The Group monitors its risk to a shortage of funds by setting up a minimum liquidity level. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

37.3.1 Maturity analysis - Group

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2024 based on contractual undiscounted payments.

	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
As at 31 March 2024	Rs.	Rs.	Rs.	Rs.	Rs.
Financial liabilities					
Bank loans	-	31,597,046	94,791,137	172,507,745	298,895,928
Lease liabilities	-	4,350,467	13,051,401	27,933,012	45,334,880
Bank overdrafts	4,503,485	-	-	-	4,503,485
Amounts due to related parties	-	22,948,077	-	-	22,948,077
Trade and other payables	-	99,228,589	-	-	99,228,589
	4,503,485	158,124,179	107,842,538	200,440,757	470,910,959

	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
As at 31 March 2023	Rs.	Rs.	Rs.	Rs.	Rs.
Financial liabilities					
Bank loans	-	18,469,188	55,407,563	190,708,445	264,585,196
Lease liabilities	-	4,793,638	14,380,914	35,874,608	55,049,160
Bank overdrafts	50,135,249	-	-	-	50,135,249
Amounts due to related parties	-	16,885,779	-	-	16,885,779
Trade and other payables	-	84,770,413	-	-	84,770,413
	50,135,249	124,919,018	69,788,477	226,583,053	471,425,797

37.3.2 Maturity analysis - Company

The table below summarises the maturity profile of the company's financial liabilities at 31 March 2023 based on contractual undiscounted payments.

	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
As at 31 March 2024	Rs.	Rs.	Rs.	Rs.	Rs.
Financial liabilities					
Bank loans	-	17,489,469	52,468,407	115,373,755	185,331,631
Lease liabilities	-	2,243,786	6,731,358	27,309,221	36,284,364
Bank overdrafts	25,179	-	-	-	25,179
Amounts due to related parties	-	198,162,593	-	-	198,162,593
Trade and other payables	-	2,703,865	-	-	2,703,865
	25,179	220,599,714	59,199,765	142,682,976	422,507,633

	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
As at 31 March 2023	Rs.	Rs.	Rs.	Rs.	Rs.
Financial liabilities					
Bank loans	-	12,060,000	36,180,000	119,708,445	167,948,445
Lease liabilities	-	1,827,017	5,481,051	6,289,646	13,597,714
Bank overdrafts	6,015,445	-	-	-	6,015,445
Amounts due to related parties	-	137,908,572	-	-	137,908,572
Trade and other payables	-	2,802,609	-	-	2,802,609
	6,015,445	154,598,198	41,661,051	125,998,091	328,272,785

38

CAPITAL MANAGEMENT

Capital includes ordinary shares. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

As at 31 March	Group		Company	
	2024	2023	2024	2023
Debt / Equity	37%	36%	19%	15%

NOTES TO THE FINANCIAL STATEMENTS

39 GROUP STRUCTURE

Company	Percentage Holding	Principal Activity	Directors	Stated Capital Rs.
Subsidiaries				
Kapruka E-Commerce (Pvt) Ltd	100%	Providing E-commerce Services	R.A.Thilangani Herath H.P. Dulith Vinodan Herath Anuradha Malimage Herath Thanura Kalehewaththa	692,045,904
Kapruka Tech Root (Pvt) Ltd	100%	Registered Internet Service Provider (ISP)/IT service	R.A.Thilangani Herath H.P. Dulith Vinodan Herath	20
Kapruka Productions (Pvt) Ltd	100%	Manufacture and distribution of cakes, chocolates and baked food products	R.A.Thilangani Herath H.P. Dulith Vinodan Herath Anuradha Malimage Herath	5,370,000
Kapruka USA LLC	100%	Providing Global Payment Gateway integration facility & operate the Cross boarder operation w.e.f. 01/01/2024	H.P. Dulith Vinodan Herath Anuradha Malimage Herath	30,118
Associate				
Kapruka Global Shop (Pvt) Ltd	25%	Providing E-commerce Services	R.A.Thilangani Herath H.P. Dulith Vinodan Herath	20

