



icon



For many Sri Lankans, Cargills (Ceylon) PLC, has been an industry icon since its inception in 1844.

With a history that spans more than a century and intricately woven with a rapidly transforming economy and society, Cargills has constantly been in touch with the needs of the people. With our expansion we have harnessed the potential of the food and beverage industry to offer innovative and cost-effective products and services to people across Sri Lanka. In our evolution as a responsible corporate entity we have remained ahead of our times yet grounded to the values of our founders, continuing to be trusted by generation after generation for long-term value creation that impacts everyday-living. Our story of sustainable growth ensures that our iconic status is here to stay.



SINCE 1844

Vision

To be a global corporate role model in community-friendly national development.

Mission

Serve the rural community, our customers and all other stakeholders, through our core business – food with love – and other related businesses, based on the three main principles of

- reducing the cost of living
- enhancing youth skills
- bridging regional disparity

by enhancing local and global markets.

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Our History

In 1844, William Miller and David Sime Cargill commenced a general warehouse, import and wholesale business in Colombo, Fort. The establishment was named the 'House of Cargills'. A successful bid by Sir Chittampalam A. Gardiner saw the House of Cargills being incorporated as a Public Limited Liability Company on 1 March 1946.

In 1981 Ceylon Theatres acquired controlling interest of the company and Mr. Albert A. Page was appointed the Managing Director. Mr. Albert Page went on to become the Chairman of Cargills on 26 November 1982.

Under the new management, Cargills explored the potential of innovating on its trading legacy. As a result, in 1983 Cargills established the first supermarket chain in Sri Lanka with the opening of its first outlet at Staple Street.

Cargills ventured into the production of processed meats in 1993 when the company invested in its first manufacturing facility, Cargills Quality Foods, in Mattakkuliya. In 1996, Cargills acquired the franchise license for KFC and innovated on its secret recipe to deliver products that suited the local palate.

Cargills began sourcing fruits and vegetables directly from farmers in 1999 when it established its first collection centre in Hanguranketha. In 2002 it invested in a dairy processing plant and thereby expanded its outgrower network to include dairy farmers. Cargills Magic ice cream was the outcome of this endeavor. In the same year Cargills diversified into agri-processing with Cargills Kist, which created further market opportunities for farmers.

In 2008 Cargills acquired the business operations of Millers PLC through a newly formed subsidiary, Millers Limited.

In 2010 Cargills undertook an aggressive expansion plan in the FMCG sector to ride the growth potential of a growing economy. During that year the Company expanded its interests in the dairy category by acquiring Kotmale Holdings PLC and entered another growing category with the acquisition of Diana Biscuits, now marketed under the Kist brand. In 2011, Cargills entered the soft alcohol industry by completing the acquisition of the McCallum Brewery and its '3 Coins' brand.

Financial Highlights

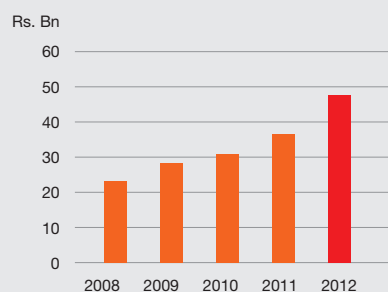
Group	2012 Rs. '000	2011 Rs. '000	change %
Operations			
Revenue	48,256,413	37,128,661	29.97
Profit from operations	2,274,610	1,825,442	24.61
Profit before taxation	1,586,903	1,406,703	12.81
Profit after taxation	1,093,350	1,094,173	(0.08)
Balance Sheet			
Non current assets	16,096,388	13,568,878	18.63
Current assets	8,754,516	5,741,611	52.47
Current liabilities	16,202,845	11,353,281	42.72
Non current liabilities	930,879	907,775	2.55
Capital and reserves	7,717,180	7,049,433	9.47
Per Share Data (Rs.)			
Earnings per share	4.82	4.86	(0.82)
Dividends per share	2.00	1.50	33.33
Net assets per share	34.07	31.07	9.65
Market value per share	174.00	228.30	(23.78)

Cash Flow

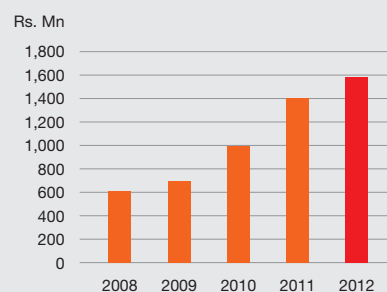
Net Cash Generated from/(Used in)

Operating activities	3,371,797	2,088,275
Investing activities	(3,773,400)	(4,844,610)
Financing activities	(1,304,087)	1,488,868

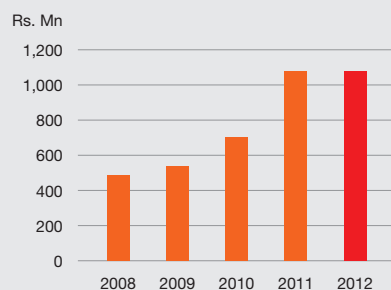
Revenue



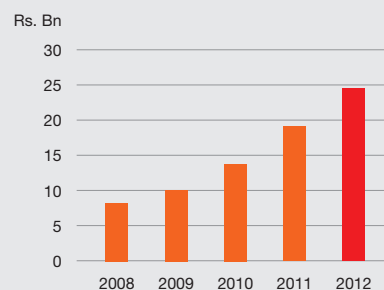
Profit Before Taxation



Profit After Taxation



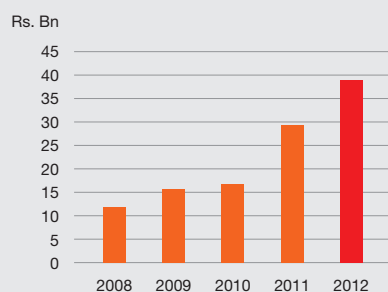
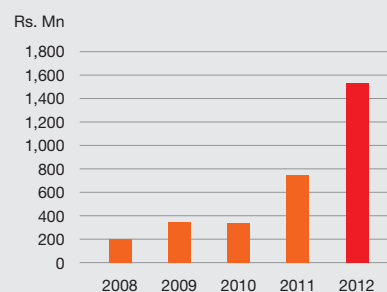
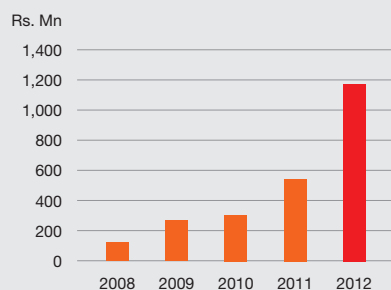
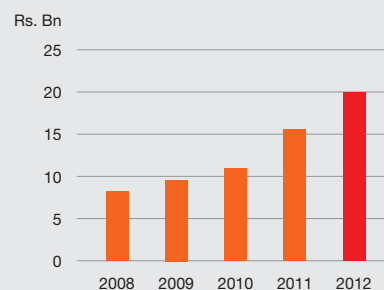
Total Assets



Company	2012 Rs. '000	2011 Rs. '000	change %
Operations			
Revenue	39,205,479	29,669,660	32.14
Profit from operations	2,101,993	1,050,355	100.12
Profit before taxation	1,546,905	756,107	104.59
Profit after taxation	1,191,670	555,285	114.61
Balance Sheet			
Non current assets	11,261,019	9,355,826	20.36
Current assets	8,934,999	6,506,449	37.33
Current liabilities	13,996,148	10,604,494	31.98
Non current liabilities	581,946	452,215	28.69
Capital and reserves	5,617,924	4,805,566	16.90
Per Share Data (Rs.)			
Earnings per share	5.32	2.48	114.51
Dividends per share	2.00	1.50	33.33
Net assets per share	25.08	21.45	16.92
Market value per share	174.00	228.30	(23.78)

Cash Flow**Net Cash Generated from/(Used in)**

Operating activities	1,243,591	(253,515)
Investing activities	(1,579,294)	(2,566,322)
Financing activities	(937,805)	1,702,310

Revenue**Profit Before Taxation****Profit After Taxation****Total Assets**

Our Businesses



Cargills Food City/Cargills Food City Express

Cargills is Sri Lanka's largest modern retailer with more than 50% of the modern trade market share. Its pioneer venture into modern trade was an innovation of the Company's trading legacy.

Thereafter Cargills Food City continued to challenge the norm by taking to the masses what was traditionally an affluent focused business and offering 'higher value for the lowest price'.

Today the Cargills retail operation is spread across the island as 'Cargills Food City' supermarkets and 'Cargills Food City Express' convenience stores. Cargills Food City has been consistently rated among the most valuable brands in Sri Lanka as per the Brand Finance Index rating.



Magic/Heavenly

Magic is the number one dairy ice cream in Sri Lanka. Cargills Quality Dairies, which produces Magic ice cream, milk and milk shakes, is the first and only dairy product manufacturing company in Sri Lanka to be accredited with all three ISO certifications; ISO 9001: 2000 Quality Management System certification, ISO 22000: 2005 Food Safety Management System certification and ISO 14001: 2004 Environment Management System certification. Cargills Magic was the first to introduce fresh fruits and local flavours to its portfolio of ice creams creating a new trend in the overall ice cream industry. Through its innovation-driven focus Magic has expanded its market share exponentially and is now the fastest growing ice cream brand in Sri Lanka. The 'Heavenly' range is the premium segment of the Magic offering.



Kotmale

Kotmale is a leading brand in the dairy sector known for highest quality products at a reasonable price, having entered the market three decades ago. The brand is synonymous with locally-produced cheese and has won mass appeal for its delicious range of dairy ice cream as well as pasteurised UHT milk, yoghurt, fresh cream, ghee, curd and fruit drinks. Established in 1967 as Lambretta (Ceylon) Ltd., its beginnings are traced back to the cool surroundings of Bogahawatte, Patana (Upper Kotmale). Kotmale Holdings PLC was acquired by the Cargills Group in 2010.



Kist

Kist is one of the most trusted brand names in Sri Lanka known by generations for its true Sri Lankan flavours and high standards of quality. Kist which is traditionally renowned for its delectable selection of jams, sauces and cordials has expanded its 100% fruit based product range introducing fruit based nectars to the market. Today the nutritious and delicious Kist nectar range has revolutionised the industry and is popular for its genuine fruity taste.



Kist Biscuits

Originally Diana Biscuits Manufactures (Private) Limited, the company now renamed Cargills Quality Confectioneries (Private) Limited is engaged in the manufacturing, distribution and marketing of biscuits and confectionaries under the brand name 'Kist'. The Company was a family-owned business established in 2006 and acquired by Cargills in 2010 and manufactures soft and hard dough biscuits and wafers. The factory is located at the Nalanda Industrial Estate in Matale.



Supremo/Finest/Goldi/Sams

The Cargills processed meats range consists of 'Supremo' catering to mass market demand, 'Finest' a premium deli range and traditional favorites 'Goldi' and 'Sams'. Cargills is rapidly gaining market share in this category through its product innovation, quality and unique taste. Cargills Quality Foods is the only meat processing plant in Sri Lanka that has secured the ISO 9001: 2000 Quality Management System certification, ISO 22000: 2005 Food Safety Management System certification and ISO 14001: 2004 Environment Management System certification. The Company has also engaged international expertise to develop new and innovative products which offer a novel variety of taste whilst catering to the nutritional needs of the consumer.



KFC

Cargills Food Processors (Private) Limited holds the franchise for the internationally acclaimed KFC chain which is the largest and most popular international restaurant chain in the country. The success of KFC was in the fusion of an international brand with well-loved Sri Lankan recipes. The locally inspired additions to the KFC menu have now been included into the regional product portfolio.



Three Coins/Sando/Irish Dark/Grand Blonde

Cargills entered the soft alcohol industry through its acquisition of the renowned McCallum Brewery Limited through fully-owned subsidiary Millers Brewery Limited in 2011. McCallum Brewery Limited was established in 1963 by the eminent entrepreneur late Mr. U.K. Edmund. Over the years McCallum Brewery has established itself as a craft brewer nurturing the 'Three Coins' brand from a conservative product to the premium league. The brewery located in Meegoda uses the pristine natural spring water from the area to produce high quality beer that is now available in a range of strong and mild varieties.



Marketing and Distribution

The Company's marketing and distribution arm Millers is one of the largest distribution and logistic operations in the country geared with a network spread across the 25 districts of Sri Lanka. Millers is the island-wide distributor for international brands such as Kodak, Kraft, Cadbury, Bonlac, Nabisco, Tang, Toblerone, etc., and is also the mass market distributor for the Group's own brands, such as Magic, Kist, Finest, Goldi, etc.

Chairman's Message

“The retail performance remains robust despite the challenging market conditions of spiraling fuel prices and increased electricity tariff. Your Group remains committed to safeguarding the interest of the consumer while mitigating any risks to margins through internal efficiencies”

Dear Shareholders,

I am pleased to present to you on behalf of the Board of Directors of Cargills (Ceylon) PLC the Annual Report and Audited Financial Statements for the year ended 31 March 2012.

The year 2011 brought mixed economic prospects to the business environment. On the one hand during the year Sri Lanka rationalised its economic targets and continued to steer key sectors towards rapid growth. The economy advanced at a record 8.3% the highest in its post-independence history sustaining the anticipated growth momentum of the new environment. The private sector led investment drive picked up pace on the back of infrastructure development and extensive state facilitation for large investment projects with tourism as a focal point. The gradual change in consumption patterns and lifestyles is now increasingly evident both in urban and regional environments and is reflected in the enhanced regional contribution to national output. The substantial growth of retail and wholesale trade in 2011 further reiterates the underlying potential of our businesses.

On the back of these positives our businesses were also challenged by a shift in macro-economic fundamentals. The rise in interest rates caused by rapid credit growth and the consequent mopping up of liquidity in the monetary system was followed by a substantial decline in the currency in the latter part of the last quarter. The overall rise in energy costs resulting in the immediate rise in transport costs also had a compounded impact on our operations. Your group was able to manage these challenges well and continues to invest to reap the long-term dividends of a growing economy.

Retail

Retail remains the mainstay of our success and the sector is continuing to outperform itself year-on-year. Both revenue and profits grew by over 24.6% and 29.3% in this segment in 2011/2012. Cargills Food City and its trimmed variant Cargills Food City Express enjoyed solid same-store growth with improved profit. Our expansion drive remains steady and focused towards meeting the mounting consumer demand from regional Sri Lanka.

Rs.
48,256Mn

(2011 - Rs. 37,129 Mn)

Group Revenue
29.97% Growth

Rs.
2,275Mn

(2011 - Rs. 1,825 Mn)

Group Operating Profit
24.61% Growth

Rs.
1,587Mn

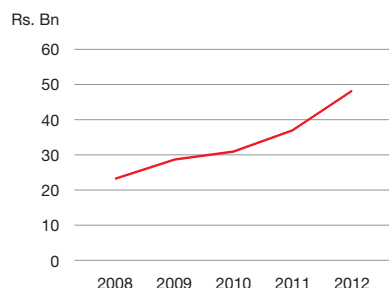
(2011 - Rs. 1,407 Mn)

Group Profit Before Tax
12.81% Growth

Rs.
1,093Mn

(2011 - Rs. 1,094 Mn)

Group Profit After Tax
(0.08%) Growth

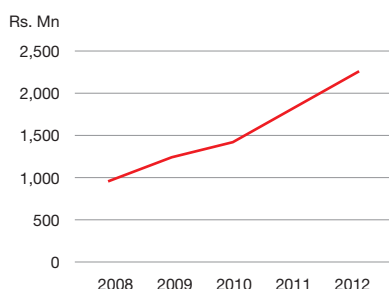
Group Revenue

The retail performance remains robust despite the challenging market conditions of spiraling fuel prices and increased electricity tariff. Your Group remains committed to safeguarding the interest of the consumer while mitigating any risks to margins through internal efficiencies. We are confident that our unique brand proposition of delivering quality at the most affordable price anywhere in the island would enable us to retain our enviable position of leadership in this growing industry.

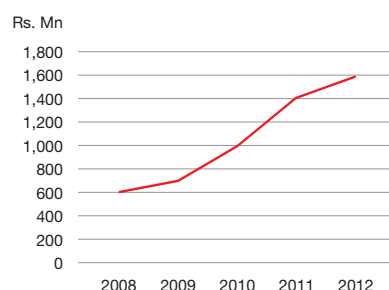
The 100 new outlets programme initiated in December 2009 is on target with 31 new outlets opened in the year concluded. The construction of the "Retail Mall Project" in Jaffna is also keeping good time with the property due to open its doors to the public in mid-2013.

FMCG

Our manufacturing business is enjoying the dividends of a thriving FMCG industry with a revenue growth of 68.7%. Magic ice cream reported a resounding performance with a sharp increase in both sales and profits. Our meat products also enjoyed a steady growth in revenue despite tighter margins attributed to pressure from competition. We are confident that this business would reap the benefits of a rising demand from the export market and the now rebounded hospitality industry. The market demand for the Kist range of cordial, jams and sauces is also on the rise and we are particularly encouraged by consumer demand for the Kist range of fruit Nectars. Kotmale has reported a strong performance in its pasteurised and UHT flavoured milk range with substantial volume growth over last year. Research and Development work is ongoing to enhance the yoghurt and cheese categories through innovation while the team is also focused on new and consumer friendly packaging for its dairy segment.

Group Operating Profit

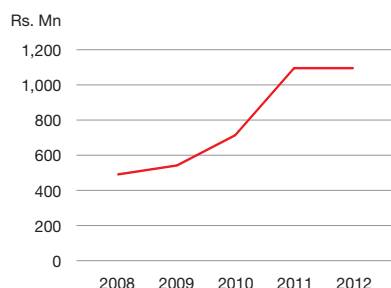
The Group has made substantial investments in the dairy processing business towards riding the volume growth in the category. Production and storage capacity is being added on to our dairy ice cream plant while the Group is also investing in the consolidating of our dairy facilities at a single location. Expansion of yoghurt and pasteurised milk production capacity is also ongoing. The new capacity would be commissioned by the 4th quarter of the new financial year and is expected to yield immediate dividends. However the related cost of capital to fund this investment of more than Rs. 1.1 Bn, depreciation and overheads would impact the manufacturing segment profits in the new financial year.

Group Profit Before Tax

In the year concluded we also reopened the biscuit manufacturing plant we acquired in the previous financial year. While the market entry with signature blue packaging stirred the industry, the consumer response remains mixed and below our expectation. The losses from this division weighed down the otherwise strong performance of the manufacturing segment in 2011/2012. The distribution strategy in the segment has been revisited and the Company is focused on reducing its losses in 2012/2013 and breaking even in the following financial year.

Chairman's Message *contd...*

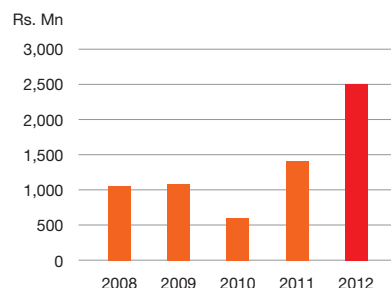
Group Profit After Tax



Group Revenue Vs Profit After Tax



Group Fixed Assets Additions



Restaurant

We are pleased at the rate of growth in turnover and profits in the restaurant sector, which has exceeded our expectations. We will continue adding new KFC outlets to the 18-strong chain and have several in the pipeline. We would also be expanding our interests in this segment in the forthcoming year in view of an emerging opportunity for unique dining products that cater to the changing aspirations of the urban clientele.

Brewery

Our investments in the soft-alcohol business in early 2011 stemmed from the opportunity arising from the distinct change in consumption patterns stimulated by rising disposable incomes. The growth in the tourism industry with the country expected to receive 1 Mn visitors in 2012 and targeting 2.5 Mn by 2016 also augurs well for this sector. The malt liquor production industry grew by 22.5% in the year indicating the timely nature of our acquisition. The 'Three Coins' range of beers re-entered the market in September 2011 and was well received with excellent reviews.

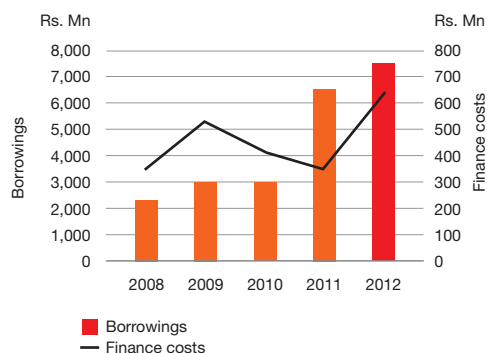
However, limited brewing capacity remained a major constraint which is now being addressed through a mammoth expansion plan to enhance capacity from a mere 50,000 hectoliters per annum to 600,000 hectoliters within 12 months. Installation of the new equipment has already commenced and we are confident that we will be able to complete the task during the new financial year. The investment in this project is substantial and the cost of capital, overheads and depreciation will affect the company's profits in 2012/2013. However, upon commissioning of the new plant we are confident the brewery would give a substantial boost to your Group's results with our brands emerging as market movers.

Investments

The significant investments made in the new businesses have all been funded by debt. The interest on this debt, the expected revival costs and related losses of these businesses have been borne by the established businesses of your Company which have continued to show impressive growth. The new businesses are on target to show attractive returns from the first quarter of 2013/2014.

Your Company has also made significant investments in acquiring strategically located real estate in view of its future interests. We will also be investing substantially in the new commercial bank, the Cargills Agriculture and Commercial Bank, which is sponsored by Cargills and our parent company C T Holdings PLC. The re-development of the historic Cargills property in Fort into a 6-star hotel would be initiated in collaboration with internationally renowned partners. These investments will also be funded with debt which would result in an increased interest expense over the next two years and steps have been taken to effectively manage this debt burden.

Group Borrowings Vs Finance Costs



Summary of Performance

Your Company recorded a commendable performance in the year concluded with group revenue increasing by 30% to reach Rs. 48.2 Bn while operating profit for the period increased by 24.6% to Rs. 2.27 Bn. The investments made into our established businesses have yielded satisfactory growth. Operating profit from those entities increased by 40% compared to the corresponding 12-month period last year. Profit before tax has recorded a 12.8% increase to Rs. 1.59 Bn. The Group after tax profit is Rs. 1.09 Bn, a marginal de-growth of 0.08%, while profit attributable to shareholders was Rs. 1.08 Bn. The increased rates of taxation payable by manufacturing units which were previously exempted and higher interest costs on borrowings to fund acquisitions impacted the profitability. Shareholders would also appreciate that the substantial rise in administration costs associated with newly acquired business would stabilise in the medium-term and the growth in costs would be moderate in the future.

Appropriation

A dividend of 70 cents per share was paid on 6 January 2012 as interim dividend and a dividend of Rs. 1.30 per share will be proposed at the forthcoming Annual General Meeting. The Company maintains a consistent dividend policy being aware of its capital commitments towards investment aimed at long-term growth. We are confident that the Company would continue to create substantial and sustainable capital wealth in the future.

An Icon of Trust

Cargills has remained an icon of trust and confidence across a century of entrepreneurship. From our Scottish founders who saw opportunity in a then emerging metropolis in Colombo and from there on their home-grown counterparts who reinvented the traditions of 'Cargills' to reach the needs of the masses, our name and our businesses have earned your trust. It is this trust that has strengthened us to venture boldly into new vistas of enterprise both in the half-light of conflict and in the dawn of peace. Your Company has been the first off the block to be bold in our investment and expansion in the new environment. We are confident that this dynamism would mark the difference between a great corporate and an iconic one; standing apart and standing tall as we have since 1844.

Acknowledgement

In conclusion I take this opportunity to commend team Cargills that has grown to 7,414 persons in the year. Many new entities have come under the wing of Cargills and with these, new teams and new leaders with a fresh range of skills and competencies. The final result has been a larger and more vibrant team of professionals and their ability is reflected in our sustained performance.

I extend my sincere thanks to the Board of Directors whose leadership and foresight continues to steer the Company to greater heights. I thank our business partners in the farming communities and small and medium enterprises as well as our principals, suppliers and financial institutions for their continued support. I also express my gratitude to our shareholders for their continued trust in us and invite you to remain with us as our long-term partners in what is set to be an iconic journey of success.

Signed
Louis Page
 Chairman

20 August 2012

Profile of Directors

Louis Page

***Chairman*

Mr. Louis R Page is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants (UK). He has been involved in the operations of the C T Holdings Group in a non-executive capacity and in the setting and review of policy framework, and in key investment decision-making. He has also held a number of senior management and board positions in overseas companies.

Ranjit Page

Deputy Chairman/CEO

Mr. V. Ranjit Page possesses over 29 years of management experience with expertise in food retailing, food service, and manufacturing, having introduced the concept of supermarketing to the Sri Lankan masses. He also serves on the boards of several other companies, and is the Managing Director of the parent company, C T Holdings PLC.

Imtiaz Abdul Wahid

Managing Director/Deputy CEO

Mr. M. Imtiaz Abdul Wahid is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants (UK). He has been involved in the operations of the company in an executive capacity at different intervals progressively at higher levels (appointed Director 1997 and Deputy Managing Director in 2001) spanning a period of 25 years, leaving the services of the company for employment abroad on two occasions in between whereby he also gained valuable exposure holding a number of senior management positions in overseas companies. He was appointed Managing Director/Deputy CEO in May 2010.

Sidath Kodikara

Executive Director

Mr. Sidath V. Kodikara is the Chief Operating Officer for retail operations. He is a Member of the Institute of Hospitality, United Kingdom. He counts over 27 years of managerial experience in the hospitality and retail sector.

P S Mathavan

Executive Director

Mr. Prabhu Mathavan is an Associate Member of the Chartered Institute of Management Accountants (UK) and the Institute of Chartered Accountants of Sri Lanka. He also holds a Bachelors Degree in Commerce. He possesses over 19 years of experience in the fields of Finance, Auditing, Accounting and Taxation.

Jayantha Dhanapala

**Director*

Mr. Jayantha Dhanapala is a former United Nations Under-Secretary-General for Disarmament Affairs (1998-2003) and a former Ambassador of Sri Lanka to the USA (1995-1997) and to the UN Office in Geneva (1984-1987). He was Director of the UN Institute for Disarmament Research (UNIDIR) from 1987-1992. As a Sri Lankan diplomat, Mr. Dhanapala served in London, Beijing, Washington D.C., New Delhi and Geneva and represented Sri Lanka at many international conferences chairing several of them. He is currently the President of the Pugwash Conferences on Science and World Affairs; a member of the Governing Board of the Stockholm International Peace Research Institute (SIPRI) and several other advisory boards of international bodies.

Priya Edirisinghe

**Director*

Mr. A. T. Priya Edirisinghe is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow Member of the Chartered Institute of Management Accountants (UK), and holds a Diploma in Commercial Arbitration. He was the Senior Partner of HLB Edirisinghe & Co., Chartered Accountants and currently serves as Consultant/Advisor. He is the Managing Director of PE Management Consultants (Pvt) Ltd. He counts over 42 years experience in both public practice and in the private sector. He serves on the boards of a number of other listed and non-listed companies where in some companies he also serves as Chairman/Member of the Audit Committee and Member of the Remuneration Committee. Mr. Edirisinghe is the Chairman of the company's Audit Committee and a member of the company's Remuneration Committee.

Sanjeev Gardiner***Director*

Mr. Sanjeev Gardiner is the Chairman and Chief Executive Officer of the Gardiner Group, comprising Galle Face Hotel Co. Limited, the Ceylon Hotels Corporation PLC, Kandy Hotels Company (1938) PLC (which owns the Queen's and Suisse Hotels in Kandy), and The Surf, Bentota. He is also a Director of several public and private companies and counts over 23 years of management experience. He holds a Bachelor of Business Degree from Royal Melbourne Institute of Technology and Bachelor of Business Degree (Banking and Finance) from Monash University, Australia. He has been a Council Member of HelpAge International, Sri Lanka branch for several years.

Sunil Mendis**Director*

Desamanya Sunil Mendis was formerly the Chairman of Hayleys Group, and the immediate former Governor of the Central Bank of Sri Lanka. He possesses over 45 years of wide and varied commercial experience, most of which has been in very senior positions. Mr. Mendis is the Chairman of the company's Remuneration Committee and a member of the company's Audit Committee.

Anthony A Page***Director*

Mr. Anthony A. Page is the Chairman of C T Holdings Group of Companies and counts 43 years of management experience in a diverse array of businesses. He serves on the boards of many group as well as other companies. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He was on the Board of the Colombo Stock Exchange and also was a former Council Member of the Employers Federation of Ceylon.

Joseph Page***Director*

Mr. Joseph C. Page is the Deputy Chairman/Managing Director of C T Land Development PLC. He is also Executive Director of C T Properties Limited. Prior to joining C T Land Development PLC, he was Executive Director of Millers Limited. He has over 29 years of management experience in the private sector.

Errol Perera**Director*

Mr. Errol A. D. Perera has held senior management positions in varying types of businesses in England, Malaysia and Sri Lanka. On his return to Sri Lanka he focused on promoting joint venture projects with foreign investment and technology transfers. He was successful in obtaining Board of Investment approvals with Pioneer Status for directory publishing, pay phones and paging projects. He was also instrumental in promoting Venture Capital and Unit Trust 'start-ups' in Sri Lanka with foreign collaboration. Mr. Perera was the proud winner of the GTE (now Verizon USA) Presidents International Trophy in 1990. In 1995 under his stewardship, the Directory Publishing Team won the first-ever Sri Lanka National Quality Award. He is at present an Independent Director of several other listed and non-listed companies in Sri Lanka.

** Independent Non Executive**** Non Independent Non Executive*

Management Discussion and Analysis

Retail

Industry

The retail industry is an extremely dynamic sector with growth driven by higher disposable income and increased awareness of the merits of modern trade as opposed to an unorthodox grocery market. The conversion from traditional to modern trade is now on the rise with 'supermarkets' now offering accessible and affordable aspirational value to mass consumers.

The recent hike in electricity tariffs and fuel prices had a direct impact on the sector. The increased cost of logistics and rising operating cost of supermarkets where electricity consumption is substantial has increased pressure on margins. However, steps taken to enhance internal efficiencies through stringent inventory and resource management have ensured that we continue to deliver on our brand promise of offering the 'lowest prices' anywhere in the country which remains our unique selling point. The retail sector therefore returned a robust performance in a challenging macro environment.

Price Leadership

During the year the sector rolled out the 'My Country. My Price' strategy, continuing to offer consumers the best quality products at prices they can afford and thereby maintain and enhance their quality of life. We reinvigorated our fundamental price promise through the '365 day' offer as the only supermarket to ensure the lowest price on essential items every day of the year with no conditions. Our price message, backed by an efficient supply chain and strong backward integration reaching thousands of small farmers, has helped us drive this price separation with competitors. The certainty of great values throughout the store has been fundamental to Cargills Food City and this would remain its unique identity.

Breadth and Depth

Customers appreciate the opportunity to rely on Cargills Food City for a one-stop shopping

experience across the island. We have therefore added thousands of products across hundreds of merchandising categories offering the right mix of national brands, private brands and opening price point products.

We continue to invest in growth through our core supermarket model and smaller neighborhood format Cargills Food City Express. Our expansion drive remains steady and focused towards meeting the mounting consumer demand from regional Sri Lanka. During the year we opened 31 new outlets including 17 Food City Express stores that have succeeded in taking modern trade deeper into regional communities of Sri Lanka. The 100 new outlets programme launched in December 2009 is therefore well on track with Cargills Food City geared to pass the 200 outlets mark by the end of 2012. The team is expected to reach its targeted 100 new outlets with the opening of the 240 Cargills Food City in 2013/2014. An investment of Rs. 1.2 Bn has been budgeted for this expansion drive in the forthcoming quarters.

Agribusiness

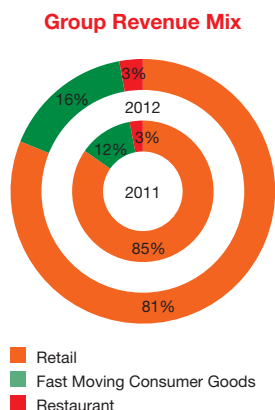
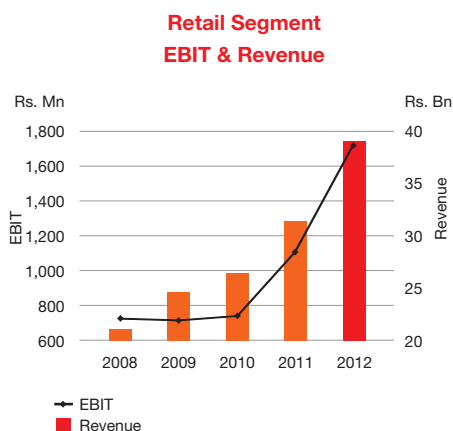
Our link with the farmer communities of Sri Lanka continues to be a rewarding business relationship that extends well beyond the conventional role of purchaser. During the year we added 3 vegetable collection centres to the existing 7, taking the network to Allawedi in Jaffna, Boralanda in the Badulla District and Ruwanwella in the Monaragala District. We now consistently purchase produce from a vegetable farmer network of over 3,000 while a further 2,000 farmers supply on a seasonal basis.

We have also extended the fair-trade concept initiated in Thanamalwila to the 3 new centres whereby 50 cents is collected into a fund for each kilogram purchased from a community. The fund is utilised for higher education scholarships for farmers' children and to provide common amenities for the community. The concept has enjoyed tremendous success in Thanamalwila and would also be replicated in our farmer communities in Thambuththegama and Bandarawela. Our retail network now purchases an average of 2 million kilogrammes of vegetables per month from our farmer base while providing market intelligence and technical inputs to enhance productivity and product quality.

Performance

Retail remains the mainstay of the sector and is continuing to outperform itself year-on-year. Both revenue and operating profits grew by 24.56% and 55.26% respectively in this segment in 2011/2012. The sector enjoyed solid same-store growth with improved profit.

Rs. Mn	2011/2012	2010/2011	Growth %
Revenue	39,162	31,440	24.56
EBIT	1,725	1,111	55.26
Interest	563	297	89.56
PBT	1,105	759	45.59
PAT	711	550	29.27
CAPEX	1,478	1,136	30.10



FMCG

Industry

The FMCG industry saw double digit growth in the year concluded with a large percentage of this stemming from regional demand. The Nielsen Company reported a 30% year on year revenue growth in the sector based on information from general trade with the rural sector accounting for more than 50% of the country's total FMCG market. The stabilised inflation and growing per capita income is showing an increased consumer spend in the category with impulse and life style products stimulating higher demand.

Dairy

Magic ice cream reported a resounding performance, with a sharp increase in both sales and profits. In the year concluded we

enhanced our premium ice cream range 'Heavenly' by adding 3 luxurious take-home products on par with international brands. The 3 variants along with 'Majestick' available as a single stick or a pack of 5 have enjoyed a good response from our consumers and sales are on target. During the year we also added on to our mass-appeal range in the impulse category. Magic would continue to drive innovation in the impulse and take-home categories and several new variants would be added on to its exciting assortment in the year ahead.

We are particularly pleased with the growth in volumes reported from the Kotmale pasteurised and UHT flavoured milk category. This success is driven by the now enhanced strength in distribution attributable to the synergies with the Group. Kotmale yoghurt is yet to fully enjoy this advantage but product development work that is ongoing would see a new and improved yoghurt range entering the market shortly. Steps have also been taken to improve the packaging standards of all products particularly in the successful flavoured milk range to further enhance consumer preference. Kotmale cheese would be diversifying its range and engaging in product development to maintain its leadership in the local cheese segment. The growth of Kotmale ice cream has been stymied by capacity restriction, which is presently being addressed.

Investments would also be made towards strengthening our outgrower network. Magic and Kotmale combined source fresh milk from 12,000 small holders, the majority organised into farmer societies. Collection takes place through a supply chain of 330 collection centres and 16 chilling centres spread across the Central Province and the Gamapaha and Kurunegala Districts.

The increase in the minimum producer price from Rs. 33.20 per litre to Rs. 50 per litre has led to a rise in industry volumes with our own network collecting 20% more milk than last year. Our daily collection is between 60,000-63,000 litres and annual direct payments to dairy farmers totals Rs. 1.2 Bn.

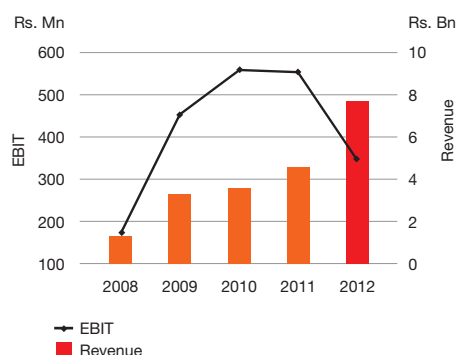
Efforts have been made to facilitate animal husbandry and enhance animal health and hygiene through a systematic programme of support that includes advisory services, technical assistance and resource supply. The Group is also presently carrying out a feasibility study towards launching a large scale dairy development project targeting the Northern Province.

Meats

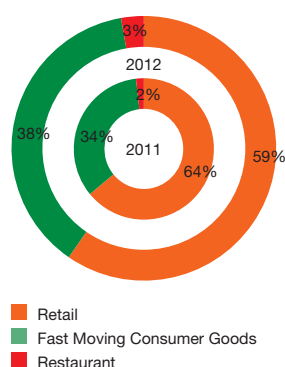
Our meat products also enjoyed a steady growth in revenue despite tighter margins attributed to pressure from competition. We have re-launched the once popular 'Goldi' brand with a view to providing a value-for-money product to the mass consumer while our European range 'Finest' continues to be the leader in the premium segment. We have also re-introduced a new and improved 'Sams' range of sausages catering to the younger consumers. Both 'Goldi' and 'Sams' are well received in the market. We are particularly encouraged by the increased demand from the institutional market and look forward to reaping the benefits of a reinvigorated hospitality industry. In the year under review our meats range also enjoyed a substantial increase in export volumes to report an 85% growth in export revenue. We would now be pursuing new markets for this highly successful exports segment.

Management Discussion and Analysis *contd...*

**FMCG Segment
EBIT & Revenue**



Group Total Assets



Agri Foods

Our range of Kist cordials, jams and sauces reported a solid performance particularly driven by an increasing shift to 'natural' food and beverages. Kist Nectars have responded to this demand by continuing to stimulate the category with a variety of flavours including two-fruit and mixed variants. We retain market leadership both in the 'Nectar' and 'Sauces' segment enjoying a steady growth in market share and volume. Kist jams also remain leaders in the 'natural' jams segment. Capitalising on the consumer shift to 'natural' and 'healthy' products, Kist would also be entering the juice segment with a UHT packaging line presently being commissioned at the production facility.

Performance

Our manufacturing business is enjoying the dividends of a thriving FMCG industry with a revenue growth of 68.77%. The losses from the biscuits segment and the emerging soft alcohol business and the increased rates of taxation payable by manufacturing units which were previously exempted have impacted this otherwise robust FMCG segment. In the year ahead the sector would be further investing Rs. 461 Mn to maximise the growth opportunity in the dairy and agrifoods segments.

Rs. Mn	2011/2012	2010/2011	Growth %
Revenue	7,711	4,569	68.77
EBIT	348	553	(37.07)
Interest	66	65	1.53
PBT	282	488	(42.21)
PAT	190	419	(54.65)
CAPEX	792	257	208.17

Restaurant

Industry

The restaurant sector is on an upward trend with the Central Bank reporting a 43% growth in private consumption expenditure in the Hotels, Cafes and Restaurants segment in 2010/2011. The spending on leisure and entertainment has also increased by 38.6% in the same period. The number of stand-alone casual and fine dining restaurants in the Colombo city has increased steadily over the year while the semi-urban market is also seeking a more sophisticated dining experience that serves as an outing for the entire family.

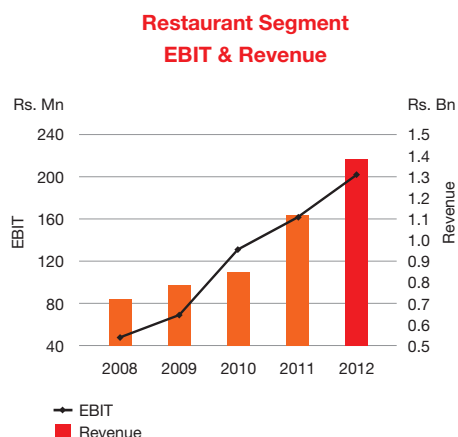
The sector is also benefitting from the increased number of tourist arrivals to the country. The 41% growth in arrivals in the year concluded also saw a shift to new markets from the traditionally strong Western Europe to India and Middle East. This has led to a rise in demand for off-premise restaurants that offer a variety of dining experiences outside the city hotels.

Network and clientele

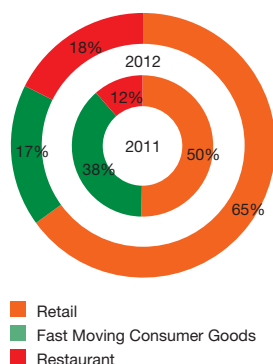
During the year the chain added 3 new restaurants to its fold taking the total count to 18 and retaining its leadership in the Quick-Service-Restaurant (QSR) category. Negombo, Katugasthota and Jawatta outlets reported an excellent response from the local clientele. The new financial year would see us opening the KFC experience in Wattala, Marine Drive, Galle and Rathnapura.

KFC is now taking its concept well beyond the boundaries of the conventional metropolis to regional cities that are showing an increasing appetite for this novel dining experience. The response to our restaurants beyond Colombo has surpassed expectation and we are encouraged to take KFC island wide.

The interiors of KFC are also seeing a rapid transformation with more exciting color schemes and warm interiors complete with a variety of zones for families and youth. In line with this all our new restaurants would be complete with family dining and play areas.



Group Profit After Tax



Diversification

KFC delivery has now launched its operation with the service available in all restaurant trade areas. The concept of dining-out at home is now a growing trend among busy middle class families and the KFC delivery service has been well received.

Performance

We are pleased at the rate of growth in turnover and profits in the restaurant sector which have exceeded our expectations year on year. The restaurant revenue has grown by 23.59% over the previous year while after-tax profit has reported a 53.6% growth to reach Rs. 192 Mn. In the year ahead the sector would be investing Rs. 434 Mn to maximise the growth opportunity in the restaurant segment.

Rs. Mn	2011/2012	2010/2011	Growth %
Revenue	1,383	1,119	23.59
EBIT	201.7	161.3	25.05
Interest	1.4	2.2	(36.36)
PBT	200	159	25.79
PAT	192	125	53.60
CAPEX	240	16	1400

Product Innovation

Innovation continues to be the key strength of this sector. 'Chicken Fried Rice' was added on to the localised offering along with 'Hot Wings' that serves as a spicier and more locally appealing variant. We have also introduced the better-for-you Kentucky Grilled Chicken for health-conscious customers who enjoy the great taste of KFC. Currently testing at our QSR in Rajagiriya, the product has been well received. KFC has also introduced the exciting beverage range 'Krushers' to Sri Lanka. The foodie drink offering a unique taste sensation is available in 3 variants and is now the most popular beverage choice at our restaurants.

Corporate Governance

The disclosures below demonstrate the extent to which the principles of good corporate governance are complied with within the Group. Further to the above, the Board of Directors to the best of knowledge and belief is also satisfied that all statutory payments due to the Government, other regulatory institutions, and related to the employees, have been made on time.