40 CONTINUOUS DISCLOSURE REGARDING STATUS OF UTILIZATION OF FUNDS VIA IPO PROCEEDS AS AT 31.03.2024

Objective No	Objective as per Prospectus	Amount Allocated as per Prospectus in Rs.	Proposed Date of Utilization as per Prospectus	Amount Allocated Upon the Receipt of Proceeds in Rs. (A)	% of Total Proceeds	IPO Funds Reallocated for Working Capital at AGM Dated on 27.09.2023 Rs. (B)	Amount Utilized in Rs. (C)	% of Utilization Against Allocation (B+C/A)	Remaining Balance Rs. (A-B-C)	Clarification if not fully utilized including where the fund are invested
1	Existing Technologies and infrastructure upgrades	100,000,000	1Q 2022-1Q 2023	100,000,000	19.78%	(59,065,863)	(40,934,137)	100%	-	
2	Launching Kapruka partner central	200,000,000	2Q 2022-2Q 2024	200,000,000	39.56%	-	(37,289,481)	19%	162,710,519	Maintaining in company's deposit accounts and other
3	Launching Personal cargo collection and delivery	50,000,000	2Q 2022-2Q 2024	50,000,000	9.89%	-	-	0%	50,000,000	short term investment accounts
4	Launching Kapruka Wholesale market place	55,520,400	1Q 2023-1Q 2024	55,520,400	10.98%	(55,520,400)	-	100%	-	with bank and Financial Institutions
5	Expanding Kapruka Cross border operation	100,000,000	1Q 2022-1Q 2024	100,000,000	19.78%	-	(100,000,000)	100%	-	
6	Reallocation of funds for working capital purpose	-	-	-	-	114,586,263	(114,586,263)	100%	-	
		505,520,400		505,520,400			(292,809,881)	58%	212,710,519	

SHAREHOLDER INFORMATION

1 STOCK EXCHANGE LISTING

Date of Listing in Colombo Stock Exchange (CSE)	=	2022-01-07
Abbreviation in Colombo Stock Exchange	=	KPHL.N0000
Stated Capital - No. of Ordinary Shares	=	164,130,366
GICS Industry Group	=	Retailing

2 DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2024

Shareholdings	2024			2023		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1-1,000	1,210	527,837	0.3216	1,217	577,049	0.35
1,001-10,000	1,159	4,410,601	2.6873	1,286	4,979,955	3.03
10,001-100,000	209	6,000,686	3.6560	223	6,535,778	3.99
100,001-1,000,000	26	7,951,440	4.8446	23	7,281,595	4.43
1,000,001 & Over	4	145,239,796	88.4905	4	144,755,983	88.2
Total	2,608	164,130,360	100.0000	2,753	164,130,360	100.0000

3 ANALYSIS OF SHAREHOLDERS AS AT 31ST MARCH 2024

	2024		
	No. of Shareholders	No. of Shares	%
Local Individuals	2,516	148,840,050	90.6840
Local Institutions	87	15,073,010	9.1836
Foreign Individuals	5	217,300	0.1324
Foreign Institutions	0	0	0.0000
Total	2,608	164,130,360	100.0000

4 THE COMPANY'S HIGHEST, LOWEST AND LAST TRADED MARKET PRICE GIVEN BELOW;

	2024	2023
	Rs.	Rs.
Highest	9.3	11.4
Lowest	6.7	6.5
Last Traded	7.1	8.4
As at end of the period	7.0	8.3
Market Capitalization on	1,148,912,520	1,362,281,988

5 PUBLIC SHAREHOLDING

	2024	2023
Issued Share Capital (No.)	164,130,360	164,130,360
No. of Transactions	3,108	3,272
No of Share Traded	2,658,812	7,258,560
Value of share Traded (Rs.)	20,952,111	65,565,880
Public Holdings as a percentage of issued share capital	20%	20%
Total No of shareholders	2,608	2,753
No of shareholders representing the public holding	2,606	2,750
Float adjusted market Capitalization (Rs.)	229,775,798	272,430,062

The Company is in compliance with Rule 7.14.1 (a) of the Listing Rules of the Colombo Stock Exchange on minimum public holding, under option 2 thereof.