Company's Adherence to the Corporate Governance Rules as Required by Section 7.10 of the Listing Rules of the Colombo Stock Exchange:

Corporate Governance Rule	Compliance Status	Details
7.10.1 Non-Executive Directors		
a) The Board of Directors of a listed entity shall include at least, <ul style="list-style-type: none"> (i) Two Non-Executive Directors; or (ii) Such number of Non-Executive Director's equivalent to one third of the total number of directors whichever is higher. 	Complied with	Company has eight Non Executive Directors and four Executive Directors on its Board.
b) The total number of directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Complied with	Composition of the Board remained unchanged throughout the year.
c) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Not Applicable (N/A)	During the year no changes occurred to this ratio.
7.10.2 Independent Directors		
a) Where the constitution of the Board of Directors includes only two Non-Executive Directors as mentioned above, both such Non-Executive Directors shall be 'independent'. In all other instances two or 1/3 of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'independent'	Complied with	One-half of Non Executive Directors determined to be independent.
b) The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	Complied with	Each Non Executive Director has provided a signed and dated declaration of his/her independence or non independence against the criteria laid down in the listing rules.
7.10.3 Disclosures Relating to Directors		
a) The Board shall make a determination annually as to the independence or non-independence of each Non-Executive Director based on such declaration and other information available to the board and shall set out in the Annual Report the names of directors determined to be 'independent.'	Complied with	One Non Executive Director is an Independent Director as per the criteria set.
b) In the event a director does not qualify as 'independent' against any of the criteria set out but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', the board shall specify the criteria not met and the basis for its determination in the Annual Report.	Complied with	Three other Non Executive Directors are deemed independent by the board and the criteria not met and the basis for such determination is set out in the note on page 23.
c) In addition to the disclosures relating to the independence of a director set out above, the board shall publish in its Annual Report a brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas.	Complied with	Please refer Profile of Directors on page 12.
d) Upon appointment of a new director to its board, the entity shall forthwith provide to the exchange a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemised in paragraphs (a), (b) and (c) above.	N/A	During the year there were no such appointments.

Corporate Governance Rule	Compliance Status	Details
<p>7.10.5 Remuneration Committee A listed entity shall have a Remuneration Committee in conformity with the following:</p> <p>(a) Composition The Remuneration Committee shall comprise of;</p> <ul style="list-style-type: none"> (i) A minimum of two Independent Non-Executive Directors (in instances where an entity has only two directors of its board); or (ii) Non-Executive Directors a majority of whom shall be independent, whichever shall be higher. <p>In a situation where both the parent company and the subsidiary are 'listed entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary.</p> <p>However, if the parent company is not a listed entity, then the Remuneration Committee of the parent company is not permitted to act as the Remuneration Committee of the subsidiary. The subsidiary shall have a separate Remuneration Committee.</p> <p>One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.</p>	<p>Complied with</p> <p>Complied with</p> <p>N/A</p> <p>Complied with</p>	<p>The Remuneration Committee comprise three Independent Non Executive Directors and the details are given on the inner back cover.</p> <p>Kotmale Holdings PLC is a subsidiary of the company and has its own Remuneration Committee.</p> <p>N/A</p> <p>Please refer inner back cover.</p>
<p>(b) Functions The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the listed entity and/or equivalent position thereof, to the board of the listed entity which will make the final determination upon consideration of such recommendations.</p>	<p>Complied with</p>	<p>The Committee recommends to the board the remuneration payable to the Executive Directors and the Chief Executive Officer. In recommending an appropriate remuneration package, the primary objective of the Committee is to attract and retain the services of highly qualified and experienced personnel.</p>
<p>(c) Disclosures The Annual Report should set out the names of directors (or persons in the parent company's Committee in the case of a group company) comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.</p> <p>The term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received in consideration of employment with the listed entity (excluding statutory entitlements such as Employees Provident Fund and Employees Trust Fund).</p>	<p>Complied with</p>	<p>Please refer inner back cover for the names of directors of the Remuneration Committee.</p> <p>Please refer the Remuneration Committee report on page 24 for a statement of the remuneration policy.</p> <p>Please refer note 6 to the financial statements for the aggregate remuneration paid to the directors.</p>

Corporate Governance *contd...*

Corporate Governance Rule	Compliance Status	Details
<p>7.10.6 Audit Committee A listed entity shall have an Audit Committee in conformity with the following:</p> <p>(c) Composition The Audit Committee shall comprise of;</p> <ul style="list-style-type: none"> (i) A minimum of two Independent Non-Executive Directors (in instances where an entity has only two directors on its board); or (ii) Non-Executive Directors a majority of whom shall be independent, whichever shall be higher. <p>In a situation where both the parent company and the subsidiary are 'listed entities', the Audit Committee of the parent company may function as the Audit Committee of the subsidiary.</p> <p>However, if the parent company is not a listed entity, then the Audit Committee of the parent company is not permitted to act as the Audit Committee of the subsidiary. The subsidiary should have a separate Audit Committee.</p> <p>One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.</p> <p>Unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer of the listed entity shall attend Audit Committee meetings.</p> <p>The Chairman or one member of the Committee should be a member of a recognised professional accounting body.</p>	<p>Complied with</p> <p>Complied with</p> <p>N/A</p> <p>Complied with</p> <p>Complied with</p> <p>Complied with</p>	<p>The Audit Committee comprise three Independent Non Executive Directors.</p> <p>Kotmale Holdings PLC is a subsidiary of the company and has its own Audit Committee.</p> <p>N/A</p> <p>Please refer inner back cover.</p> <p>Please refer Audit Committee report on page 24.</p> <p>The Chairman of the Committee is a Fellow Member of ICASL and CIMA (UK).</p>
<p>(b) Functions Shall include,</p> <ul style="list-style-type: none"> (i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a listed entity, in accordance with Sri Lanka Accounting Standards. (ii) Overseeing of the entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. (iii) Overseeing the processes to ensure that the entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards. (iv) Assessment of the independence and performance of the entity's external auditors. (v) To make recommendation to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors. 	<p>Complied with</p>	<p>Please refer Audit Committee report on page 24.</p>

Corporate Governance Rule	Compliance Status	Details
(C) Disclosures		
The names of the directors (or persons in the parent company's Committee in the case of a group company) comprising the Audit Committee should be disclosed in the Annual Report.	Complied with	Please refer inner back cover.
The Committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the Annual Report.	Complied with	Please refer Audit Committee report on page 24.
The Annual Report shall contain a report by the Audit Committee, setting out the manner of compliance by the entity in relation to the above, during the period to which the Annual Report relates.	Complied with	Please refer Audit Committee report on page 24.

Company's Adherence to the Provisions of Rule 7.6 as Required by the Listing Rules of the Colombo Stock Exchange on Disclosure in Annual Reports of Listed Entities:

Corporate Governance Rule	Compliance Status	Details
A listed entity must include in its Annual Reports and accounts, inter alia;		
(i) Names of persons who were directors of the entity during the financial year.	Complied with	Please refer inner back cover for the names of directors of the company.
(ii) Principal activities of the entity and its subsidiaries during the year and any changes therein.	Complied with	Please refer note 1.1 to the financial statements.
(iii) The names and the number of shares held by the 20 largest holders of voting and nonvoting shares and the percentage of such shares held.	Complied with	Please refer investor relations supplement on page 86.
(iv) The public holding percentage.	Complied with	Please refer investor relations supplement on page 86.
(v) A statement of each director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year.	Complied with	Please refer page 43.
(vi) Information pertaining to material foreseeable risk factors of the entity.	Complied with	Please refer report on risk management on pages 25.
(vii) Details of material issues pertaining to employees and industrial relations of the entity.	N/A	No material issues pertaining to employees and industrial relations.
(viii) Extents, locations, valuations and the number of buildings of the entity's land holding and investment properties.	Complied with	Please refer page 84 group real estate portfolio.
(xi) Number of shares representing the entity's stated capital.	Complied with	Please refer page 85 investor relations supplement.
(x) A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings in the specified categories.	Complied with	Please refer page 85 investor relations supplement.
(xi) The following ratios and market price information. EQUITY 1. Dividends per share 2. Dividend pay out 3. Net assets value per share 4. Market value per share Highest and lowest value recorded Value as at the end of financial year.	Complied with Complied with	Please refer page 83 five year summary. Please refer page 86 investor relations supplement.

Corporate Governance *contd...*

[illegible]

Corporate Governance Rule	Compliance Status	Details
(xv) Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 07 of the Rules.	Complied with	Please refer pages 18 to 21 for the disclosures in terms of Section 7.10.
(xvi) Related party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per audited financial statements, whichever is lower. Details of investments in a related party and/or amounts due from a related party to be set out separately. The details shall include, as a minimum: a) The date of transaction; b) The name of the related party; c) The relationship between the entity and the related party; d) The amount of the transaction and terms of the transaction; e) The rationale for entering into the transaction.	Complied with	Please refer note 18 and 33.

Note:

Based on the declarations provided by the Non Executive Directors, the board has decided the following directors as independent:

Mr. Jayantha Dhanapala, and

Mr. E A D Perera

- who has served on the company's board now for a period in excess of nine years and

Mr. A T P Edirisinghe

- who has served on the company's board for a period in excess of nine years and

- is also a director of C T Holdings PLC which has a significant shareholding in the company, and

Mr. Sunil Mendis

- who is also a director of C T Holdings PLC

Who, in spite of their service on the company's board for over nine years and/or being directors in another company which has a significant shareholding in the company, the board has nevertheless determined as in the previous years to be independent considering their credentials and integrity.

Audit and Remuneration Committee Reports

Audit Committee Report

The Audit Committee is appointed by the Board of Directors of the company and reports directly to the board. The Audit Committee comprise three members who are Non-Executive Directors who are deemed independent. The Chairman of the Audit Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants (UK). The composition of the members of the Audit Committee satisfies the criteria as specified in the Standards on Corporate Governance for listed companies.

The Members of the Audit Committee:

Name/Independence

A T P Edirisinghe FCMA, FCA - Chairman
Independent
Mr. Sunil Mendis - Independent
Mr. E A D Perera - Independent

The Chief Financial Officer (CFO) and the Chief Internal Auditor attend all meetings and the Chief Executive Officer (CEO) and the Managing Director attend Audit Committee meetings as and when requested to do so by the Audit Committee. The Company Secretary acts as the Secretary to the Committee.

The oversight function of (a) the preparation, presentation and adequacy of disclosures in the quarterly and annual financial statements of the company, in accordance with Sri Lanka Accounting Standards and (b) the company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements, was duly performed and the Audit Committee reviewed and discussed the year-end financial statements and recommended their adoption to the board, whilst this was done on circulation at quarter-ends. In all instances, the Audit Committee obtained a declaration from the CFO stating that the respective financial statements are in conformity with the applicable accounting standards, company law and other statutes including corporate governance rules and that the presentation of such financial statements are consistent with those of the previous quarter or year as the case may be, and further states any departures from financial reporting, statutory requirements and

group policies (if any). Quarterly Compliance Certificates are also obtained from the Finance, Legal, and Secretarial divisions of the company on an updated standardised exception reporting format perfected by the Audit Committee, stating any instances (where applicable) of, and reasons for, non-compliance.

The oversight function over the processes to ensure that the company's internal controls and risk management, are adequate, to meet the requirements of the Sri Lanka Auditing Standards was duly performed and the Audit Committee reviewed and discussed (a) the business risk management processes and procedures adopted by the company, to manage and mitigate the effects of such risks and measures taken to minimise the impact of such risks, (b) the internal audit plan and monitoring the performance of the internal auditor and adherence to the internal audit plan and (c) the internal audit reports and monitoring follow up action by the management. Based on the recommendations of the Audit Committee, the company has engaged a third party audit firm to obtain an independent verification, of stock and cash counts at all its outlets and the factories and other facilities of its own and subsidiary companies, and also adherence to standard systems and procedures as laid down by the company, commencing in the new financial year. The Audit Committee assessed the independence and performance of the company's external auditors and made recommendations to the board pertaining to appointment/re-appointment. The Audit Committee also reviewed the audit fees for the company and approved the remuneration and terms of engagement of the external auditors and made recommendations to the board. When doing so, the Audit Committee reviewed the type and quantum of non-audit services (if any) provided by the external auditors to the company to ensure that their independence as auditors has not been impaired. The Audit Committee obtains an 'Auditors' Statement' from Messrs. KPMG confirming independence as required by Section 163 (3) of the Companies Act No.07 of 2007 on the audit of the balance sheet and the related statements of income, changes in equity, and cash flows of the company and the Cargills group.

The Audit Committee has recommended to the board that Messrs. KPMG, Chartered Accountants, be continued as external auditors of the company for the financial year ending 31 March 2013.

Signed

A T P Edirisinghe - FCMA, FCA

Chairman - Audit Committee

20 August 2012

Remuneration Committee Report

The Remuneration Committee of Cargills (Ceylon) PLC consists of three Non-Executive Directors – Messrs. Sunil Mendis (Chairman), A T P Edirisinghe and Jayantha Dhanapala. The Deputy Chairman and CEO and the Managing Director may also be invited to join in the deliberations as required.

The Committee studies and recommends the remuneration and perquisites applicable to the Executive Directors of the company and makes appropriate recommendations to the Board of Directors of the company for approval.

The Committee also carries out periodic reviews to ensure that the remunerations are in line with market conditions.

Signed

Sunil Mendis

Chairman - Remuneration Committee

20 August 2012

Risk Management

Introduction

Risk management is of paramount importance to Cargills (Ceylon) PLC to safeguard the interest of all stakeholders. To keep risk management at the centre of the executive agenda, continuous awareness is created and it is embedded in everyday business management.

The expansion drive of the Cargills Food City operation and manufacturing subsidiaries together with latest business acquisitions has meant that the group's operation has become more complex with an increased risk profile. In an improving economic environment the group also anticipates a higher business risk in terms of increased competition.

The management considers each business risk in the context of the group's strategy by identifying the potential upside and downside to the group business. Any identified downside is subject to mitigation and any upside is fully made use of to strengthen the competitive position of the group. Risks and methodology of mitigation are presented here in the areas of business (operation), financial reporting and compliance with applicable laws and regulations.

Administrative Support for Risk Management

Corporate Management Committee (CMC)

The Board as the focal point in managing the business has been vested with the final responsibility of managing the risks the group faces. A Corporate Management Committee (CMC) has been set up to assist the board in meeting this responsibility. The CMC with the help of senior management decides the risk profile of the group. It also evaluates the business proposals in view of the existing risk appetite and keeps the board informed of the suitability of the business proposals. The CMC reviews the operational issues tabled in the monthly meetings to identify

the key risks faced by the group including their impact, likelihood and controls and procedures implemented to mitigate these risks. The Board is required to take decisions that would increase the intrinsic value of the company in terms of investing in capital assets which would enhance the future earnings capacity. In this perspective, tolerable risk levels are defined by the CMC provided those investments show commercial justification striking a balance between risk and return. In addition, the management letter issued by external auditors of the company is reviewed by the Audit Committee. Any material findings adversely affecting the smooth operation of the business are addressed in detail and corrective actions are taken.

Centralised Legal Function

The Group obtains the service of a centralised legal department to ensure that the group complies with applicable laws and regulations. The department reports on a monthly basis to the board verifying compliance with laws and regulations. All legal agreements are thoroughly scrutinised by competent legal officers while the Company Secretary ensures compliance with the Companies Act.

Corporate Financial Reporting Function

Documentation and reporting also plays a key role in managing risk. The corporate financial reporting division has been set up to ensure all financial reporting aspects are addressed. The division coordinates with relevant authorities and institutions. The Audit Committee reviews all financial and related information that is reported and disseminated.

Internal Controls and Internal Audit Function

The Company has put in place a system of internal control to assist in achieving the management's objective of ensuring orderly and efficient conduct of business, safeguarding of assets, the prevention and detection of fraud and error, timely preparation of reliable financial information, and compliance with relevant laws and regulations.

At Cargills, we believe that an effective internal audit function would enhance the company's performance in every aspect of business. This function would primarily involve monitoring of internal control, examination of financial and operating information, review of the efficiency and effectiveness of the operation, and review compliance with legal and regulatory requirements. It also continuously verifies and audits the systems and promptly escalates any problems or potential risks to the management. Evaluation of the existing risk management setup is also a task assigned to the internal audit function. Internal audit reports are reviewed by the Audit Committee and any material findings are inquired into in detail.

Overview of Risks Affecting the Business

Business Risk

The business risk management is a dynamic process due to the constant change and complexity in the operating environment of the group. The different business operations of the group and their performances are subject to a variety of risk factors which are constantly monitored and evaluated by the management in order to respond effectively. All manufacturing facilities are maintained according to best international food manufacturing standards to mitigate business risk arising from production processes.

Risk Management *contd...*

Competitive Environment

The retail industry in Sri Lanka is highly competitive. To remain competitive the group is focused on areas such as price, product range, quality and service. We monitor our performance against a range of measures including customer satisfaction, perception and experience while also evaluating the performance of competitors.

People Capabilities

Our greatest asset is our employees. It is critical to our success to attract, retain, develop and motivate the best people with the right capabilities at all levels of operations. We review our people policies regularly and are committed to investing in training and development. We also carry out succession planning to ensure that the future needs of the business are considered and provided for. There are clear processes for understanding and responding to employees' needs through HR initiatives, staff surveys, and regular communication of business developments.

Reputational Risk

Failure to protect the group's reputation and brands could lead to a loss of trust and confidence. This could result in a decline in the customer base and affect the ability to recruit and retain high-calibre people. Emotional loyalty to the Cargills brand has helped us diversify into new areas of businesses through integration and diversification strategies. We recognise the commercial imperative to safeguard the interests of all our stakeholders and avoid the loss of such loyalty. The 'Cargills Values' are embedded in the way we do business at every level. Our Code of Ethics guides our relationships with customers, employees and suppliers. We engage with stakeholders in every sphere, take into account their views and endeavour to develop strategy that reflects their interests.

Product Safety

The safety and quality of our products is of paramount importance to Cargills as well as being essential for maintaining customer trust and confidence. A breach in confidence could affect the size of our customer base and hence financial results. We have detailed and established procedures for ensuring product integrity at all times. There are strict product safety processes in place and regular management reports. We work in partnership with suppliers to ensure mutual understanding of the standards required. We also monitor developments in areas such as health, safety and nutrition in order to respond appropriately to changing customer trends and new legislation.

Health and Safety Risks

Provision of adequate safety to our staff and customers is of the utmost importance to us. Injury or loss of life cannot be measured in financial terms. We operate stringent health and safety processes in line with best practice in our outlets, manufacturing facilities and offices, which are monitored and audited regularly.

IT Systems and Infrastructure

The business is dependent on efficient information technology (IT) systems. We recognise the essential role that IT plays across our operations in enabling us to operate efficiently. We have extensive controls in place to maintain the integrity and efficiency of our IT infrastructure and to ensure consistency of delivery. All relevant staff is effectively engaged to mitigate IT related risks through effective policy and procedures as well as increased awareness.

Regulatory and Political Environment

Due to the diverse nature of our businesses, we are subject to a wide variety of regulations prevailing in the country. We consider these uncertainties in the external environment when developing strategy and reviewing performance. We remain vigilant to future changes. As part of our day-to-day operations we engage with governmental and non-governmental organisations to ensure the views of our customers and employees are represented and try to anticipate and contribute to important changes in public policy whenever possible.

Funding and Liquidity

The Group finances its operations by a combination of retained earnings, long term and short term loans. The objective is to ensure the continuity of funding and to arrange funding ahead of requirements and to maintain sufficient undrawn committed bank facilities. We as a group maintain a portfolio of banking institutions to cater to the funding requirements and to obtain them on favourable terms. Healthy relationships with bankers allow us to have borrowing arrangement within a shorter period of time.

Interest Rate Risk

It is the company's objective to limit its exposure to increases in interest rates while retaining the opportunity to benefit from interest rate reductions. Accordingly the group manages interest rate fluctuations with an appropriate mix of fixed and variable rate debts through a centralised treasury management function.

Credit Risk

The Company aims to reduce the risk of loss arising from default by parties to financial transactions. Risk of default is routinely monitored and required actions are taken. Our manufacturing subsidiaries are more exposed to credit risk by the very nature of their business and this risk is neutralised through a rigorous process of credit management.

Foreign Exchange Rate Risk

The Group's exposure to this risk is minimal as exports are negligible. Risk on imports of plant, machineries and equipments are managed adequately.

Sustainability Report

01. Our approach to Sustainability

1.1 Management Commitment and Approach

From a single seed in a farmer's field to homes and hearths halfway across Sri Lanka Cargills brings ideas together to help satisfy our nation's needs. To get there, we collaborate with customers to create better products and services, streamline supply chains, save energy, reduce costs and move goods to every corner of Sri Lanka. We help farmers to get higher yields from fewer acres, and store crops so they have greater flexibility in marketing their harvest. We give back to the communities where we do business through continuous efforts to improve nutrition, health and education, and protect natural resources. Every day, Cargills nourishes people and ideas-in both expected and unexpected ways.

Our sustainability strategy is to make social responsibility an integral part of everything we do. It is a company-wide commitment that channels our expertise and knowledge to create sustainable value for every direct and indirect stakeholder we touch.

Accordingly we are committed to creating sustainable profit that ensures the long-term benefit and support of our shareholders and society. We endeavour to minimise the impact of our businesses on our planet and work towards measuring and reducing the carbon footprint. We recognise that people are more than assets and have potential to create and nurture enterprises that lead industries and communities in an economically viable, socially meaningful and environmentally sustainable ways. We are also committed to ensuring the safety and health of every employee and business stakeholder.

1.2 Impacts, Risks and Opportunities

Sustainability is central to Cargill's business philosophy. The management takes business decisions considering their impact on various stakeholders and the long term perspective of the company. The Company has put into

place robust mechanisms for identifying relevant sustainability issues and addressing them in a logical, structured and institutionalised manner.

Refer Risk Management Report-Page 25 for more details.

1.3 Report Parameters

Reporting Period

The content of this report falls within the period 1 April, 2011 to 31 March, 2012

Date of Previous Report

31 March 2011

Reporting Cycle

We adopt an annual reporting cycle

Report Scope and Boundary

Process for defining report content

The Audited Accounts were prepared in accordance with the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards and have been audited by Messrs KPMG.

Boundary of the Report

The report adopts the Triple Bottom Line format with information and data provided in terms of Economic, Environmental and Social perspectives.

Data Measurement Techniques and Bases of Calculations Including Assumptions

Data on economic performance is prepared from the group's audited accounts, data on environmental and safety issues has been compiled from actual operating data maintained by the various businesses, factories and units of the group. Data on Social Responsibility was obtained on-site.

Commitments to External Initiatives & Memberships in Associations

Ceylon Chamber of Commerce
Sri Lanka Institute of Directors
Employers Federation of Ceylon
Consumer Goods Forum (International)
Food Marketing Institute (International)
UN Global Compact

Stakeholder Engagement

We recognise internal and external stakeholder engagement can help better define our business strategy; sharpen our decision-making; and enhance our company's economic, environmental, and social performance. Accordingly, we (1) seek to understand the perspectives and needs of our stakeholders, (2) set expectations for areas of mutual concern, (3) act upon these expectations, and (4) ensure our stakeholders remain informed of our progress.

Every facet of our company and its operations has potential to affect, or be affected by, stakeholders. To better align our business practices with stakeholder expectations, we maintain open dialogue and foster collaborative relationships with those individuals and groups who have an interest in, or are affected by, our company and its operations. We have identified the following individuals and groups as our key stakeholders:

- Team members and prospective team members
- Shareholders and potential investors
- The Board of Directors
- Customers and consumers
- Local, provincial and state government agencies
- Nongovernmental organisations
- Local community members and leaders
- The media
- Suppliers, independent producers, and other business partners
- Wholly-owned subsidiaries and joint ventures
- Multicultural organisations, academia, and industry associations

Below we offer examples of our stakeholder engagement process, including key stakeholder topics and concerns and how we respond to those concerns.

Stakeholder Group	Stakeholder Concern	How We Engage and Respond
Team members	<ul style="list-style-type: none"> • Fair treatment • Inclusion and engagement • Safe workplace • Competitive pay and benefits • Professional development • Regular communication • Environmental conservation and resource protection 	<ul style="list-style-type: none"> • Code of Conduct/Employee Handbook • Inclusion and engagement activities at every level • Safety policies, procedures and training • Remuneration reviews and enhancements • Training and Development • Internal communication including e-mail updates, internet, executive meetings, feedback forums etc
Shareholders and potential investors	<ul style="list-style-type: none"> • Competitive returns • Management accountability • Regulatory compliance • Sound governance • Proactive management of business risks 	<ul style="list-style-type: none"> • Annual and Quarterly financial reporting • Annual shareholder meetings • Transparent reporting on corporate governance and risk management
Customers and consumers	<ul style="list-style-type: none"> • Safe quality products • Nutritious options • Competitive and affordable prices • Innovative products that exceed expectations • Product information including labelling 	<ul style="list-style-type: none"> • Food safety programmes and procedures • Research and development • Proactive management of supply chain • Consumer sensory panels • Responsible advertising and promotion on product/at outlets and on media
Government and regulators	<ul style="list-style-type: none"> • Regulatory compliance • Transparent reporting • Collaboration in research and policy development • Participation and engagement at national level issues 	<ul style="list-style-type: none"> • Management systems, policies and procedures across all aspects of operation • Annual financial reporting and timely submission of all reports • Active external relations • Contributing to national level research and development • Industry association and partnerships

Sustainability Report *contd...*

Stakeholder Group	Stakeholder Concern	How We Engage and Respond
Suppliers	<ul style="list-style-type: none"> • Timely payment • Fair selection and business practices • Opportunities for business growth • Understanding of Cargills expectations 	<ul style="list-style-type: none"> • Guaranteed market and price for smallholder farmers and entrepreneurs • Technical advisory services, assistance in securing credit, inputs and equipment at subsidised prices • Competitive bidding process • Supplier meetings and forums
Local Communities	<ul style="list-style-type: none"> • Economic development • Involvement with and support of local initiatives • Protection of the environment • Employment opportunities • Volunteerism 	<ul style="list-style-type: none"> • Strategic community engagement • Donations, community outreach and disaster relief • Environmental management systems • Regional recruiting programs • Partnerships and sponsorships

02. Responsible to Our Planet

Fulfilling our purpose of nourishing people requires clean water, soil and air. As a food company, we are focused on a sustainable future that reduces demands on the environment as populations continue to grow.

Green Business

The primary objectives that drive the Cargills Green Business is to reduce, re-use and recycle energy, plastics, water and all other natural resources that we use in our day to day business practice.

Through the 'Green Business' programme Cargills is committed to minimising its environmental impacts throughout our entire supply chain, from the farm to the trolley. Cargills is also committed to a role of environmental leadership in all facets of our business.

Energy Management

The Group has focused on energy conservation initiatives practiced at business unit level which includes the monitoring of energy, use of energy efficient lighting and equipment and utilisation of renewable energy sources.

The Group's primary energy source is the National Grid, while the retail sector is the

highest consumer of the same. The Group measures its consumption based on logs maintained at each business unit, bills received from utility providers and ledger entries.

Water

The Group's water policy aims to conserve and optimise the usage of water within our production processes and wherever possible seeks to re-use water after treatment. We are particularly pleased to report that the Dairy sector in particular has adopted stringent water conservation measures and today uses water from its effluent treatment plant for its entire production and operational needs.

Biodiversity

The Group is committed to conserving biodiversity and wherever possible enhancing it through adherence to local and government laws while also adhering to best practices related to conservation and protection. The Group has identified one location as an area of high biodiversity and large scale development has not been planned for the site in view of its environmental sensitivity.

Emissions, Effluents and Waste

The Group's production plants all have comprehensive environment management systems that enable individual plants to monitor emissions, effluents and waste. However reporting systems are being put in place to streamline the information and analyse the overall environmental impact on the group in terms of emissions, effluents and waste.

03 Responsibility to Our Customers

Fostering a company wide culture that drives continuous improvement towards the safety and wellbeing of our customers. As the leader in retail and consumer goods in Sri Lanka, our goal is to ensure that our customers enjoy the best possible products and services at the best possible price with minimum implications on the wellbeing of all our stakeholders.

Cargills uses its widespread retail and mass market distribution operation to provide essential commodities to consumers at a consistently affordable price. Cargills applies effort at every step in the process from where food is produced through where it is purchased to ensure we provide the safest and most high quality products and services to our customers. Our food processing plants are equipped with comprehensive ISO and SLS certification to ensure that our superior taste is complemented by superior safety and quality, while complying to labelling standards.

3.1 Managing Food Safety and Quality

Cargills' approach to food safety and quality is comprehensive, preventive, and proactive. We implement controls and measures at every level to make sure our products are second-to-none in food safety and quality. We assess our products for improvement during product research and development, manufacturing and production, labelling, marketing and promotion, storage and distribution, and use. We believe this approach helps guarantee the safety and quality of our products from the farm all the way to the point of purchase.

3.1.1 At the Farm

Cargills is engaged in every aspect of its supply chain to ensure only the best products of highest nutrition and quality reach our retail outlets and manufacturing units. Our advanced post harvest technologies ensure that all fresh produce reaches customers at optimum levels of freshness with minimal wastage. The waste within our supply chain is as little as 3-4% while national post harvest losses are as much as 40%. This helps Cargills give customers the best choice in quality and nutrition and affordability.

3.1.2 Systematic Management Approach

In addition to governmental regulatory requirements, we have developed our own highly integrated policies, procedures, controls and good manufacturing practices designed to ensure the safety and quality of our food products. Our system often extends

beyond regulatory requirements to address such issues as facility sanitation, team member training, personal hygiene, product handling, food protection, foreign material prevention, product quality, storage, and transportation. All our manufacturing plants are accredited with ISO 9001:2000 for Quality Management, ISO 14001:2004 for Environment Management and ISO 22000: 2005 for Food Safety Management as well as SLSI standards.

3.2 Research, Development and Innovation

Cargills is dedicated to developing a best-in-class, value-added product portfolio that meets the needs of today's changing market. By applying in-depth understanding of consumer and customer needs, analytical skills, and strategic thinking, we are positioned at the forefront of product innovation. We will continue to demonstrate our commitment to research and development by creating new and relevant food solutions for years to come.

3.2.1 Food Process Development Incubator

Sri Lanka is clearly in need of a new national approach to research and development. This new approach must bring together the country's best minds, working in the best facilities, and focused on the challenges and opportunities that lie ahead for Sri Lanka's food and agribusiness sector working in partnership with industry. It is in the hope of filling this void that the Food Process Development Incubator was established by Cargills together with the University of Moratuwa. This institution will endeavour to develop a more competitive innovation led food and agriculture sector which creates value for consumers, farmers and the industry in a manner that is sustainable to the community and the environment.

The incubator conducts R & D in the following areas:

- To enhance human health and wellness through food, nutrition and innovative products
- To enhance the quality of food and the safety of the food system
- To enhance security and protection of the food supply by improving scientific capacity and knowledge to detect, monitor and control various food production and distribution systems.
- To seek opportunities to enhance the profitability and competitiveness of farmers, the agri-food system, rural communities, and local industry.
- To enhance the environmental performance of the Food and Agriculture industry

3.3 Promoting National Nutrition and Wellness

As Sri Lanka's largest food retailing and manufacturing business house, Cargills is conscious of its role in facilitating affordable nutrition for all Sri Lankans. While our research and development initiatives help us develop more nutritious products, our sustainable supply chain ensures these products reach every part of Sri Lanka safely and at an affordable price. Our direct links with farming communities and entrepreneurs provide us the strength to bring essential commodities to consumers minus the intermediary costs. This is why our products at our retail outlets and from our manufacturing facilities are of better quality and are easier to afford.

Sustainability Report *contd...*

The Group's management approach is to develop and market products and services that meet the highest quality standards which ensure the customer health and safety, relevant product and services labelling, ethical marketing and communication. Towards this end the group adheres to the Food Act No 26 of 1980 and the regulations pertaining to Food (Labelling and Advertising) Regulations of 2005 and the Consumer Affairs Authority Act No 9 of 2003, while our food manufacturing facilities have obtained ISO 9001, 14001 and 22000 as well as SLS Standards.

04 Responsibility to Our Team

Treating our team with dignity and respect and striving to create a safe work environment.

4.1 Nurturing an Exceptional Team

Cargills is committed to attracting, developing and retaining a group of talented team members and to creating a workplace that allows each team member to contribute to the collective success of our company. Our programs and initiatives related to employment practices, compensation and benefits, talent management, diversity and inclusion, and team member relations are important to fulfilling this commitment, especially in today's challenging economic climate.

4.1.1 Our Team Members

Cargills employs 7,414 employees as at March 31, 2012. We are committed to providing a good working environment and to retaining our team members through competitive wages, fair treatment, training, benefits, and safe working conditions. We recognise that the nature of our industry and the changing external environment means that retention of our team is the foremost challenge. This is a challenge that we seek to address by providing inspiration and motivation to our team members about their work, their contributions, and their company's role in partnering the development of Sri Lanka and its people.

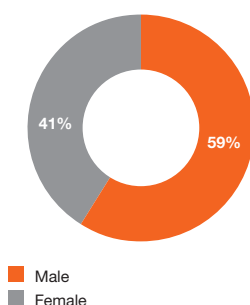
At the heart of the Cargills culture is the desire to embrace our differences and make connections across business units, at every location in every district across the island so that each employee can reach their full potential. Our multi-cultural work environment is warm and equitable ensuring that each member of our team is valued for their capabilities and respected for who they are. We strive to create a happy and focused work atmosphere that celebrates the team and encourages innovation.

Our goal is to provide a workplace where all employees can thrive and grow - A workplace where employees feel included, safe and are given the opportunities to make valuable contributions to Cargills and thereby partner the progress of Sri Lanka.

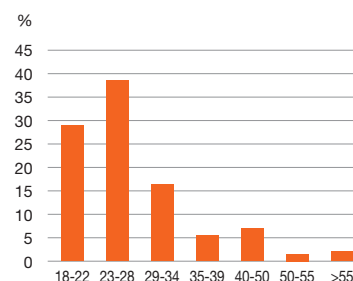
Employment Type – Gender	Number
Male	4,365
Female	3,049
	7,414

Employment Age Analysis	
Age Range	Number
18-22 years	2,148
23-28	2,863
29-34	1,214
35-39	414
40-50	513
50-55	110
>55	152
	7,414

Employment Type - Gender

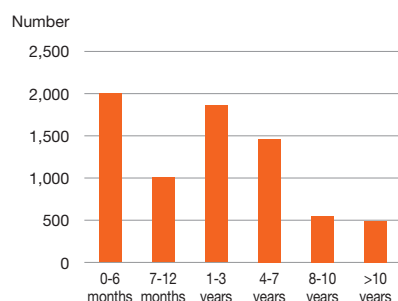


Employment Age Analysis



Employment – Service Years	Number
0-6 months	2,012
7-12 months	1,005
1-3 years	1,869
4-7 years	1,473
8-10 years	557
>10 years	498
	7,414

Employment - Service Years



4.2 Health and Safety of Our Team

4.2.1 Management System Approach

All Cargills manufacturing facilities have implemented Environmental, Health, and Safety Management Systems in line with statutory and ISO requirements. The health and safety aspect of this system fulfills the requirements set forth in international occupational health and safety management system specifications. As such, each facility has developed and implemented procedures and controls regarding health and safety.

4.3 Training & Development

Our non profit training arm the Albert A. Page Institute (AAPi) of Food Business provides training and development opportunities for youth in the system as well as from rural Sri Lanka as a corporate social responsibility initiative. AAPi collaborates with civil society partners to identify and train young men and women who lack the necessary skills-sets to gain employment in the private sector. Many go on to be a part of Team Cargills.

ALBERT A. PAGE INSTITUTE OF FOOD BUSINESS

The Albert A. Page Institute (AAPi) of Food Business was established in 2006 in response to the needs of young Sri Lankans from rural areas. As Cargills expanded its presence in regional Sri Lanka it understood the true potential of rural youth who were either under-employed or unemployed due to the lack of professional skills. On the other hand the value derived to our economy from unskilled labor employed overseas is significant. Unskilled migrant labour sourced largely from rural Sri Lanka draws the highest foreign exchange earnings to the country. This further encouraged Cargills to work towards the capacity-building of rural youth.

AAPi has developed series of certificate and diploma programmes aimed at creating opportunity for career advancement in the food and manufacturing sector. The Certificate programmes develop the various basic skills required to become an effective and efficient executives. The courses are designed to cater to all sectors of Food Marketing encompassing Operations, Manufacturing, Support Services, Sales and Distribution and Central Warehouse and Agri-Business. The advanced certificate courses for Managerial Skills Development have been designed considering all the aspects of Organisational needs of Technical, Human and Conceptual skills which are crucial elements of becoming an effective and efficient executive aligned with today's competitive and dynamic business environment. Once students acquire the Advanced Certificate, they have the option of enhancing the certification to a Diploma. Currently Cargills is exploring the possibility of offering the Diploma in affiliation with Sri Lanka's premier post-graduate education college.

Accelerated Skills Acquisition Programme (ASAP)

ASAP is a programme which has been developed by USAID and is endorsed by the Ceylon Chamber of Commerce as study material that is suitable for potential employees in the private sector. The programme, which is focused on attitude development, consists of 5-day, 10-day and 20-day study programmes on IT, English proficiency, career guidance and entrepreneurial skills. The objective of the programme is to endow recipients with the essential skills required for competitive employment.

AAPi has been certified as a trainer of the ASAP programme and is currently carrying out training for identified target groups in collaboration with non-profit partners such as the Gemi Diriya project funded by the World Bank.

Independent Grocers Alliance Online Training

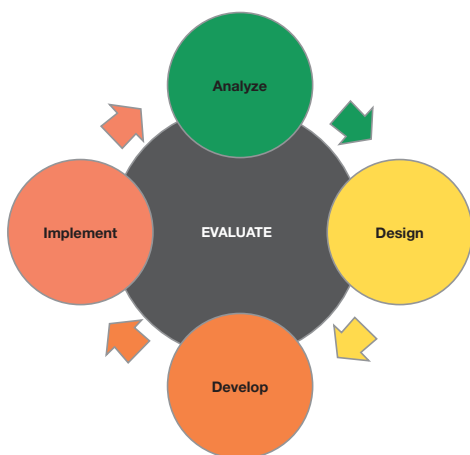
The IGA Institute is a non-profit educational foundation developed by IGA (Independent Grocers Alliance), to provide on-line training materials, web based job certification courses, class room training to support the career development needs of its retail food associated around the globe. The IGA Institute functions as the alliance's learning and development department by bringing competitive skills to independent retailers worldwide. AAPi is currently registered with the IGA Institute and is able to offer these courses online for students. Cargills utilises these online learning opportunity to empower youth in rural areas using ICT as a tool for development.

Sustainability Report *contd...*

Structured learning and development programmes were scheduled, with clear career paths to groom employees. Occupation related trade tests (e.g- International Groceries Alliance) were encouraged to complete and link to career progression.

Special training programmes were scheduled to develop Leadership and other skills among the employees—Outward Bound Training.

"A Personal Development Plan" was prepared, for employees to equip employees with required knowledge, skills and attitudes.



Responsible Business practices

Our continued success depends on our strong foundation of values and ethics.

Our company founders believed a reputation for integrity was a key business differentiator. Cargills has earned and maintained a reputation for ethical business conduct ever since. Our business conduct is governed by commitment to transparency and good governance. Cargills being a responsible corporate citizen, complies with all governing laws and regulations and requires that every member of its team adheres to the law of the land and to internal rules and regulations.

Non-discrimination

The Group does not tolerate any incidents of discrimination based on gender, age, ethnicity, religion or due to any other social or cultural differences. There have been no incidents of discrimination reported during the year.

Freedom of Association and Collective Bargaining

The Company does not curtail the freedom of association of employees. Management has allowed employees to get the membership in trade unions, and the management is committed for discussions and negotiations with the employees who are unionised. Further open door policy is encouraged. There are two unions under which three companies have been unionised.

Human Rights and Child Labor

As part of this ongoing commitment the group advocates and upholds decent work practices and human rights. Cargills does not engage child labour and does not employ any person under the age of 18 years at our workplaces. This is inbuilt into the policies and procedures of the group.

Security Practices

Group security service has been outsourced except in the case of few senior employees being under the company. Nevertheless, as per the agreement entered with the service provider, all security personnel must comply with a series of policies and procedures, which encompasses human rights.

Forced and Compulsory Labour

The Company does not deploy forced or compulsory labour. With regard to training where training costs are substantial, employees are made aware of the importance of serving the organisation for a reasonable period in view of the valuable training received. Employees who work beyond their allotted hours are duly compensated by means of overtime and also supported with meals and transport in compliance with applicable laws and industry practices.

Anti-Corruption

Cargills upholds the distinction of being among one of the most respected corporate citizens in the country and therefore places the highest value on ethical business and has a zero-tolerance policy towards bribery and corruption.

Cargills is committed to not paying or receiving bribes and not participating in any other unethical, fraudulent or corrupt practice. The Group is dedicated to honouring all business obligations that we undertake with absolute integrity and maintain our business records in a manner that accurately reflects the true nature of our business transactions. All executives are bound by the signed code of conduct to not accept or offer any form of bribe or gift that may be construed as a bribe. Executives are also issued official memorandums in this regard during festive seasons to mitigate any risks and clarify any doubt pertaining to accepting gifts from suppliers.

5. Responsible to our Community

Working directly with our partners to overcome challenges, providing knowledge and resources to help them succeed.

Our focus on rural development involves our direct investment in and engagement with the agriculture sector. Our investments have improved livelihoods for rural Sri Lankans in economically meaningful, environmentally sustainable and socially responsible ways.

Today we are a global role model in corporate driven rural development. Each year, Cargills works directly with thousands of farmers and small scale entrepreneurs to help increase their productivity, thereby helping to raise their standard of living and increase our access to quality raw materials.

5.1 Sustainable Agribusiness

Promoting and practicing sustainable agribusiness is an important part of our commitment to conduct business with integrity and responsibility, treat people with dignity and respect, and help protect and conserve the environment. We work with business partners, governments, nongovernmental organisations and communities to foster sustainable economic development and promote responsible practices throughout our agribusiness supply chains. Together, our activities are improving agricultural and labour practices, as well as helping to conserve the environment.

a) Farmer Training and Development

Our team works directly with farmers to overcome challenges, providing knowledge and resources to help farmers succeed. Across Sri Lanka thousands of farmers have participated in Cargills productivity and product quality enhancing programmes. We have committed to expanding this programme to a larger farmer base island wide to help improve efficiencies and increase incomes.

Northern Horticultural Alliance (NHA) Project (Fruit and Vegetable Farming Improvement and Processing Project, Jaffna/Kilinochchi)

As reported during 2010-2011, the NHA Project is being operated jointly by Cargills and USAID. The project aims to enhance income and employability of 1,100 fruit and vegetable growing farmers and palmyra sap tappers and processors of the Northern Province.

The programme is formatted as a mission. It follows a horti-value chain model by vertically linking project components and activities—from improved cultivation methods to value adding processes and marketing.

As per the approved programme, activities like need assessment study on 3,000 cultivators, training of 1,100 farmers and palmyra tappers in the modern methods of vegetable cultivation/fruit tree management and hygienic methods of sap collection and processing, setting up of a Produce Collection Centre, procurement of fruits and vegetables from Jaffna Peninsula have been concluded. Six cultivation tool kits narrating scientific methods of farm and crop management and written in Tamil language were handed over to 1,000 vegetable farmers.