6 DIRECTORS' SHARE HOLDING

The number of shares held by the Board of Directors as follows;

Name of the shareholder	2024	2023
	No. of shares	No. of shares
Mr. H P D V Herath (Chairman & CEO)	131,304,360	131,304,360
Mrs. A M Herath	Nil	Nil
Mrs. R A T Herath	Nil	Nil
Mrs. D P Pieris	Nil	Nil
Mr. S M T H Subasinghe	Nil	Nil
Mrs. M P Abeysekera	Nil	Nil
Mr. Suresh Subasinghe	Nil	Nil
Mr. S Alexander (Resigned 31/10/2023)	-	2,215

7 TOP 20 SHAREHOLDERS

List of 20 Major Shareholders as at 31 March	2024		2023	
	No. of shares	%	No. of shares	%
1 MR. H.P.D.V. HERATH	131,304,360	80.00%	131,304,360	80.00%
2 TRANQUILITY ESTATE (PVT) LTD	8,749,000	5.33%	8,749,000	5.33%
3 MRS. A.S. DE ALWIS	3,660,462	2.23%	3,176,649	1.94%
4 COMMERCIAL BANK OF CEYLON PLC/JANASHAKTHI CAPITAL LIMITED	1,525,974	0.93%	1,525,974	0.93%
5 BANK OF CEYLON A/C CEYBANK CENTURY GROWTH FUND	958,400	0.58%	958,400	0.58%
6 BANK OF CEYLON A/C CEYBANK UNIT TRUST	958,400	0.58%	958,400	0.58%
7 AVARNA VENTURES (PVT) LTD	811,688	0.49%	811,688	0.49%
8 MR. D.N.P. RATHNAYAKE	806,830	0.49%	806,830	0.49%
9 MR. T.C.U. JAYANETTI AND DR. A.L.T.P.AMARAWICKRAMA	450,000	0.27%	272,335	0.17%
10 MR. V. JEEVARATNAM	390,909	0.24%	390,909	0.24%
11 DFCC BANK PLC/T.L. SAMARAWICKRAMA	316,954	0.19%	316,954	0.19%
12 MR. A.M. IRFAN	292,084	0.18%	260,224	0.16%
13 MRS. S.H. SARDAKHAN	255,000	0.16%	350,000	0.21%
14 DIALOG FINANCE PLC/M.A.M. UVAIMw	233,316	0.14%	160,902	0.10%
15 MR. V.K.P. RAVINDRA DHAAS	220,796	0.13%	-	-
16 MR. W.D.D.T. SIRIYARATHNA	200,000	0.12%	200,000	0.12%
17 MR. W.R.V.A.K.D. HATHURUSINGHE	200,000	0.12%	200,000	0.12%
18 MR. R. GAUTAM	187,000	0.11%	-	-
19 MR. T.K.FERNANDO	177,200	0.11%	177,200	0.11%
20 MISS. G.G.S. NANAYAKKARA	171,808	0.10%	-	-
	151,870,181	92.50%	150,619,825	91.77%