- 1.1 Thus far, 491 tons of fruits and vegetables at a cost of Rs. 22.2 Mn have been purchased directly from the Jaffna farmers. A sum of Rs. 245,000 has been set aside as Farmers' Welfare Fund.
- 1.2 In order to create a mindset for managing post-harvest losses, 750 plastic crates and 25 mango harvesters were distributed to project farmers. These tools are seen to significantly enhance farmers' income and profitability by minimising losses, respectively of vegetables during transport and of mango during harvest. Currently these losses run as high as 25%.
- 1.3 In order to introduce sweet and seedless grape varieties, 5,000 rooted cuttings of Sonaka (berries yellow in colour) and Sharad (berries black in colour) were imported from India for in-field performance and market evaluation. After hardening in the green house, these rooted cuttings were distributed among 150 farmers. Post-planting establishment and growth in the field is observed to be excellent. Once the yield and consumer acceptability are confirmed after fruiting, introduction of these varieties will expectedly change the landscape of grape cultivation in Jaffna and nearby regions. Not only will the farmers' income increase but this will help in minimising grape imports in a big way.
- 1.4 Imbalanced and excessive use of fertilizers leads to high investment, low profit, environmental pollution and poor crop quality. In order to promote need based fertilization, soil samples from fields of 85 farmers were tested for fertility status. Results showed that by and large all Jaffna soils must receive full recommended dose of nitrogen. In contrast, maintenance application in case of phosphorus and potassium is all what is needed. If these findings are followed and fertilizer applications are rationalised accordingly, farmers can save significant investment on phosphorus and potassium. Likewise, by lessening imports, the country can conserve huge sums of otherwise precious foreign exchange.

Sustainability Report *contd...*

1.5 Contract for construction of a fruit and vegetable processing plant at Kilinochchi has been awarded. Construction, which is moving at a feverish pitch, is expected to be completed within the next 4 months.

b) Seed Testing Project

A strategic objective of the seed testing programme is to make good quality seed available to vegetable growing farmers at competitive price. This programme is in operation for the last three years. It began with import of test hybrids of vegetables from India and China. After assessment of imported vegetable seeds jointly with HORDI for two years, the Department of Agriculture approved one hybrid each of beet root, red radish, and cabbage for commercial cultivation. In order to verify farmers' acceptance, small seed packets of these hybrids were imported for evaluation under real farm situations. In all, 1,000 farmers received seed mini-kits of these 3 crops. These seeds will be planted during June-July months and results on farmers' feed-back will become available by September. Those of the hybrids that receive farmers' endorsement will be imported for bulk sales. Department of Agriculture has already registered Cargills as a Seed Retailer/Wholesaler/Importer/Distributor of Fruit Plants, Other Field Crops and Vegetables.

c) Vegetable Collection Center Boralanda

Vegetable Collection Center at Boralanda, created with financial support (Rs. 5 Mn) from IFAD, became functional from September 2011 (refer 2010-2011 Annual Report). Situated in the heartland of vegetable production region, Boralanda is among the most active fresh produce collection centers. During the last 7 months of inception, 640 tons of fruits and vegetable, valued at Rs. 42 Mn, were purchased from a group of about 300 farmers. A sum of Rs. 320,000 has been set aside that constitutes a Farmer Welfare Fund. This fund, as builds up progressively, will be utilised for any socially relevant scheme proposed by the project farmers.

d) Introduction of Passion Fruit Cultivation in Moneragala and Galgamuwa

With financial grant of Rs. 3.5 Mn from IFAD, in 2010-2011 passion fruit cultivation was introduced in Moneragala and Galgamuwa. The objective was to raise income of small and marginal farmers by providing a more stable and remunerative crop in place of native rainfed crops that are risky and less profitable. Anchoring a firm up buyback arrangement was another perceived advantage of shifting to passion fruit cultivation. Presently farm level trade in rain dependent crops such as kurakkan, green gram is fragmented, edgy and imperfect.

Beginning 2012, direct procurement of passion fruits started. By April, around 20 tons of fresh fruits were purchased from 50 farmers. We expect to buy 75-100 tons before the end of fruiting season in November. Once the crop reaches its peak yielding ability, during the next 2 years we expect that this project alone will be able to meet 50% of the annual pulp requirements of KIST plant. Currently, every month 15-20 tons passion fruit pulp is imported. Besides savings to KIST by sourcing local passion fruit, farmers will have assured price and market for their produce.

5.2 Investing in Regional Economies

At Cargills a relationship we establish with farmers is a bond we have with the fields they sow, the families they nurture, the communities they live in and the schools where their children learn. Cargills has therefore initiated farmer community development funds where 50 cents is given back to the village against each kilogramme of vegetables purchased from our farmers. This fund is used to provide scholarships for needy children from the community, to provide resources for learning and advancement, to meet basic community infrastructure needs such as utility connections, community centres, libraries, etc. Our focus is to engage the communities that work with us to charter their own course of development. The Funds have been established with our farmer communities in Thanamalwila and during the year the fund was introduced to Boralanda and Jaffna.

In the year concluded, the Gangeyaya, Thanamalwila Community Development Fund awarded 50 scholarships for higher education for children from the community. In addition 6 laptops sponsored by Deutsche Bank as part of its 'Children of Change' initiative, were awarded for students from the area pursuing University education. 22 homes in the Gangeyaya village were also granted pipe-borne water through the project. A desktop PC and an internet connection were provided to the community centre library along with 100 chairs and 3 tables for the community centre. The total contribution to the community was Rs. 1.278 Mn. The effort was also partnered by One Trust Sri Lanka.

5.3 Investing in Our Children: One Trust Sri Lanka

One Trust came into being from the very heart of Cargills out of compassion and empathy for our fellow Sri Lankans whose lives were devastated in the Boxing Day Tsunami of 2004. One Trust targeted the children who survived the mental and physical trauma of the tsunami disaster and helped rebuild identified schools from Southern and Eastern coastal areas.

Today One Trust has expanded its vision to heal the spirits and hearts of children affected by war and restore their ability to hope and dream. During the year One Trust took the dividends of the internationally acclaimed Galle Literary Festival to the children of the regions while continuing to support children from agriculture communities through its engagement with the Cargills Community Development Funds.

**GALLE LITERARY FESTIVAL 2012:
OUTREACH PROGRAMME IN GALLE
AND JAFFNA SUPPORTED BY ONE
TRUST**

One Trust Sri Lanka came forward to support this programme as means of releasing the creative energies of children who have long been suppressed by conflict. The programmes held in the North and South proved immensely successful.

**Jaffna Teacher Training and Children's
School Programme**

The 2012 Galle Literary Festival culminated in a two day outreach programme in Jaffna made possible by One Trust Sri Lanka.

The outreach programme focused on two main topics: "The Art of Story Telling" and "The Wonders of Interactive Books" through workshops conducted by two internationally renowned authors, Jeeva Raghunath and Robert Crowther, acclaimed masters in the above areas.

The schools' day was held at the Jaffna College with selected schools from the region. Robert Crowther and Jeeva Raghunath spent the day with 150 children who participated in the unique journey into Jeeva's imaginary world of stories and Robert's creative world of pop-up books.

Heralding from Chennai, Jeeva Raghunath conducted her workshop in Tamil and English, drawing the students into the story through call and response and through assigning them to produce various sound effects.

The two authors also conducted four workshops in Jaffna, spread over two days for 100 teachers from schools in Jaffna, Islands, Thenmarachchi, Vadamarachchi, Valikamam, Kilinochchi and Thanukkai.

**Schools' Day, Galle and Fort Children's Programme at the Galle Literary
Festival 2012**

The Schools' day provided free of charge to students within the Galle Fort was an inspiring opportunity for schoolchildren to have an international literary festival come to their region. The sessions provided them with an understanding of basic art forms, social values and culture through creative work.

6. ECI Economic Performance

Cargills is committed to delivering sustainable economic performance and growth to all its stakeholders. By conducting our businesses in a sustainable and socially responsible manner, Cargills provides both financial and non-financial value to our shareholders, business partners, employees, customers and local communities.

The Statement of Value Added on page 82 depicts the generation of wealth and its distribution among the stakeholders by acting responsibly in all our business activities and social engagements across our value chain. It includes economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. It also indicates the re-investments for the replacement of assets and amounts retained for growth and development of the operation.

Financial Reports

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Annual Report of the Directors on the Affairs of the Company

The Directors are pleased to submit the Annual Report together with the audited financial statements of Cargills (Ceylon) PLC and consolidated audited financial statements of the Group for the year ended 31 March 2012.

Review of the Year

The Chairman's message describes in brief the group's affairs, performance and important events of the year.

Activities

Manufacturing of and trading in Food and Beverage and Distribution are the principal activities.

The Group:

- a) Operates a chain of supermarkets and convenience stores.
- b) Distributes world renowned brands of beverages and other FMCG products.
- c) Manufactures/produces/processes and markets processed meats, dairy ice creams, dairy yoghurt, cheese, milk, jams, cordials, sauces, biscuits and beverages.
- d) Operates the 'Kentucky Fried Chicken' franchise restaurants in Sri Lanka, by processing of agricultural produce.

e) Operates a hotel in the hill-country.

f) Operates a chain of photo processing outlets.

Financial Statements

The audited financial statements include the income statements, balance sheets, statements of changes in equity, cash flow statements and notes to the financial statements of the company and the group for the financial year ended 31 March 2012 are given on pages 46 to 81 form an integral part of the Annual Report of the Board.

Auditors' Report

The auditors' report is set out on page 45.

Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on the pages 50 to 55. There were no significant changes to the accounting policies of the Group during the year.

Results and Dividends

For the year ended 31 March	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Profit for the year after taxation amounted to	1,093,350	1,094,173	1,191,670	555,285
After deducting the amount attributable to non controlling interest of	(14,263)	(5,623)	-	-
The profit attributable to shareholders was	1,079,087	1,088,550	1,191,670	555,285
To which profit brought forward from previous year is added	2,220,095	1,522,745	571,237	407,152
Adjustment resulted in increase of subsidiary shareholding	(25,575)	-	-	-
Transfer to general reserve	-	(100,000)	-	(100,000)
Leaving an amount available to the company for appropriation of	3,273,607	2,511,295	1,762,907	862,437
From which your directors have made appropriations as follows:				
Dividend paid for the year ended 31 March 2011				
Final 80 Cents per share	-	179,200	-	179,200
Interim 50 Cents per share	-	112,000	-	112,000
Dividend paid for the year ended 31 March 2012				
Final Rs. 1 per share	224,000	-	224,000	-
Interim 70 Cents per share	156,800	-	156,800	-
Leaving an unappropriated balance to be carried forward of	2,892,807	2,220,095	1,382,107	571,237
	3,273,607	2,511,295	1,762,907	862,437

Annual Report of the Directors on the Affairs of the Company *contd...*

An interim dividend of 70 Cents per share (Rs. 156.8 Mn) was paid on 06 January 2012 for the year ended 31 March 2012. A final dividend of Rs. 1.30 per share (Rs. 291.2 Mn) is proposed for the year ended 31 March 2012. This will be reflected in the subsequent year's financial statements (note 9 on page 60).

Reserves

After the above mentioned appropriations, the total reserves of the group stands at Rs. 7,501 Mn. (2011-Rs. 6,829 Mn), while the total reserves of the company stand at Rs. 5,487 Mn (2011-Rs. 4,675 Mn).

Stated Capital

Stated capital of the company as at 31 March 2012 was Rs. 131 Mn. The details of the stated capital is given in note 19 to the financial statements on page 69.

Capital Expenditure

The Group's capital outlay on property, plant and equipment amounted to Rs. 2,510.6 Mn (2011-Rs. 1,408.9 Mn) while the capital outlay of the company on property, plant and equipment amounted to Rs. 1,478 Mn (2011-Rs. 877.2 Mn). Details are given in note 10 to the financial statements on pages 60 to 62.

The movement of property, plant and equipment during the year is given in note 10 to the financial statements on pages 60 to 62.

Market Value of Properties

The Group land and buildings were revalued as at 31 March 2010. Details are given in note 10 to the financial statements on pages 60 and 61.

The portfolio of the revalued land and buildings are given on page 84 to the financial statements.

Shareholdings

The Company is a subsidiary of C T Holdings PLC and there were 2,038 registered shareholders as at 31 March 2012 (2011-2,243).

An analysis of shareholdings according to the size of holding and the names of the 20 largest shareholders is given on pages 85 and 86.

Directorate

The Directors listed on the inner back cover have been directors of the company throughout the year under review.

Messrs. Anthony A. Page, J. C. Page and P. S. Mathavan retire by rotation in terms of the Company's Articles of Association and being eligible offer themselves for re-election.

Mr. Jayantha Dhanapala (73) is due to retire in terms of Section 210 (2) (b) of the Companies Act No. 07 of 2007, and offers himself for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 07 of 2007.

The Company recently established a new policy with regard to directors over 70 years of age which reads thus:

"Group Policy on Retirement Age of Directors

A director to retire on reaching the age of 70 years provided such director has completed five years as a director of such company. Such a director may continue up to the said 5 years at his/her request unless the company decides otherwise."

Mr. Jayantha Dhanapala has not completed 5 years as a director of the company, being first appointed a director on 1 June 2008.

The re-election of the retiring directors has the unanimous support of the other directors.

Directors' Remuneration

The remuneration of the directors is given in note 33.1 on page 78 to the consolidated financial statements.

Directors' Interests in Contracts

Directors' interests in transactions of the company are disclosed in note 33 to the financial statements and have been declared at meetings of the directors. The Directors have had no direct or indirect interest in any other contracts in relation to the business of the company.

Interest Register

The Company maintains an Interest Register conforming to the Provisions of the Companies Act No. 07 of 2007.

Directors' Shareholding

The Directors' shareholdings in the company were as follows:

	As at 31 March 2012	As at 31 March 2011
Mr. L R Page	36,760	36,760
Mr. V R Page	14,403,900	14,380,200
Mr. M I Abdul Wahid	4,000	4,000
Mr. S V Kodikara	124,000	124,000
Mr. P S Mathavan	500	500
Mr. Jayantha Dhanapala	-	-
Mr. A T P Edirisinghe	50,000	50,000
Mr. S E C Gardiner	20,000	20,000
Mr. Sunil Mendis	20,000	20,000
Mr. Anthony A Page	5,050,000	5,050,000
Mr. J C Page	1,705,500	1,705,500
Mr. E A D Perera	10,000	10,000

Auditors

Messrs KPMG are deemed reappointed as Auditors at the Annual General Meeting of the company in terms of Section 158 of the Companies Act No. 07 of 2007. The Directors have been authorised to determine the remuneration of the Auditors and the fee paid to Auditors are disclosed in note 6 to the financial statements. As far as the directors are aware, the auditors do not have any relationship (other than that of an auditor) with the company or any of its subsidiaries other than those disclosed in the above note.

Post Balance Sheet Events

Post balance sheet events of the company are given in note 32 to the financial statements on page 78.

Statutory Payments

All statutory payments due to the Government of Sri Lanka and on behalf of employees have been made or accrued for the balance sheet date.

Future Developments

The Chairman's message describes the future developments of the group.

Environmental Protection

After making adequate enquiries from the management, the directors are satisfied that the company and its subsidiaries operate in a manner that minimises the detrimental effect on the environment and provide products and services that have a beneficial effect on the customers and the communities within which the group operates.

Going Concern

The Directors have adopted the Going Concern Basis in preparing these financial statements. After making enquiries from the management, the directors are satisfied that the group has adequate resources to continue its operations in the foreseeable future.

For and on behalf of the Board

Signed

V R Page

Deputy Chairman/CEO

Signed

M I Abdul Wahid

Managing Director/Deputy CEO

Signed

S L W Dissanayake

Company Secretary

20 August 2012

Statement of Directors' Responsibilities

The Companies Act No. 07 of 2007 places the responsibility on the directors to prepare and present financial statements for each year comprising a balance sheet as at year end date and statements of income, cash flows and changes in equity for the year together with the accounting policies and explanatory notes. The responsibility of the auditors with regard to these financial statements, which differ from that of the directors, is set out in the Auditors' Report on page 45.

Considering the present financial position of the company and the forecasts for the next year, the directors have adopted the going concern basis for the preparation of these financial statements.

The Directors confirm that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards, which have been consistently applied and supported, by reasonable and prudent judgments and estimates.

The Directors are responsible for ensuring that the company maintains adequate accounting records to be able to disclose with reasonable accuracy, the financial position of the company and the group and for ensuring that the financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act.

The Directors are responsible for the proper management of the resources of the company. The internal control system has been designed and implemented to obtain reasonable but not absolute assurance that the company is protected from undue risks, frauds and other irregularities. The Directors are satisfied that the control procedures operated effectively during the year.

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made up to date or have been provided for in these financial statements.

By order of the Board

Signed
S L W Dissanayake
Company Secretary

20 August 2012

Independent Auditors' Report


KPMG

(Chartered Accountants)

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Colombo 00300,
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TO THE SHAREHOLDERS OF CARGILLS (CEYLON) PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Cargills (Ceylon) PLC (the "Company"), the consolidated financial statements of the Company and its subsidiaries as at 31 March 2012 which comprise the balance sheet as at 31 March 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 46 to 81 of this annual report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 March 2012 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153(2) to 153(7) of the Companies Act No. 07 of 2007.

KPMG
CHARTERED ACCOUNTANTS

 20 August 2012
Colombo

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA

Ms. M. P. Perera FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rajapakse ACA

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

Income Statements

For the year ended 31 March	Notes	Group		Company	
		2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Revenue	2	48,256,413	37,128,661	39,205,479	29,669,660
Cost of sales	3	(43,299,435)	(33,646,234)	(36,805,497)	(28,210,024)
Gross profit		4,956,978	3,482,427	2,399,982	1,459,636
Other income	4	785,915	582,450	1,184,076	633,048
Distribution expenses		(1,249,904)	(635,971)	(218,768)	(176,045)
Administrative expenses		(1,971,274)	(1,412,112)	(1,194,926)	(806,978)
Other expenses		(247,105)	(191,352)	(68,371)	(59,306)
Operating profit		2,274,610	1,825,442	2,101,993	1,050,355
Finance costs	5	(630,044)	(363,946)	(555,088)	(294,248)
Share of loss of equity accounted investees	12.5	(57,663)	(54,793)	-	-
Profit before taxation	6	1,586,903	1,406,703	1,546,905	756,107
Income tax expense	7	(493,553)	(312,530)	(355,235)	(200,822)
Net profit for the year		1,093,350	1,094,173	1,191,670	555,285
Attributable to:					
Equity shareholders of the parent		1,079,087	1,088,550	1,191,670	555,285
Non controlling interest		14,263	5,623	-	-
		1,093,350	1,094,173	1,191,670	555,285
Earnings per share-basic/diluted (Rs.)	8	4.82	4.86	5.32	2.48
Dividends per share (Rs.)	9	2.00	1.50	2.00	1.50
Dividends paid per share (Rs.)		1.70	1.30	1.70	1.30

The accounting policies and notes from pages 50 to 81 form an integral part of these financial statements.

Balance Sheets

As at 31 March	Notes	Group		Company	
		2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
ASSETS					
Non - current assets					
Property, plant and equipment	10	14,152,240	11,104,597	8,371,391	7,471,198
Intangible assets	11	1,731,104	1,054,384	-	-
Investments in subsidiaries	12.1	-	-	2,673,553	1,668,553
Investment in associates	12.2	103,619	161,282	216,075	216,075
Advance paid for acquisition of assets	13	-	1,205,425	-	-
Prepayment on leasehold land and building	14	28,000	28,875	-	-
Deferred tax assets	15	81,425	14,315	-	-
		16,096,388	13,568,878	11,261,019	9,355,826
Current assets					
Inventories	16	5,041,726	3,576,322	3,469,818	2,707,913
Trade and other receivables	17	2,894,764	1,588,978	1,476,915	704,712
Amount due from related companies	18	160,888	197,079	3,507,427	2,800,698
Short term investments	12.3	139,555	75,587	34,006	46,965
Cash and cash equivalents	21	517,583	303,645	446,833	246,161
		8,754,516	5,741,611	8,934,999	6,506,449
Total assets		24,850,904	19,310,489	20,196,018	15,862,275
EQUITY					
Stated capital	19	130,723	130,723	130,723	130,723
Reserves	20	4,607,736	4,608,892	4,105,094	4,103,606
Retained earnings		2,892,807	2,220,095	1,382,107	571,237
Total equity attributable to equity holders of the company		7,631,266	6,959,710	5,617,924	4,805,566
Non controlling interest		85,914	89,723	-	-
Total equity		7,717,180	7,049,433	5,617,924	4,805,566
LIABILITIES					
Non - current liabilities					
Borrowings	22	242,540	384,167	-	-
Deferred tax liability	23	412,477	328,458	365,350	287,662
Deferred income	24	25,658	2,389	-	-
Retirement benefit obligation	25	250,204	192,761	216,596	164,553
		930,879	907,775	581,946	452,215
Current liabilities					
Trade and other payables	26	6,614,213	4,822,059	4,952,301	3,848,521
Current tax liability		379,315	277,501	226,168	229,719
Amount due to related companies	18	1,819,264	1,636	2,410,053	1,035,803
Dividends payable	27	20,815	17,610	20,624	17,609
Borrowings	22	7,369,238	6,234,475	6,387,002	5,472,842
		16,202,845	11,353,281	13,996,148	10,604,494
Total liabilities		17,133,724	12,261,056	14,578,094	11,056,709
Total equity and liabilities		24,850,904	19,310,489	20,196,018	15,862,275

The accounting policies and notes from pages 50 to 81 form an integral part of these financial statements.

I certify that these financial statements have been prepared in accordance with the requirements of the Companies Act No. 07 of 2007.

Signed

A Vageesan

Group Financial Controller

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board

Signed

V R Page

Deputy Chairman/CEO

Signed

M I Abdul Wahid

Managing Director/Deputy CEO

20 August 2012
Colombo

Statements of Changes in Equity

Group	Attributable to equity shareholders of the parent						Total Non controlling interest	Total
	Stated capital	Capital reserve	Revaluation reserve	General reserve	Retained earnings	Total		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2010	130,723	7,928	4,094,259	385,500	1,522,745	6,141,155	-	6,141,155
Acquisition of subsidiaries	-	-	-	-	-	-	84,100	84,100
Net profit for the year	-	-	-	-	1,088,550	1,088,550	5,623	1,094,173
Deferred tax on revaluation	-	-	21,205	-	-	21,205	-	21,205
Transferred to general reserve	-	-	-	100,000	(100,000)	-	-	-
Dividends	-	-	-	-	(291,200)	(291,200)	-	(291,200)
Balance as at 31 March 2011	130,723	7,928	4,115,464	485,500	2,220,095	6,959,710	89,723	7,049,433
Balance as at 1 April 2011	130,723	7,928	4,115,464	485,500	2,220,095	6,959,710	89,723	7,049,433
Net profit for the year	-	-	-	-	1,079,087	1,079,087	14,263	1,093,350
Deferred tax on revaluation	-	-	(1,156)	-	-	(1,156)	-	(1,156)
Adjustment resulted in increase of subsidiary shareholding	-	-	-	-	(25,575)	(25,575)	(18,072)	(43,647)
Dividends	-	-	-	-	(380,800)	(380,800)	-	(380,800)
Balance as at 31 March 2012	130,723	7,928	4,114,308	485,500	2,892,807	7,631,266	85,914	7,717,180

Company	Stated capital	Revaluation reserve	General reserve	Retained earnings	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2010	130,723	3,598,018	385,500	407,152	4,521,393
Transferred to general reserve	-	-	100,000	(100,000)	-
Net profit for the year	-	-	-	555,285	555,285
Deferred tax on revaluation	-	20,088	-	-	20,088
Dividends	-	-	-	(291,200)	(291,200)
Balance as at 31 March 2011	130,723	3,618,106	485,500	571,237	4,805,566
Balance as at 1 April 2011	130,723	3,618,106	485,500	571,237	4,805,566
Net profit for the year	-	-	-	1,191,670	1,191,670
Deferred tax on revaluation	-	1,488	-	-	1,488
Dividends	-	-	-	(380,800)	(380,800)
Balance as at 31 March 2012	130,723	3,619,594	485,500	1,382,107	5,617,924

The accounting policies and notes from pages 50 to 81 form an integral part of these financial statements.

Cash Flow Statements

For the year ended 31 March	Notes	Group 2012 Rs. '000	Group 2011 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000
Cash flows from operating activities					
Profit before taxation		1,586,903	1,406,703	1,546,905	756,107
Adjustments for:					
Depreciation	10	1,167,340	851,291	674,369	535,586
Retirement benefit obligation	25	72,083	28,454	64,464	24,753
Amortisation of intangible assets	11	9,647	7,785	-	-
Amortisation of prepayment on leasehold land and building	14	875	875	-	-
(Profit)/loss on sale of property, plant and equipment	4	(15,405)	151	-	113
Impairment of property, plant and equipment		-	10,967	-	-
Write-off of capital work in progress		-	814	-	-
Amortisation of deferred income		(4,152)	(477)	-	-
Share of associate results		57,663	54,793	-	-
Profit from disposal of investments	4	-	(7,768)	-	(7,768)
Provision for/(reversal of provision for) inventories		12,968	11,355	3,559	-
Provision for/(reversal of provision for) doubtful debtors		23,359	9,186	2,580	-
Provision for/(reversal of provision for) investments		12,959	1,844	12,959	1,877
Finance costs	5	630,044	363,946	555,088	294,248
Dividend income	4	(273)	(8)	(380,317)	(48,603)
Operating profit before working capital changes		3,554,011	2,739,911	2,479,607	1,556,313
Changes in working capital					
- (Increase)/decrease in inventories		(1,478,372)	(417,291)	(765,464)	(884,578)
- (Increase)/decrease in trade and other receivables		(1,375,793)	(219,132)	(854,055)	(169,133)
- (Increase)/decrease in related company receivables		36,191	115,368	(1,683,643)	(1,445,653)
- Increase/(decrease) in trade and other payables		1,792,154	469,777	1,103,780	414,694
- Increase/(decrease) in related company payables		1,817,628	(14,431)	1,731,213	686,099
Cash generated from operations		4,345,819	2,674,202	2,011,438	157,742
Taxes paid		(329,338)	(210,753)	(200,338)	(106,539)
Interest paid		(630,044)	(363,946)	(555,088)	(294,248)
Gratuity paid	25	(14,640)	(11,228)	(12,421)	(10,470)
Net cash generated from/(used in) operating activities		3,371,797	2,088,275	1,243,591	(253,515)
Cash flows from investing activities					
Addition to property, plant and equipment		(3,459,108)	(2,188,963)	(1,574,562)	(1,491,135)
Investment in new share issues of subsidiaries		-	-	(5,000)	-
Addition to intangible assets	11	(16,367)	(5,853)	-	-
Acquisition of non controlling interest in subsidiaries		(43,647)	-	-	-
Acquisition of subsidiaries		-	(1,380,668)	-	(1,037,785)
Advance paid for acquisition of assets	13	(223,998)	(1,205,425)	-	-
Short term investments		(76,927)	(64,535)	-	(37,402)
Sale of property, plant and equipment		18,953	826	-	-
Receipt of grant		27,421	-	-	-
Dividends received	4	273	8	268	-
Net cash generated from/(used in) investing activities		(3,773,400)	(4,844,610)	(1,579,294)	(2,566,322)
Cash flows from financing activities					
Net proceeds from/(repayment of) short term borrowings		(799,065)	1,920,315	(560,020)	2,039,980
Repayments of long term borrowings	22	(127,427)	(143,776)	-	(49,999)
Dividends paid		(377,595)	(287,671)	(377,785)	(287,671)
Net cash generated from/(used in) financing activities		(1,304,087)	1,488,868	(937,805)	1,702,310
Increase/(decrease) in cash and cash equivalents		(1,705,690)	(1,267,467)	(1,273,508)	(1,117,527)
Movement in cash and cash equivalents					
At the beginning of the year		(2,270,443)	(806,429)	(1,936,721)	(819,194)
On acquisition of subsidiaries		-	(196,547)	-	-
Movement during the year		(1,705,690)	(1,267,467)	(1,273,508)	(1,117,527)
At the end of the year	21	(3,976,133)	(2,270,443)	(3,210,229)	(1,936,721)

The accounting policies and notes from pages 50 to 81 form an integral part of these financial statements.

Notes to the Financial Statements

1.1 Reporting Entity

Cargills (Ceylon) PLC is a Quoted Public Limited Liability Company incorporated and domiciled in Sri Lanka and listed in Colombo Stock Exchange. The registered office of the company is located at 40, York Street, Colombo 1.

The principal activities of the group are

- 1) Operating a chain of retail outlets under the brand names of 'Food City' and 'Food City Express'
- 2) Manufacturing and distributing
 - a) Ice cream, yoghurt, cheese and other dairy products under the brand names of 'Magic', 'Heavenly' and 'Kotmale'
 - b) Fruit based products under 'Kist' brand
 - c) Processed and fresh meat products under the brand names of 'Supremo', 'Finest', 'Goldi' and 'Sams'.
 - d) Biscuits under the brand name of 'Kist'
 - e) Beer under the brand names of 'Sando', 'Three Coins', 'Grand Blonde', and 'Irish Dark' etc.
- 3) Operating a chain of 'KFC' restaurants under the franchise agreement.
- 4) Distribution of international brands such as 'Kodak', 'Kraft', 'Cadbury', 'Bonlac', 'Nabisco', 'Tang' and 'Toblerone' etc.

The Company, in the financial statements, refers to Cargills (Ceylon) PLC and group refers to the company and all its subsidiaries whose financial statements have been consolidated.

1.2 Basis of Preparation

The financial statements are prepared in accordance with and comply with Sri Lanka Accounting Standards (SLASs) laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of free hold land and building.

The preparation of the consolidated financial statements in conformity with SLASs requires management to make judgements, 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 07, 15 and 23 – utilisation of tax losses
- Note 25 – measurement of retirement benefit obligation

The Directors have made an assessment of the group's ability to continue as a going concern in the foreseeable future, and they do not intend either to liquidate or cease operations.

1.3 Significant Accounting Policies

These accounting policies applied by the group are, unless otherwise stated, consistent with those used in the previous year. Previous year figures and phrases have been re-arranged, wherever necessary, to conform to the current year's presentation.

1.3.1 Basis of Consolidation

The consolidated financial statements (referred to as the "group") comprise the financial statements of the company and its subsidiaries and the group's interest in associate companies. Subsidiaries and associates consolidated are disclosed in note 12 to the financial statements.

1.3.1.1 Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non controlling interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses also eliminated but considered an impairment indicator of

the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The subsidiary undertakings financial years are coterminous with that of the company.

1.3.1.2 Non Controlling Interest

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

1.3.1.3 Associates

Associates are all entities over which the group has significant influence but no control, generally accompanying a shareholding of between 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses in associates are recognised in the income statement.

1.3.1.4 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill acquired in a business combination is tested annually for impairment, or more frequently if events or changes in circumstance indicate that it might be impaired; and carried at costs less accumulated impairment losses. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

1.3.1.5 Reporting Date

All the group's subsidiaries and associate companies have a common financial year ends on 31 March.

1.3.2 Transactions in Foreign Exchange

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sri Lankan Rupees, which is the company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

1.3.3 Assets and Bases of Their Valuation

1.3.3.1 Property, Plant and Equipment

Recognition and Measurement

The property, plant and equipment are measured at cost/fair value less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes expenditure that are directly attributable to the acquisition of the asset. When a property, plant and equipment comprise components that have different useful lives, they are accounted for as separate items of property, plant and equipment.

Notes to the Financial Statements *contd...*

Carrying amounts of property plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

All the property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, any increases in the carrying amount are credited to revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity, any excess and all other decreases are charged to the income statement. Revaluation of property, plant and equipment are undertaken by professionally qualified independent valuers.

Subsequent Cost

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Property, plant and equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of property plant and equipment is included in the income statement in the year it is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation

Provision for depreciation is calculated based on their estimated useful lives of each part of an item of property, plant and equipment other than land. Depreciation is calculated using straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

The estimated useful lives are as follows

Freehold buildings	50 years
Plant and machinery	5 - 10 years
Office and other equipment	5 years
Furniture and fittings	5 years
IT equipment and software	3 - 5 years
Motor vehicles	4 years
Air condition and refrigeration	5 - 10 years
Improvements to leasehold assets	4 - 10 years

Improvements on leasehold buildings and buildings constructed on leasehold land are amortised over the lower of their economic useful lives or unexpired period of lease.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the assets is classified as held for sale and the date that the assets is derecognised.

The useful life, depreciating methods and residual values are assessed annually or in an earlier date where any circumstance indicates such assessment is required.

1.3.3.2 Leases

Finance Leases

Assets are classified as acquired by finance leases when by an agreement, the group substantially assumes the risk and rewards incidental to the ownership of an asset.

Assets acquired by the way of finance lease are measured at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception less accumulated depreciation and accumulated impairment losses.

Operating Leases

When the lessor effectively retains substantially all the risks and rewards of an asset under the lease agreement, such leases are classified as operating leases. Payments under operating leases are recognised as an expense in the income statement over the period of lease on a straight line basis.

1.3.3.3 Investments

Quoted and unquoted investments held on a long term basis are classified as non-current investments and are measured at cost less impairment losses. The cost of acquisition includes the cost of brokerage and the cost of transaction. Provision for impairment is made in the income statement determined on an individual basis, when there has been a decline in the value of investments, considered other than temporary .

Marketable securities which have been classified under short term investments are valued at lower of cost and market value, on an individual basis. Market value is calculated by reference to closing share values as at the balance sheet date published by the Colombo Stock Exchange.

1.3.3.4 Intangible Assets

Brand Name

Externally acquired brand names are shown at their historical costs. Brand names which have infinite useful life are carried at cost less accumulated impairment losses.

The useful life of brand name is reviewed in each year to determine whether events and circumstances continue to support an infinite useful life assessment. If they do not, the change in the useful life assessment from infinite to finite shall be accounted for as a change in an accounting estimate in accordance with SLAS 10.

Franchisee Fee

Franchisee fee are shown at historical cost. Franchisee fee have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchisee fee over their estimated useful life of 10 years.

Computer Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of 4 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives.

1.3.3.5 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the normal course of business less estimated cost of realisation and/or cost of conversion from their existing state to saleable condition.

The cost of each category of inventory of the group is determined on the following basis.

Raw Materials	- Actual cost on a First In First Out - (FIFO) basis
Finished goods and work-in-progress	- Directly attributable manufacturing cost
Merchandising goods	- Actual cost on a First In First Out - (FIFO) basis
Other inventories	- Actual cost

1.3.3.6 Receivables

Trade receivables are recognised at the amounts that they are estimated to realise less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect the amounts due in full. The amount of the provision is the difference between the asset's carrying amount and the estimated realisable value. The amount of the provision is recognised in the income statement within selling and distribution expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

1.3.3.7 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and at bank and short term highly liquid investments, readily convertible to known amounts.

For the purpose of cash flow statements, cash and cash equivalents comprise cash in hand and at bank net of outstanding bank overdraft.

Cash flow statement is prepared based on the indirect method.

1.3.3.8 Impairment of Assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment annually or at an earlier date where events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

1.3.4 Equity and Liabilities

1.3.4.1 Stated Capital

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.3.4.2 Borrowings

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the Financial Statements *contd...*

1.3.4.3 Employee Benefits

Defined Benefit Plan – Retiring Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The liability recognised in the balance sheet in respect of defined benefit plan is the present value of defined benefit obligation as at the balance sheet date. Benefits falling due more than 12 months after the balance sheet date are discounted to present value. The defined benefit obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by SLAS 16 - "Employees Benefits".

The actuarial gains and losses are credited or charged to income statement in the period in which they arise.

The assumptions based on which the results of the actuarial valuation was determined, are included in note 25 to the financial statements.

However, according to the Payment of Gratuity Act No.12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the company.

Defined contribution plan - Employees' Provident Fund and Employees' Trust Fund

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligations to pay further amounts.

All the employees who are eligible for Employees' Provident Fund and Employees' Trust Fund are covered by relevant contribution funds in line with the respective statutes. Employer's contribution to the defined contribution plans are recognised as an expense in the income statement when incurred.

1.3.4.4 Provisions, Contingent Assets and Contingent Liabilities

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

All contingent liabilities are disclosed, as notes to the financial statements unless the outflow of resources is remote.

Contingent assets if exist, are disclosed, when inflow of economic benefit is probable.

1.3.4.5 Commitments

All material commitments as at the balance sheet date have been identified and disclosed in the notes to the financial statements.

1.3.5 Income Statement

1.3.5.1 Presentation

The income statement is presented on the "function of expenses" method, as it represents fairly the elements of the company's performance and prescribed by Sri Lanka Accounting Standards.

1.3.5.2 Revenue

The revenue of the company and group represents invoiced value of goods to customers other than to companies in the group, net of discounts and returns.

1.3.5.3 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, net of sales within the group.

The following specific criteria are used to recognise revenue.

Revenue from sale of goods is recognised when the significant risk and reward of ownership have been transferred to the buyer, the consideration is recoverable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

Rental income is recognised on an accrual basis.

Interest income is recognised as it accrues.

Dividend income is recognised on an accrual basis when the company's right to receive the dividend is established.

Gains or losses of revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the income statement, after deducting from the net sales proceeds on disposal the carrying amount of such assets.

All other income is recognised on an accrual basis.

1.3.5.4 Expenditure

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

1.3.5.5 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.3.5.6 Disposal of Property, Plant and Equipment

Gain or losses on the disposal of property, plant and equipment have been accounted for in the income statement.

1.3.5.7 Deferred Income

Government grants, including non-monetary grants at fair value, are recognised when there is reasonable assurance that the conditions attached to them will be complied by the company and the grants will be received. Grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet as deferred income and recognised in the income statement on a systematic and rational basis over the useful life of the asset. Grants related to income are presented as a credit in the income statement, under the heading 'other income' against the incurrence of related expenditure.

1.3.5.8 Income Tax Expense

Current Tax

The provision for income tax is based on the element of income and expenditure in the financial statements and is computed in accordance with the provisions of the Inland Revenue Act.

Deferred Income Tax

Deferred income tax is provided using liability method on the temporary differences as at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 assets to be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates that have been enacted or substantively enacted as at the balance sheet date.

1.3.5.9 Segment Information

The Group's primary segments are retail, FMCG and Restaurants. There are no distinguishable components to be identified as geographical segment for the group. The business segments are reported based on the group's management and internal reporting structure.

Inter segment pricing is determined at prices mutually agreed by the companies.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest bearing loans, borrowings and expenses, corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets, which are expected to be used for more than one accounting period.

1.3.6 Events Occuring After the Balance Sheet Date

All material post balance sheet events have been considered, disclosed and adjusted where applicable.

1.3.7 New Accounting Standards Issued But Not Effective as at Balance Sheet Date

The new Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka comprising accounting standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS) will be adopted by the group effective from 1 April 2012.

The Group is currently in the process of evaluating the potential effect of the adoption of these standards on its financial statements. Such impact has not been quantified as at the reporting date.

Notes to the Financial Statements *contd...***2. Revenue**

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross revenue	49,447,605	38,156,172	39,596,392	30,150,911
Revenue related taxes	(1,191,192)	(1,027,511)	(390,913)	(481,251)
Net revenue	48,256,413	37,128,661	39,205,479	29,669,660

The Group has identified three sectors as the primary segments of the group and are presented in the note 28. No secondary segments are identified as the entire revenue consists of revenue within Sri Lanka.

3. Cost of Sales

Cost of sales of the company and group includes direct operating costs.

4. Other Income

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Dividend income	273	8	380,317	48,603
Rental income	28,500	19,150	41,432	32,188
Profit/(loss) on sale of property, plant and equipment	15,405	(151)	-	(113)
Merchandising income	718,866	534,032	762,327	544,602
Profit on sale of investments	-	7,768	-	7,768
Foreign exchange gain	9,906	6,329	-	-
Amortisation of deferred income				
- Capital grant	1,975	477	-	-
- Revenue grant	2,177	-	-	-
Sundry income	8,813	14,837	-	-
	785,915	582,450	1,184,076	633,048

5. Finance Costs

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest expense on				
- Short term loans	404,360	139,814	376,246	120,243
- Bank overdrafts	201,872	107,545	172,458	95,452
- Other loans and bank charges	23,337	116,186	5,909	78,152
- Staff security deposits	475	401	475	401
	630,044	363,946	555,088	294,248

6. Profit Before Taxation

Profit before taxation is stated after charging/(crediting) all expenses/(income) including the following:

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Staff costs (note 6.1)	2,707,753	1,995,461	1,909,026	1,452,358
Auditors' remuneration				
- Audit	4,520	3,981	850	690
- Non audit services	1,324	462	305	255
Depreciation on property, plant and equipment (note 10)	1,167,340	851,291	674,369	535,586
Amortisation of intangible assets (note 11)	9,647	7,785	-	-
Foreign exchange gain (note 4)	(9,906)	(6,329)	-	-
(Reversal)/Provision for inventories	12,968	11,355	3,559	-
Impairment of property, plant and equipment	-	10,967	-	-
Directors' emoluments	113,800	74,625	103,060	70,113

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000

6.1 Staff Costs

Salaries, wages and other costs	2,414,667	1,808,132	1,690,531	1,311,277
Pension costs-retirement benefit obligation (note 25)	72,083	28,454	64,464	24,753
Defined contribution plan cost-EPF and ETF	221,003	158,875	154,031	116,328
	2,707,753	1,995,461	1,909,026	1,452,358
Number of employees as at 31 March	7,414	6,790	5,469	5,007

7. Income Tax Expense

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current Income Tax				
Current tax charge (note 7.1)	455,394	322,094	295,188	226,324
Social Responsibility Levy	-	4,434	-	3,395
Irrecoverable ESC	116	2,439	-	-
Dividend tax	41,829	6,864	-	-
(Over)/under provision of current tax of previous years	(19,539)	(15,243)	(19,129)	(12,452)
Deferred income tax (note 7.2)	15,753	(8,058)	79,176	(16,445)
	493,553	312,530	355,235	200,822

- (a) The tax liability of companies are computed at the standard rate of 28% or 40% except for the following companies which enjoy full or partial exemptions and concessions.

Cargills Quality Confectioneries (Private) Limited is exempt from income tax till the year of assessment 2017/2018 in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

Notes to the Financial Statements *contd...*

Kotmale Milk Products Limited is subject to a concessionary tax rate of 10% under the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

Cargills Foods Processors (Private) Limited is subject to a concessionary tax rate of 12% under the Inland Revenue Act No 10 of 2006 and subsequent amendments thereto.

Cargills Quality Dairies (Private) Limited, Cargills Quality Foods Limited, Cargills Agrifoods Limited and Kotmale Dairy Products (Private) Limited are subject to a concessionary tax rate of 10% under the Inland Revenue Act No 10 of 2006 and subsequent amendments thereto. However, as the Department of Inland Revenue is contesting the income tax exemptions claimed, we have provided for income tax at the normal rate for the financial year ended 31 March 2012 although tax returns continue to be filed based on concessionary tax rate.

- (b) During the year the company and the subsidiaries paid Economic Service Charge (ESC) amounting to Rs. 123.66 Mn (2011-Rs. 106.41 Mn) and Rs. 27.99 Mn (2011-Rs. 31.73 Mn) respectively.