FIVE YEAR SUMMARY

Year ended as at 31st of March	Before listed				
	2024	2023	2022	2021	2020
	Rs.	Rs.	Rs.	Rs.	Rs.
Operating Results Revenue	1,790,746,222	1,953,218,800	1,687,378,828	968,041,555	730,163,787
Profit before taxation	(109,725,551)	(30,794,616)	138,923,575	68,428,493	1,785,835
Taxation	(6,212,011)	(46,517,580)	(9,313,014)	(24,135,210)	20,249,572
Profit after taxation	(115,937,562)	(77,312,195)	129,610,561	44,293,284	22,035,407
Profit attributable to Parents	(115,937,562)	(77,312,195)	129,610,561	44,293,284	-
Equity & Liabilities					
Stated capital	769,174,795	769,174,795	769,174,795	272,500,028	5,000,000
Revaluation reserve	146,717,852	150,999,424	150,999,424	150,999,424	132,338,485
Foreign currency translation reserve	226,154	-	-	-	-
Retained earnings	23,828,657	141,763,392	226,221,251	89,477,555	46,639,996
Non-controlling interest	-	-	-	-	-
Non-current liabilities	295,491,940	278,244,059	292,594,399	200,254,491	201,926,900
Current liabilities	349,153,350	333,753,414	358,897,368	187,443,246	496,595,786
	1,584,592,748	1,673,935,084	1,797,887,237	900,674,744	882,501,167
Assets					
Property, plant and equipment	887,503,103	879,791,531	695,356,234	521,137,058	455,007,710
Intangible assets	15,223,423	17,065,806	2,565,068	1,881,471	2,390,353
Biological assets	-	148,232	396,347	-	-
Right-of-use assets	39,570,657	52,848,864	61,004,601	25,157,391	10,754,443
Investments in equity-accounted investees	-	20	1,557,062	-	-
Deferred tax assets	12,674,389	12,249,208	8,009,043	-	-
Other financial assets	-	939,806	779,582	4,450,000	16,867,619
Current assets	629,621,175	710,891,617	1,028,219,300	348,048,824	397,481,042
	1,584,592,748	1,673,935,084	1,797,887,237	900,674,744	882,501,167
Cash Flow					
Net cash inflow/(outflow) from operating activities	(90,248,674)	(124,804,216)	(27,217,938)	(41,459,745)	110,778,112
Net cash inflow/(outflow) from investing activities	77,082,292	(10,340,323)	(642,400,979)	(64,377,826)	(85,840,928)
Net cash inflow/(outflow) from financing activities	68,491,538	28,234,500	574,689,867	38,922,174	43,068,038
Effects of exchange rate changes on cash and cash equivalents	36,658,777	75,807,579	31,983,480	10,920,563	13,308,687
Increase/(decrease) in cash and cash equivalents	91,983,934	(31,102,460)	(62,945,570)	(55,994,834)	81,313,909
Share Information					
Earnings per share (Rs.)	(0.73)	(0.51)	0.96	1.16	44.07
Market value per share (Rs.)	7.00	8.30	7.00	-	-
Market capitalization on 31st March (Rs. Mn)	1,148,912,520	1,362,281,988	1,148,912,520	-	-
Price earnings ratio	(9.59)	(16.00)	7.00	-	-
Price to book value ratio	1.22	1.28	1.00	-	-
Net assets per share (Rs.)	5.74	6.47	6.98	-	-

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Second (22nd) Annual General Meeting of the shareholders of **KAPRUKA HOLDINGS PLC** will be held in terms of Articles 58(1) (iii) of the Articles of Association by means of audio and visual communication on **27th September 2024 at 11.00 a.m.** centered at the Board Room of the company 147, Old Kottawa Road, Mirihana, Nugegoda for the following purposes.

1. Routine Business

- 1.1 To receive the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2024 together with the Report of the Auditors thereon.
- 1.2 To elect as a director, in terms of Article 92 of the Articles of Association **Mr. Suresh Deepal Subasinghe**, who retires from the Board by rotation in terms of Article 88(1) of the Articles of Association of the Company.
- 1.3 To elect as a director, in terms of Article 95 of the Articles of Association **Dr. Dingiri Bandage Sunil Chamara Bandara**, who was appointed as an additional director to the Board.
- 1.4 To elect as a director, in terms of Article 95 of the Articles of Association **Mr. Lakshman Abeysekera**, who was appointed as an additional director.
- 1.5 To propose the following resolution to be approved with or without modification as an ordinary resolution for the re-election of **Mrs. Ranasinghe Arachchige Thilangani Herath**, as director in terms of Section 211 of the Companies Act No. 07 of 2007, who has reached the age of 73 years as at the date of the Annual General Meeting.

“That **Mrs. Ranasinghe Arachchige Thilangani Herath** who has reached the age of 73 years as at the date of the Annual General Meeting be and is hereby re-elected as a Director for a period of One year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director.”

- 1.6 To re-appoint **Messrs. Ernst & Young, Chartered Accountants**, as the Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.
- 1.7 To approve donations made by the Company during the year under review and to authorize the Directors to determine donations for the year ending 31st March 2025 and up to the next Annual General Meeting of the Company.

2. Special Business

To pass the following Special Resolutions to amend the Articles of Association of the Company in line with and to comply with the Listing Rules of the Colombo Stock Exchange that are currently in force.