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
7.1 Reconciliation Between Current Tax Charge and Profit Before Taxation is Given Below:				
Profit before taxation	1,586,903	1,406,703	1,546,905	756,107
Aggregate disallowed expenses	1,557,194	1,226,405	780,716	628,778
Aggregate allowable expenses	(1,905,144)	(843,616)	(973,905)	(631,341)
Aggregate other income	(19,938)	(7,961)	(380,317)	(56,371)
Aggregate exempt income	-	(757,859)	-	(34,382)
Adjusted business profit	1,219,015	1,023,672	973,399	662,791
Tax losses incurred	621,484	44,653	-	-
Taxable income from other sources	31,585	-	-	-
Adjusted profit (a)	1,872,084	1,068,325	973,399	662,791
Tax losses brought forward	839,893	450,696	-	16,150
Tax losses added	621,484	44,653	-	-
Tax losses acquired	-	373,468	-	-
Tax losses utilised (b)	(171,289)	(28,924)	-	(16,150)
Tax losses carried forward	1,290,088	839,893	-	-
Taxable income (a+b)	1,700,795	1,039,401	973,399	646,641
Income tax @ 28% (2011-@35% or exempt)	349,494	290,821	219,734	226,324
Income tax @ 12% (2011-@15%)	24,234	31,273	-	-
Income tax @ 10% (2011-exempt)	6,212	-	-	-
Income tax @ 40% (2011-@ 35%)	75,454	-	75,454	-
Current tax charge	455,394	322,094	295,188	226,324

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
7.2 Deferred Income Tax				
Deferred tax expense arising from:				
Accelerated depreciation for tax purposes	117,930	33,782	93,748	33,790
Provisions	(21,343)	(906)	-	-
Retirement benefit obligation	(20,530)	(3,964)	(14,572)	(4,000)
Benefit arising from tax losses	(68,841)	3,437	-	-
Deferred income	(7,050)	-	-	-
Increase/(decrease) in future tax rate	15,587	(40,407)	-	(46,235)
Deferred tax charge/(release)	15,753	(8,058)	79,176	(16,445)

Deferred tax has been computed taking into consideration the tax rates effective from 1 April 2012 which is 28% or 40% for all standard rate companies. The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the parent can control the timing of the reversal of these temporary differences.

7.3 Temporary differences associated with Cargills Retail (Private) Limited, Cargills Quality Confectioneries (Private) Limited, Millers Brewery Limited, Cargills Food Services (Private) Limited, Kotmale Holdings PLC, and Kotmale Milk Foods Limited, subsidiary companies for which deferred tax assets have not been recognised, are disclosed as follows:

	2012		2011	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Property, plant and equipment	150,938	18,211	442,841	127,857
Revaluation surplus on building	(420,426)	(117,719)	(490,855)	(135,675)
Retirement benefit obligation	3,301	1,037	11,063	1,376
Carried forward tax losses	1,002,546	320,502	776,398	131,595
Provisions	11,847	3,317	26,097	2,610
	748,206	225,348	765,544	127,763

Deferred tax is not recognised since it is probable that taxable profits will not be available against which the above deductible temporary differences amounting to Rs. 748.2 Mn (2011-Rs. 765.5 Mn) could be utilised in accordance with SLAS 14 (Revised 2005)-"Income Taxes".

8. Earnings Per Share

	Group		Company	
	2012	2011	2012	2011
Profit attributable to equity shareholders of the parent (Rs. '000)	1,079,087	1,088,550	1,191,670	555,285
Weighted average number of ordinary shares	224,000,000	224,000,000	224,000,000	224,000,000
Basic earnings per share (Rs.)	4.82	4.86	5.32	2.48

Basic earnings per share is calculated based on the profit attributable to equity shareholders of Cargills (Ceylon) PLC divided by the weighted average number of ordinary shares in issue.

As there were no dilutive potential ordinary shares outstanding at year end the diluted earnings per share is equal to basic earnings per share for the year.

Notes to the Financial Statements *contd...*

9. Dividends Per Share

	Group			Company		
	Rs.	2012 Rs. '000	2011 Rs. '000	Rs.	2012 Rs. '000	2011 Rs. '000
Dividends for the year						
Interim-paid	0.70	156,800	112,000	0.70	156,800	112,000
Final-proposed	1.30	291,200	224,000	1.30	291,200	224,000
	2.00	448,000	336,000	2.00	448,000	336,000

An interim dividend of 70 Cents per share (Rs. 156.8 Mn) was paid on 6 January 2012 for the year ended 31 March 2012. A final dividend of Rs. 1.30 per share is proposed for the year ended 31 March 2012. The final dividend proposed on 20 August 2012 has not been recognised as at the balance sheet date in compliance with SLAS 12 (Revised 2005) - "Events After the Balance Sheet Date".

10. Property, Plant and Equipment

Group	Freehold land	Freehold building	Expenditure incurred on leasehold building	Plant, machinery and others	Motor vehicles	Total 2012	Total 2011
	RS. '000	RS. '000	RS. '000	RS. '000	RS. '000	RS. '000	RS. '000
Cost/Revaluation							
As at 1 April	4,330,578	1,327,435	1,944,207	6,263,746	465,454	14,331,420	11,765,219
Additions	288,814	111,161	459,861	1,471,496	179,301	2,510,633	1,408,938
On allocation of advance paid	335,599	5,000	-	411,806	7,018	759,423	1,172,650
Disposals	-	-	-	(1,587)	(26,199)	(27,786)	(4,420)
Impairment	-	-	-	(12,122)	-	(12,122)	(10,967)
As at 31 March	4,954,991	1,443,596	2,404,068	8,133,339	625,574	17,561,568	14,331,420
Depreciation/Amortisation							
As at 1 April	-	275,025	962,996	3,124,035	311,865	4,673,921	3,721,852
Charge for the year	-	41,127	254,774	787,959	83,480	1,167,340	851,291
On acquisition of subsidiaries	-	-	-	-	-	-	104,220
Disposals	-	-	-	(1,179)	(23,059)	(24,238)	(3,442)
Impairment	-	-	-	(12,122)	-	(12,122)	-
As at 31 March	-	316,152	1,217,770	3,898,693	372,286	5,804,901	4,673,921
Net Book Value							
As at 31 March 2012	4,954,991	1,127,444	1,186,298	4,234,646	253,288	11,756,667	
Capital work in progress	-	-	-	-	-	2,395,573	
	4,954,991	1,127,444	1,186,298	4,234,646	253,288	14,152,240	
As at 1 April 2011	4,330,578	1,052,410	981,211	3,139,711	153,589		9,657,499
Capital work in progress	-	-	-	-	-		1,447,098
	4,330,578	1,052,410	981,211	3,139,711	153,589		11,104,597

Company	Freehold land	Freehold building	Expenditure incurred on leasehold building	Plant, machinery and others	Motor vehicles	Total 2012	Total 2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Revaluation							
As at 1 April	3,590,420	529,154	1,011,940	3,245,926	193,982	8,571,422	7,694,839
Additions	215,902	2,024	358,766	844,775	56,530	1,477,997	877,205
Disposals	-	-	-	-	-	-	(622)
As at 31 March	3,806,322	531,178	1,370,706	4,090,701	250,512	10,049,419	8,571,422
Depreciation/Amortisation							
As at 1 April	-	31,657	542,958	1,503,164	101,088	2,178,867	1,643,790
Charge for the year	-	10,583	200,361	420,797	42,628	674,369	535,586
Disposals	-	-	-	-	-	-	(509)
As at 31 March	-	42,240	743,319	1,923,961	143,716	2,853,236	2,178,867
Net Book Value							
As at 31 March 2012	3,806,322	488,938	627,387	2,166,740	106,796	7,196,183	
Capital work in progress	-	-	-	-	-	1,175,208	
	3,806,322	488,938	627,387	2,166,740	106,796	8,371,391	
As at 1 April 2011	3,590,420	497,497	468,982	1,742,762	92,894		6,392,555
Capital work in progress	-	-	-	-	-		1,078,643
	3,590,420	497,497	468,982	1,742,762	92,894		7,471,198

Expenditure incurred on leasehold building represent the cost incurred in setting up new outlets.

Freehold land owned by the group was revalued as at 31 March 2010 by Mr. T Weeratne (FIV), an independent professional valuer on a depreciated replacement cost basis for buildings and market value basis for land as at the date of valuation. The revalued amount was accordingly incorporated in the financial statements.

Buildings, plant and machinery acquired from the Diana Biscuits Manufactures (Private) Limited and currently owned by Cargills Quality Confectioneries (Private) Limited were revalued as at 17 October 2010 by Mr. M.C. Abdul Malick (FIV), an independent professional valuer on a depreciated replacement cost basis to determine the fair value of assets as at the acquisition date. The revalued amount was accordingly incorporated in the financial statements.

These revaluations have been carried out in conformity with the requirements of the Sri Lanka Accounting Standard No. 18 (Revised 2005) - "Property, Plant and Equipment". The surplus on revaluation was credited to the revaluation reserve account.

The details of assets mortgaged for banking facilities obtained have been given in the note 22.2 to the financial statements.

Notes to the Financial Statements *contd...*

10.1 If Land and Buildings were Stated at the Historical Cost Basis, the Amounts would have been as follows:

Group	Land		Building	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost	213,163	213,163	711,014	711,014
Accumulated depreciation	-	-	(320,016)	(273,617)
Net book value	213,163	213,163	390,998	437,397

Company	Land		Building	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost	137,122	137,122	263,431	263,431
Accumulated depreciation	-	-	(31,611)	(26,342)
Net book value	137,122	137,122	231,820	237,089

Depreciation to the value of Rs. 932.4 Mn (2011-Rs. 669 Mn) and Rs. 234.9 Mn (2011-Rs. 182.3 Mn) has been charged respectively to the cost of goods sold and distribution and other expenses of the group. Depreciation to the value of Rs. 606.1 Mn (2011-Rs. 478.1 Mn) and Rs. 68.3 Mn (2011-Rs. 57.5 Mn) has been charged respectively to the cost of goods sold and distribution and other expenses of the company.

Capital work in progress consists of expenditure incurred on projects which are not completed and have not commenced business operations as at the balance sheet date.

Fully depreciated assets of the group as at the year end is Rs. 1,942 Mn (2011-Rs. 1,281 Mn) and that of the company is Rs. 789.3 Mn (2011-Rs. 412.8 Mn).

11. Intangible Assets

Group	Goodwill		Franchisee fee		Software		Brand name		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Value										
As at 1 April	1,058,436	294,043	65,801	65,801	15,167	9,314	-	-	1,139,404	369,158
On allocation of advance paid	-	-	-	-	-	-	670,000	-	670,000	-
Additions	-	764,393	15,505	-	862	5,853	-	-	16,367	770,246
As at 31 March	1,058,436	1,058,436	81,306	65,801	16,029	15,167	670,000	-	1,825,771	1,139,404
Amortisation										
As at 1 April	36,450	36,450	41,161	36,013	7,409	4,772	-	-	85,020	77,235
Amortisation for the year	-	-	5,790	5,148	3,857	2,637	-	-	9,647	7,785
As at 31 March	36,450	36,450	46,951	41,161	11,266	7,409	-	-	94,667	85,020
Net book value as at 31 March	1,021,986	1,021,986	34,355	24,640	4,763	7,758	670,000	-	1,731,104	1,054,384

Goodwill as at the balance sheet date has been tested for impairment and found no impairment in carrying value. Recoverable value has been estimated based on the value in use method as stipulated in SLAS 41 - 'Impairment of Assets'.

The addition of Rs. 670 Mn to the brand name represents the consideration paid to acquire brands 'Three Coins', 'Irish Dark', 'Sando' and 'Grand Blonde' etc. consequent to the closure of purchase and sale agreement entered by Millers Brewery Limited. This amount has been transferred from the last year's advance payment account. The Company has obtained a valuation from the Messrs. KPMG using the 'Relief from Royalty Method' for brand valuation. Brand has been tested for impairment and found no impairment during the year. Management is of the view that the brand name has an infinite useful life and accordingly no amortisation is done. However, in accordance with SLAS 37-'Intangible Assets', any intangible asset which has infinite useful life is subject to annual impairment test which is to be carried out in accordance with SLAS 41-'Impairment of Assets'.

Amortisation of intangible assets of Rs. 5.79 Mn (2011-Rs. 5.1 Mn) has been charged in cost of goods sold and Rs. 3.86 Mn (2011-Rs. 2.6 Mn) in administrative expenses.

12. Investments

	No of Shares	Holding %	Market Value Rs. '000	Group 2012 Rs. '000	2011 Rs. '000	Company 2012 Rs. '000	2011 Rs. '000
12.1 Investments in Subsidiaries							
Unquoted:							
Cargills Retail (Pvt) Ltd	47,500,002	100%		-	-	475,000	475,000
Cargills Quality Foods Ltd	4,860,291	100%		-	-	1,193,453	1,193,453
Millers Brewery Ltd	10,000,002	100%		-	-	1,005,000	100
Dawson Office Complex (Pvt) Ltd	1,001	100%		-	-	100	-
				-	-	2,673,553	1,668,553
12.2 Investment in Associates							
Unquoted:							
C T Properties Ltd	21,500,000	25%		103,619	161,282	216,075	216,075
				103,619	161,282	216,075	216,075
12.3 Short Term Investments							
Quoted:							
Lanka IOC PLC	200,000		3,880	5,400	5,400	5,400	5,400
Sierra Cables PLC	49,500		163	150	150	30	30
Aitken Spence PLC	267,500		30,096	45,170	45,170	45,170	45,170
			34,139	50,720	50,720	50,600	50,600
Provision for fall-in value			-	(16,594)	(3,635)	(16,594)	(3,635)
			34,139	34,126	47,085	34,006	46,965
Unquoted:							
REPO Investments				105,429	28,502	-	-
				139,555	75,587	34,006	46,965

The market value of quoted short term investments as at 31 March 2012, as quoted by the Colombo Stock Exchange amounted to Rs. 34,139,100 (2011-Rs. 47,202,550).

Cargills Quality Foods Limited, Cargills Retail (Private) Limited, Millers Brewery Limited and Dawson Office Complex (Private) Limited are subsidiaries of Cargills (Ceylon) PLC. The financial statements of said subsidiaries have been consolidated with that of Cargills (Ceylon) PLC as 100% subsidiaries.

Notes to the Financial Statements *contd...*

Cargills Agrifoods Limited, CPC Lanka Limited, Cargills Quality Dairies (Private) Limited, Cargills Distributors (Private) Limited, Cargills Food Processors (Private) Limited, Millers Limited and Cargills Quality Confectioneries (Private) Limited are subsidiaries of Cargills Quality Foods Limited (CQF). The financial statements of the said subsidiaries of CQF have been consolidated as 100% subsidiaries in view of the minority shareholders (subscriber shares) confirming that they hold the shares in trust for CQF.

Kotmale Holdings PLC is a subsidiary of Cargills Quality Foods Limited (CQF) in which CQF has 84.90% stake and the financial statements of the said subsidiary has been consolidated.

The financial statements of Cargills Food Services (Private) Limited (CFS) has been consolidated with that of Cargills Food Processors (Private) Limited (CFP) as a 100% subsidiary in view of the two shareholders of CFS holding the shares in trust for CFP.

The financial statements of Kotmale Dairy Products (Private) Limited, Kotmale Kiri (Private) Limited, Kotmale Marketing (Private) Limited, Kotmale Milk Foods Limited, Kotmale Milk Products Limited and Kotmale Products (Private) Limited have been consolidated with that of Kotmale Holdings PLC as 100% subsidiaries.

During the year, Millers Brewery Limited issued ordinary shares amounting to Rs. 999.9 Mn to enhance the total issued share capital to Rs. 1 Bn and the company acquired the total shares issued and corresponding stamp duty paid has been capitalised with the investment.

During the year, Cargills Quality Confectioneries (Private) Limited issued ordinary shares amounting to Rs. 349.99 Mn to enhance the total issued share capital to Rs. 350 Mn. The Cargills Quality Foods Limited acquired the total shares issued and corresponding stamp duty paid has been capitalised with the investment.

Dawson Office Complex (Private) Limited issued ordinary shares amounting to Rs. 100,000 and the company subscribed for the entire shares issued.

During the year, Cargills Quality Foods Limited, a wholly owned subsidiary of the company, acquired 1,000,095 ordinary shares of the subsidiary Kotmale Holdings PLC at a purchase consideration of Rs. 43.65 Mn and the value of net assets acquired was Rs. 18.07 Mn and resulting excess payment of Rs. 25.58 Mn has been charged to the retained earnings in the statement of changes in equity. With these partial acquisitions, the shareholding in Kotmale Holdings PLC increased to 84.90% from 81.72%.

12.4 Investment in Associates

	Group	
	2012	2011
	Rs. '000	Rs. '000
As at 1 April	161,282	216,075
Share of loss incurred	(57,663)	(54,793)
As at 31 March	103,619	161,282

12.5 Summarised Financial Information of Associates

	Group	
	2012	2011
	Rs. '000	Rs. '000
Group share of:		
Revenue	42,567	183,728
Operating expenses	(50,104)	(203,156)
Finance expenses	(48,983)	(33,331)
Income tax expense	(1,143)	(2,034)
Loss for the year	(57,663)	(54,793)
Group share of:		
Total assets	281,934	329,218
Total liabilities	(385,658)	(375,279)
Net assets	(103,724)	(46,061)
Goodwill	207,343	207,343
	103,619	161,282

13. Advance Paid for Acquisition of Assets and Allocation Among the Assets

Subsequent to the closure of sale and purchase agreement, entered into by subsidiary Millers Brewery Limited with McCallum Breweries (Ceylon) (Private) Limited, McCallum Brewing Company (Private) Limited and Three Coins Company (Private) Limited, the business and business assets were transferred to the subsidiary which commenced its commercial operation during the financial year. At the end of last financial year Millers Brewery Limited had made advances amounting to Rs. 1,205.4 Mn to the parties of the agreement and the balance payment was made during the financial year ended 31 March 2012. A reconciliation of the carry forward advance balance to the allocation of assets including the balance payment during the year has been disclosed below.

	2012
	Rs. '000
Brought forward advances	1,205,425
Add:	
Payments made during the year	223,998
Total purchase consideration of the business	1,429,423
Allocated as follows:	
Property, plant and equipment	
Freehold land	335,599
Building	5,000
Motor vehicles	7,018
Plant and machinery	409,681
Furniture, fittings and office equipment	2,125
	759,423
Intangible assets	
Brand name	670,000
Total allocated purchase consideration	1,429,423

Notes to the Financial Statements *contd...*

14. Prepayment on Leasehold Land and Building

	Group	
	2012	2011
	Rs. '000	Rs. '000
Gross Value		
As at 31 March	35,000	35,000
Amortisation		
As at 1 April	5,250	4,375
Amortisation for the year	875	875
As at 31 March	6,125	5,250
Balance as at 31 March	28,875	29,750
Current portion of the prepayment	875	875
Non-current portion of the prepayment	28,000	28,875
	28,875	29,750

15. Deferred Tax Assets

	Group	
	2012	2011
	Rs. '000	Rs. '000
As at 1 April	14,315	21,777
On revaluation surplus of building	(2,440)	-
Release/(charge) for the year	69,550	(7,462)
As at 31 March	81,425	14,315

Deferred tax assets as at the year end is made up as follows:

Deferred tax assets arising from		
- Temporary difference of property, plant and equipment	(4,272)	(218)
- Temporary difference of revaluation surplus of building	(2,440)	-
- Temporary difference on provisions	10,823	2,354
- Temporary difference of retirement benefit obligation	4,019	508
- Temporary difference on deferred income	7,050	-
- Temporary difference of carry forward tax losses	66,245	11,671
	81,425	14,315

Deferred tax assets of Rs. 78.6 Mn, Rs. 1.5 Mn and Rs. 1.3 Mn respectively arising from the subsidiaries Cargills Agrifoods Limited, CPC (Lanka) Limited and Cargills Distributors (Private) Limited have been recognised.

Cargills Agrifoods Limited a sub-subsidiary of the company has recognised a deferred tax asset of Rs. 78.6 Mn as at the balance sheet date, as the management is certain that there will be future taxable profits against which the deferred tax asset can be utilised.

16. Inventories

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Raw materials	702,411	471,446	-	-
Work in progress	29,465	8,253	-	-
Finished goods	180,948	77,730	-	-
Merchandising stock for sale	3,654,209	2,918,880	3,385,464	2,630,352
Food and beverages-restaurant operations	58,632	34,131	-	-
Consumables	183,273	81,352	64,740	58,760
	4,808,938	3,591,792	3,450,204	2,689,112
Provision for obsolete inventories	(74,055)	(61,087)	(3,559)	-
	4,734,883	3,530,705	3,446,645	2,689,112
Goods in transit	306,843	45,617	23,173	18,801
	5,041,726	3,576,322	3,469,818	2,707,913

Inventories amounting to Rs. 194 Mn has been mortgaged for bank facilities obtained (note 22.2).

17. Trade and Other Receivables

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade receivables	1,048,794	830,553	116,371	126,905
Provision for bad and doubtful debts	(119,951)	(96,592)	(6,126)	(3,546)
	928,843	733,961	110,245	123,359
Prepayments and deposits	1,270,158	355,545	1,123,890	281,335
Other receivables	266,568	130,836	73,575	38,164
Loans and advances (note 17.1)	10,775	20,607	9,740	6,819
Tax recoverable (note 17.2)	418,420	348,029	159,465	255,035
	2,894,764	1,588,978	1,476,915	704,712

17.1 Loans and Advances Represents Loans to Employees and the Movement During the Year is as Follows:

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 April	20,607	7,513	6,819	7,389
On acquisition of subsidiaries	-	10,656	-	-
Loans granted	24,849	21,523	21,634	18,156
	45,456	39,692	28,453	25,545
Repayments	(34,681)	(19,085)	(18,713)	(18,726)
As at 31 March	10,775	20,607	9,740	6,819

17.2 Tax Recoverable

This includes Economic Service Charges, VAT recoverable, WHT recoverable and Income tax overpayments.