2.1 Special Resolution 1

IT IS HEREBY RESOLVED that Article 80 be amended by the deletion of words and numbers “three (03)” and replacing the same with the words and numbers “five (05)”, appearing in line 1 thereof. The amended Article 80 would read as follows;

“80. The Board of Directors shall consist of not less than five (05) or more than twelve (12) in number. Upon the shares of the Company

being listed on the Colombo Stock Exchange, the Company shall in compliance with the Listing Rules of such Exchange ensure that – “

2.2 Special Resolution 2

IT IS HEREBY RESOLVED that the following new Articles numbered from(a) to (e) shall be added immediately at the end of Article 121 so that the said sub-articles from(a) to (e)shall form as Sub Articles (a) to (e)of Article 121

- (a) Alternate directors shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment.
- (b) If an Alternate Director is appointed for a Non-Executive Director, such an alternate should not be an executive of the Listed Entity.
- (c) If an Alternate Director is appointed by an Independent Director, the person so appointed should meet the criteria of independence specified in these Rules, and the Listed Entity shall satisfy the requirements relating to the minimum number of Independent Directors specified in these Rules. The Nominations and Governance Committee shall review and determine that the person nominated as the alternate would qualify as an Independent Director before such appointment is made.

(d) The Listed Entity shall make an immediate Market Announcement regarding the appointment of an Alternate Director. Such Market Announcement shall include the following:

- i. The exceptional circumstances leading to such appointment;
- ii. The information on the capacity in which such Alternate Director is appointed, i.e., whether as an Executive, Non-Executive or Independent Director;
- iii. The time period for which he/she is appointed, which shall not exceed one year from the date of appointment; and,
- iv. A Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Entity.

(e) The attendance of any Alternate Director at any meeting, including a Board Committee Meeting, shall be counted for quorum

2.3 Special Resolution 3

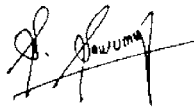
IT IS HEREBY RESOLVED that To delete the following words appearing in Article 124

‘An Alternate Director may be appointed for a specified period or until the happening of a specified event, but he shall ipso facto cease to be an Alternate Director in any of the following events, that is to say-‘

and substitute, therefore, the following new words in its place.’

‘The appointment of an Alternate Director shall ipso facto cease during the period of the Appointment; in any of the following events that is to say;-‘

By order of the Board
KAPRUKA HOLDINGS PLC



Director
Kreston Corporate Services (Pvt) Ltd
Secretaries

30th August 2024

Notes:

1. A shareholder entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote on his/her behalf.
2. A proxy so appointed need not be a member of the Company.
3. A Form of Proxy accompanies this Notice.

FORM OF PROXY

I/We* (please indicate full name)
 holder of NIC/Passport/Company Registration No./s Of (Address of shareholder/s
 being a shareholder/s* of Kapruka Holdings PLC
 hereby appoint: Mr/Ms (Please indicate full name)
 holder of NIC No. of or failing him/her.

Mr. Herath Pathiranalage Dulith Vinodan Herath	or failing him
Mrs. Anuradha Malimage Herath	or failing her
Mrs. Ranasinghe Arachchige Thilangani Herath	or failing her
Mrs. Manohari Prasadini Abeysekera	or failing her
Mr. Subasinghe Mudiyansele Tishan Harendranath Subasinghe	or failing him
Mr. Suresh Deepal Subasinghe	or failing him
Dr. Dingiri Bandage Sunil Chamara Bandara	or failing him
Mr. Lakshman Abeysekera	

as my/*our Proxy to represent me/us* and to vote as indicated below on my/our* behalf at the Annual General Meeting of the Company to be held on 27th September 2024 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid Meeting. I/We the undersigned hereby authorize my/our proxy to vote on my/our behalf in accordance with the preferences indicated below

	For	Against
1. To approve item no. 1.2 set out in the Notice of the 22nd Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve item no. 1.3 set out in the Notice of the 22nd Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve item no. 1.4 set out in the Notice of the 22nd Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
4. To approve item no. 1.5 set out in the Notice of the 22nd Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
5. To approve item no. 1.6 set out in the Notice of the 22nd Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
6. To approve item no. 1.7 set out in the Notice of the 22nd Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
7. To approve Special Resolution 2.1 set out in the Notice of the 22nd Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
8. To approve Special Resolution 2.2 set out in the Notice of the 22nd Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>
9. To approve Special Resolution 2.3 set out in the Notice of the 22nd Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our handset hereto this day of Two Thousand and Twenty-Four.

.....
 Signature

Note: Instructions as to completion are given below. Please delete the words which are not applicable and mark "X" in the appropriate cages to indicate your instructions as to voting.

A proxy need not be a member of the Company.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY

1. A shareholder entitled to participate and vote at the meeting but is unable to do so, can appoint not more than one proxy to participate and vote at the AGM instead of him/her, by completing the Form of Proxy. Shareholders who are unable to participate in the above meeting are encouraged to appoint the Chairman of the Meeting or any other Director of the Company to participate and vote on their behalf
2. The full name, National Identity Card number, and the registered address of the shareholder appointing the proxy and the relevant details of the Proxy should be legibly entered in the form of the Proxy which should be duly signed and dated.
3. Please indicate with an "X" in the cages provided, how your proxy is to vote on each resolution. If no indication is given, the proxy is at his/her discretion and may vote as he/she thinks fit.
4. To be valid, the completed Form of Proxy should be forwarded to the Company Secretaries, via email to khplc.cs@kreston.lk or post to Kreston Corporate Services (Pvt) Ltd No. 74A, 2nd Floor, Advantage Building, Dharmapala Mawatha, Colombo 07 not less than 48 hours before the time appointed for holding the Meeting, i.e. before 11.00 A.M on 25th September 2024.
5. If the shareholder is a company or a body corporate, a Form of Corporate Representation executed under the Common Seal in accordance with the Articles of Association or the Constitution should be submitted.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original Power of Attorney (POA) together with a photocopy of the same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy or emailed to khplc.cs@kreston.lk.
7. If a shareholder has submitted a Form of Proxy prior to the meeting and subsequently decides to participate in the meeting him/herself, he/she should take immediate steps to revoke the appointment of a proxy

CORPORATE INFORMATION

Company Name

Kapruka Holdings PLC

Legal Form

The Company was incorporated in Sri Lanka on 7th February 2002 as a Private Limited liability Company under the Company's Act No. 17 of 1982 in the name Lanka Dot Info (Private) Limited. On 7th January 2005, the Company changed its name to Kapruka Dot Com (Private) Limited under the Companies Act No.17 of 1982 and re-registered under the provisions of Companies Act No. 7 of 2007 on 29th July 2008. The status of the Company was changed from Private Limited to a Public Limited Company under provisions of the Companies Act No. 07 of 2007 on 06th November 2021. The Company changed its name from Kapruka Dot Com Limited to Kapruka Holdings Limited on 20th November 2021. Kapruka Holdings Limited was listed on the main board of Colombo Stock Exchange on the 7th January 2022. The status of the Company was changed from Limited to PLC on 13th April 2022.

Registered No.

Old PV 5789
New PQ00247881

Registered Office

No:147, Old Kottawa Road,
Mirihana,
Nugegoda, Sri Lanka
Tel: +94 11 7551111
Email: colombo.office@kapruka.com
Website: <https://www.kapruka.com/>

Board of Directors

Mr. D V Herath - Chairman & CEO
Mrs. A Herath
Mrs. T Herath
Mrs. D P Pieris
Mr. T Subasinghe
Mrs. M P Abeyesekera
Mr.Suresh Subasinghe
Dr. D B S Chamara Bandara - w.e.f 22/07/2024
Mr. Lakshman Abeysakara - w.e.f 22/07/2024

Bankers

Sampath Bank PLC
Hatton National Bank PLC
Commercial Bank PLC
Amana Bank PLC
Nations Trust Bank PLC
Union Bank of Colombo PLC
Seylan Bank PLC
Bank of America
JPMorgan Chase & Co

Auditors

Ernst & Young Chartered Accountants, Sri Lanka
Rotunda Towers, No.109, Galle Road, Colombo 03.

Secretaries

Kreston Corporate Services (Pvt) Ltd
No.74A, 02nd Floor, Advantage Building, Dharmapala Mawatha,
Colombo 07, Sri Lanka

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