Notes to the Financial Statements *contd...*

18. Amounts Due from/Due to Related Companies

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amounts Due from Subsidiaries				
Cargills Quality Foods Limited	-	-	1,436,653	1,112,836
Dawson Office Complex (Private) Limited	-	-	251,404	249,599
Millers Brewery Limited	-	-	1,644,947	1,221,688
Millers Limited	-	-	14,625	21,302
	-	-	3,347,629	2,605,425
Amounts Due from Holding Company				
C T Holdings PLC	-	17,865	-	17,254
Amounts Due from Other Related Companies				
Cargills Agriculture and Commercial Bank	46,322	-	46,322	-
Ceylon Hotels Corporation PLC	279	404	-	-
Ceylon Printers PLC	5	8	-	-
Ceylon Theatres (Private) Limited	2,018	2,228	2,010	2,208
C T Land Development PLC	438	77,002	438	77,002
C T Properties Limited	103,380	94,251	103,371	94,242
Dialog Axiata PLC	-	3,887	-	3,887
Galle Face Hotel Company Limited	270	435	157	6
Kandy Hotels Co. (1938) PLC	532	325	-	-
Lanka Floortiles PLC	7,500	674	7,500	674
United Hotels Company Limited	144	-	-	-
	160,888	179,214	159,798	178,019
Total amount due from related companies	160,888	197,079	3,507,427	2,800,698
Amounts Due to Holding Company				
C T Holdings PLC	1,812,773	-	1,799,453	-
Amounts Due to Subsidiaries				
Cargills Agrifoods Limited	-	-	21,354	34,037
Cargills Distributors (Private) Limited	-	-	16,348	18,604
Cargills Quality Confectioneries (Private) Limited	-	-	11,269	2,998
Cargills Quality Dairies (Private) Limited	-	-	38,978	59,961
Cargills Retail (Private) Limited	-	-	479,011	857,245
CPC (Lanka) Limited	-	-	22,010	17,329
Kotmale Dairy Products Limited	-	-	17,346	45,378
	-	-	606,316	1,035,552
Amounts Due to Other Related Companies				
Dialog Axiata PLC	4,000	-	3,998	-
Lanka Ceramics PLC	286	251	286	251
Unidil Packaging (Private) Limited	2,205	1,385	-	-
	6,491	1,636	4,284	251
Total amount due to related companies	1,819,264	1,636	2,410,053	1,035,803

19. Stated Capital

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Issued and fully paid:				
224,000,000 ordinary shares	130,723	130,723	130,723	130,723

20. Reserves

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capital Reserves				
Revaluation reserve	4,114,308	4,115,464	3,619,594	3,618,106
Capital reserve	7,928	7,928	-	-
	4,122,236	4,123,392	3,619,594	3,618,106
Revenue Reserve				
General reserve	485,500	485,500	485,500	485,500
	4,607,736	4,608,892	4,105,094	4,103,606

-Revaluation reserve consists of net surplus resulting from the revaluation of property, plant and equipment.

-Capital reserve consists of share of capital reserve resulting from consolidation.

-General reserve represents the amount set aside by the directors for general applications.

21. Cash and Cash Equivalents

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash at bank and in hand	517,583	303,645	446,833	246,161

For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise the following:

Cash and bank balances	517,583	303,645	446,833	246,161
Bank overdraft	(4,493,716)	(2,574,088)	(3,657,062)	(2,182,882)
	(3,976,133)	(2,270,443)	(3,210,229)	(1,936,721)

For the purpose of the cash flow statement, following major non-cash transactions have been eliminated.

- Transfer consideration of Kotmale Holdings PLC	-	-	-	1,037,785
- Net dividends received from subsidiary companies	-	-	380,049	48,603
- Purchase consideration of shares issued by Millers Brewery Limited	-	-	999,900	-
- Purchase consideration of shares issued by Dawson Office Complex (Private) Limited	-	-	100	-

Notes to the Financial Statements *contd...*

22. Borrowings

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current				
Current portion of long term loan	141,627	127,427	-	-
Short term loans	2,733,895	3,532,960	2,729,940	3,289,960
Bank overdraft	4,493,716	2,574,088	3,657,062	2,182,882
	7,369,238	6,234,475	6,387,002	5,472,842
Non-current				
Bank borrowings	242,540	384,167	-	-
	242,540	384,167	-	-
Total borrowings	7,611,778	6,618,642	6,387,002	5,472,842

22.1 Non Current

As at 1 April	511,594	328,898	-	49,999
On acquisition of subsidiaries	-	326,472	-	-
Repayments	(127,427)	(143,776)	-	(49,999)
As at 31 March	384,167	511,594	-	-
Falling due within one year	(141,627)	(127,427)	-	-
	242,540	384,167	-	-
Repayment during 1-2 years	94,397	141,289	-	-
Repayment during 2-5 years	148,143	242,878	-	-
	242,540	384,167	-	-

22.2 Details of all loans outstanding together with the related securities offered as at the balance sheet date are set out below:

Institution & Facility	Principal Amount Rs. '000	Repayment Terms & Interest Rate	Security Offered
Cargills (Ceylon) PLC			
Bank Overdrafts			
- BOC	94,000	Average interest rate of 10.16%.	Trading stock of 15 locations.
- Commercial Bank	700,000	Average interest rate of 9.47%.	An agreement to mortgage land and building at Kandy for Rs. 100 Mn and corporate guarantee from C T Holdings PLC for Rs. 50 Mn.
- Deutsche Bank	500,000	Average interest rate of 8.63%.	
- HNB	500,000	Average interest rate of 9.99%.	
- HSBC	450,000	Average interest rate of 8.91%.	
- MCB	375,000	Average interest rate of 8.13%.	Demand promissory note for Rs. 200 Mn.
- NTB	700,000	Average interest rate of 10.75%.	
- Sampath Bank	100,000	Average interest rate of 11.58%.	

Institution & Facility	Principal Amount Rs. '000	Repayment Terms & Interest Rate	Security Offered
- SCB	700,000	Average interest rate of 8.59%.	Undertaking to mortgage land and building at Staple Street, Colombo 2 for Rs. 75 Mn and corporate guarantee from C T Holdings PLC for Rs. 75 Mn.
- Seylan Bank	100,000	Average interest rate of 11.30%.	Stock mortgage for Rs. 100 Mn and demand promissory note for Rs. 100 Mn.
Short Term Loans			
- Commercial Bank	500,000	Average interest rate of 9.60%.	
- HNB	2,000,000	Average interest rate of 10.16%.	
- HSBC	100,000	Average interest rate of 10.96%.	
- NDB	100,000	Average interest rate of 13.5%.	
- Sampath Bank	500,000	Average interest rate of 10.08%.	Primary mortgage for Rs. 400 Mn over machinery and equipments of Rs. 535 Mn, imported and locally purchased. Undertaking to execute mortgage bond for Rs. 100 Mn over equipments imported during 2009 to a total value of Rs. 135 Mn.
- SCB	1,000,000	Average interest rate of 8.76%.	
Cargills Retail (Private) Limited			
Bank Loans			
- DFCC	150,000	60 monthly installments of Rs. 2.5 Mn per month, commencing from March 2009 at average interest rate of 11.71%.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 150 Mn.
Cargills Quality Foods Limited			
Bank Overdraft			
- Commercial Bank	40,000	Average interest rate of 9.45%.	
Bank Loan			
- Commercial Bank	300,000	71 monthly installments of Rs. 4.2 Mn per month, commencing from July 2007 and final installment of Rs. 1.8 Mn at average interest rate of 9.81% for the year.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 425 Mn. Primary mortgage for Rs. 300 Mn over land, building and project assets at Bandigoda, Ja-Ela.
Cargills Quality Dairies (Private) Limited			
Bank Overdraft			
- Seylan Bank	80,000	Average interest rate of 11.15%.	
Cargills Agrifoods Limited			
Bank Overdraft			
- Commercial Bank	50,000	Average interest rate of 9.45%.	
Cargills Food Processors (Private) Limited			
Bank Overdraft			
- Commercial Bank	50,000	Average interest rate of 9.45%.	

Notes to the Financial Statements *contd...*

Institution & Facility	Principal Amount Rs. '000	Repayment Terms & Interest Rate	Security Offered
Millers Limited			
Bank Overdrafts			
- Commercial Bank	165,000	Average interest rate of 9.51%.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 215 Mn.
- HNB	175,000	Average interest rate of 9.67%.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 335 Mn.
- HSBC	200,000	Average interest rate of 8.63%.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 200 Mn.
- MCB	25,000	Average interest rate of 9.15%.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 75 Mn.
Short Term Loan			
- SCB	250,000	Repayable at maturity at an average interest rate of 8.6%.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 250 Mn.
Cargills Quality Confectioneries (Private) Limited			
Bank Overdrafts			
- BOC	176,450	Average interest rate of 9.5%.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 176.45 Mn.
- BOC	47,540	Average interest rate of 9.5%.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 47.54 Mn. Mortgage over leasehold right of the land, buildings and plant & machinery fixed in the premises.
Bank Loans			
- BOC	11,115	54 monthly installments of Rs. 205,835 per month, commencing from July 2011, at average interest rate of 6% for the year.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 11.12 Mn.
- BOC	282,560	64 monthly installments of Rs. 4.42 Mn per month, commencing from July 2011, at average interest rate of 7.67% for the year.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 282.56 Mn. Mortgage over leasehold right of the land, buildings and plant & machinery fixed in the premises.
- BOC	7,482	72 monthly installments of Rs. 103,920 per month, commencing from January 2011, at average interest rate of 6.5% for the year.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 7.48 Mn.
Kotmale Dairy Products (Private) Limited			
Bank Overdraft			
- BOC	10,000	Average interest rate of 12.82%.	Corporate guarantee from Kotmale Holdings PLC and mortgage over stocks and book debts.
Import Loan			
- BOC	40,000	Average interest rate of 12.07%.	Corporate guarantee from Kotmale Holdings PLC and mortgage over stocks and book debts.

Institution & Facility	Principal Amount Rs. '000	Repayment Terms & Interest Rate	Security Offered
Bank Loans			
- Lankaputhra Development Bank	11,196	60 monthly installments of Rs. 186,600 per month, commencing from March 2009, at average interest rate of 12.2% for the year.	Primary mortgage on project machinery along with relevant insurance covers and a corporate guarantee from Kotmale Holdings PLC.
- Peoples Leasing Company PLC	3,549	48 monthly installments of Rs. 73,940 per month, commencing from September 2009, at average interest rate of 6.5% for the year.	Corporate guarantee from Kotmale Holdings PLC.
- Peoples Leasing Company PLC	4,500	48 monthly installments of Rs. 93,750 per month, commencing from August 2010, at average interest rate of 6.5% for the year.	Corporate guarantee from Kotmale Holdings PLC.
Kotmale Milk Products Limited			
Bank Overdraft			
- PABC	5,000	Average interest rate of 16%.	Corporate guarantee from Kotmale Holdings PLC.
Import Loan			
- PABC	20,000	Average interest rate of 15%.	Corporate guarantee from Kotmale Holdings PLC.
Millers Brewery Limited			
Bank Overdraft			
- Commercial Bank	50,000	Average interest rate of 9.47%.	

23. Deferred Tax Liability

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
As at 1 April	328,458	360,352	287,662	324,195
On acquisition of subsidiaries	-	4,831	-	-
Directly charged to reserves	(1,284)	(21,205)	(1,488)	(20,088)
Charge/(release) for the year	85,303	(15,520)	79,176	(16,445)
As at 31 March	412,477	328,458	365,350	287,662

Deferred tax provision as at the year end is made up as follows:

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Deferred tax provision from				
- Temporary difference of property plant and equipment	436,966	303,399	354,571	260,822
- Temporary difference of revaluation surplus of building	73,976	75,259	71,426	72,915
- Temporary difference on carry forward tax losses	(14,268)	-	-	-
- Temporary difference on provisions	(19,096)	(3,837)	-	-
- Temporary difference of retirement benefit obligation	(65,101)	(46,363)	(60,647)	(46,075)
	412,477	328,458	365,350	287,662

Notes to the Financial Statements *contd...*

24. Deferred Income

	Group	
	2012 Rs. '000	2011 Rs. '000
Capital Grant		
As at 1 April	2,389	-
On acquisition of subsidiaries	-	2,866
Receipt during the year	25,244	-
Amortisation	(1,975)	(477)
As at 31 March	25,658	2,389
Revenue Grant		
Receipt during the year	2,177	-
Amortisation	(2,177)	-
As at 31 March	-	-

The above grants include the grants received in respect of two USAID supported projects undertaken by the subsidiary company Cargills Agrifoods Limited. A processing facility is being built in Dehiattakandiya to produce nutritious snacks using locally grown grains and other raw materials. The other project which is at an initial stage will involve processing fruits and vegetables in Kilinochchi. As of the balance sheet date Rs. 23.6 Mn and Rs. 1.3 Mn and Rs. 1.6 Mn and Rs. 0.9 Mn for the Dehiattakandiya and Kilinochchi projects have been received as capital and revenue grants respectively.

The grants received have been accounted as per the SLAS 24-"Accounting for Government Grants and Disclosure of Government Assistance".

As at the balance sheet date neither of the projects has started their commercial operations and accordingly no amortisation of capital grant is recognised on those projects except the amortisation recognised on the existing grant and the assets that were acquired for the vegetable collection centre as part of the Kilinochchi project.

25. Retirement Benefit Obligation

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
At the beginning of the year	192,761	163,360	164,553	150,270
On acquisition of subsidiaries	-	12,175	-	-
Income statement charge	72,083	28,454	64,464	24,753
Contributions paid	(14,640)	(11,228)	(12,421)	(10,470)
At the end of the year	250,204	192,761	216,596	164,553

The amount recognised in the balance sheet is as follows:

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Present value of unfunded obligation	250,204	192,761	216,596	164,553
Present value of funded obligation	-	-	-	-
Total present value of obligation	250,204	192,761	216,596	164,553
Fair value of plan assets	-	-	-	-
Recognised liability for defined benefit obligation	250,204	192,761	216,596	164,553

The movement in retirement benefit obligation over the year is as follows:

At the beginning of the year	192,761	163,360	164,553	150,270
On acquisition of subsidiaries	-	12,175	-	-
Current service cost	39,629	24,515	33,431	21,398
Interest cost	19,742	17,137	18,174	16,530
Benefit paid	(14,640)	(11,228)	(12,421)	(10,470)
Actuarial (gain)/loss	12,712	(13,198)	12,859	(13,175)
Present value obligation as at the year end	250,204	192,761	216,596	164,553

The amount recognised in the income statement is as follows:

Current service cost	39,629	24,515	33,431	21,398
Interest cost	19,742	17,137	18,174	16,530
Net actuarial (gain)/loss	12,712	(13,198)	12,859	(13,175)
	72,083	28,454	64,464	24,753

This obligation is not externally funded.

The gratuity liability is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Limited, Actuaries, on 15 May 2012. The principal assumptions used in the actuarial valuation were as follows:

	2012 %	2011 %
1. Discount rate (the rate of interest used to discount the future cash flows in order to determine the present value)	11	11
2. Future salary increase		
- Executives	10	10
- Staff	10	10

In addition to the above, demographic assumptions such as mortality, withdrawal and disability, and retirement age were considered for the actuarial valuation. "A 67/70 mortality table" issued by the Institute of Actuaries, London was used to estimate the gratuity liability of the company.

26. Trade and Other Payables

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Trade payables	4,720,103	3,560,049	3,993,306	3,143,698
Other payables	1,201,746	723,293	653,567	518,409
Accrued expenses	692,364	538,717	305,428	186,414
	6,614,213	4,822,059	4,952,301	3,848,521

Other payables of the company includes NBT payable, ESC payable and SRL payable.

27. Dividends Payable

	Group		Company	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Unclaimed dividends	20,815	17,610	20,624	17,609

Notes to the Financial Statements *contd...***28. Segmental Information - the Primary Segments (Business Segments)**

Segment Results are as follows:

	Retail		Fast Moving Consumer Goods		Restaurant		Group	
	2012	2011	2012	2011	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	39,205,479	31,492,899	12,070,796	7,503,893	1,383,466	1,175,184	52,659,741	40,171,976
Intra segment revenue	-	-	(1,299,415)	(842,311)	-	(55,788)	(1,299,415)	(898,099)
Intersegment revenue	(43,830)	(53,020)	(3,060,083)	(2,092,196)	-	-	(3,103,913)	(2,145,216)
	39,161,649	31,439,879	7,711,298	4,569,386	1,383,466	1,119,396	48,256,413	37,128,661
Segment Operating Profit	1,725,175	1,111,099	347,701	553,053	201,734	161,290	2,274,610	1,825,442
Finance costs	(562,940)	(296,797)	(65,683)	(64,993)	(1,421)	(2,156)	(630,044)	(363,946)
Share of associate results	(57,663)	(54,793)	-	-	-	-	(57,663)	(54,793)
Profit before taxation	1,104,572	759,509	282,018	488,060	200,313	159,134	1,586,903	1,406,703
Income tax expense								
Current income tax	(314,471)	(225,737)	(139,850)	(63,053)	(23,479)	(31,798)	(477,800)	(320,588)
Deferred income tax	(79,176)	16,445	47,879	(6,339)	15,544	(2,048)	(15,753)	8,058
Profit for the year	710,925	550,217	190,047	418,668	192,378	125,288	1,093,350	1,094,173
Attributable to:								
Equity shareholders of the parent	710,925	550,217	175,784	413,045	192,378	125,288	1,079,087	1,088,550
Non controlling interest	-	-	14,263	5,623	-	-	14,263	5,623
	710,925	550,217	190,047	418,668	192,378	125,288	1,093,350	1,094,173
Segment Assets								
Non current assets								
Property, plant and equipment	8,860,746	8,025,810	4,848,543	4,089,046	470,951	224,041	14,180,240	12,338,897
Intangible assets	236,437	236,437	1,460,313	793,307	34,354	24,640	1,731,104	1,054,384
Investment in associates	103,619	161,282	-	-	-	-	103,619	161,282
Deferred tax assets	-	-	81,425	14,315	-	-	81,425	14,315
Total non current assets	9,200,802	8,423,529	6,390,281	4,896,668	505,305	248,681	16,096,388	13,568,878
Current assets								
Inventories	3,469,818	2,707,912	1,515,130	836,397	56,778	32,013	5,041,726	3,576,322
Trade and other receivables	1,655,129	915,238	1,288,990	813,833	111,533	56,986	3,055,652	1,786,057
Short term investments	34,006	46,965	105,489	28,562	60	60	139,555	75,587
Cash and cash equivalents	452,102	249,765	50,165	46,428	15,316	7,452	517,583	303,645
Total current assets	5,611,055	3,919,880	2,959,774	1,725,220	183,687	96,511	8,754,516	5,741,611
Total segmental assets	14,811,857	12,343,409	9,350,055	6,621,888	688,992	345,192	24,850,904	19,310,489
Segment Liabilities								
Non current liabilities								
Borrowings	27,500	57,500	215,040	326,667	-	-	242,540	384,167
Deferred tax liability	365,350	287,662	35,209	13,338	11,918	27,458	412,477	328,458
Deferred income	-	-	25,658	2,389	-	-	25,658	2,389
Retirement benefit obligation	216,596	164,553	33,608	28,208	-	-	250,204	192,761
Total non current liabilities	609,446	509,715	309,515	370,602	11,918	27,458	930,879	907,775
Current liabilities								
Trade and other payables	7,004,487	4,113,327	1,553,609	749,532	275,511	255,947	8,833,607	5,118,806
Borrowings	6,417,002	5,502,842	865,650	705,353	86,586	26,280	7,369,238	6,234,475
Total current liabilities	13,421,489	9,616,169	2,419,259	1,454,885	362,097	282,227	16,202,845	11,353,281
Total segmental liabilities	14,030,935	10,125,884	2,728,774	1,825,487	374,015	309,685	17,133,724	12,261,056
Other Information								
Capital expenditure	1,477,997	1,135,584	792,136	257,228	240,500	16,126	2,510,633	1,408,938
Depreciation	741,348	616,673	373,486	194,452	52,506	40,166	1,167,340	851,291

Segmental Information-the Secondary Segments (Geographical Segments)

The Group does not distinguish its revenue into significant geographical segments. The entirety of the revenue consists of revenue generated within Sri Lanka.

29. Commitments

	Group		Company	
	2012	2011	2012	2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capital Commitments				
Approved and contracted	1,540,365	395,553	629,998	168,254
Financial Commitments				
Future payments of operating lease rentals:				
- Within 1 year	431,163	320,792	375,451	276,923
- Between 1-5 years	1,740,576	1,674,997	1,491,513	1,452,677
- More than 5 years	2,779,049	1,844,745	2,579,911	1,615,254
	4,950,788	3,840,534	4,446,875	3,344,854

30. Contingent Liabilities**Income Tax**

The income tax exemption claimed under the Inland Revenue Act No 10 of 2006 is being contested by the Department of Inland Revenue. The contingent liability on potential income tax payment is as follows:

Cargills Agrifoods Limited-Rs. 80.49 Mn, Cargills Quality Dairies (Private) Limited-Rs. 189.43 Mn, Cargills Quality Foods Limited-Rs. 16.56 Mn, Kotmale Dairy Products (Private) Limited-Rs. 40.03 Mn and Kotmale Milk Products Limited-Rs. 8.04 Mn.

Having sought professional advice, the management is confident that the tax exemptions are applicable and as such no liabilities would arise. Accordingly, no provision has been made in the financial statements. Where necessary, interim stay orders have been obtained on any recovery actions.

Letters of Guarantee to Commercial Banks

The Company has given letters of guarantee to commercial banks on behalf of the subsidiary companies amounting to Rs. 2.18 Bn. Kotmale Holdings PLC, a subsidiary of the company, has given letters of guarantee to commercial banks on behalf of its subsidiary companies amounting to Rs. 94.25 Mn. The Directors do not expect any claim on these guarantees. Accordingly, no provision has been made in the financial statements.

There are no material pending litigations as at the balance sheet date which would result in material liability.
There are no other material contingent liabilities as at the balance sheet date.

31. Transfer of Operation within the Group

With effect from 1 June 2010, the operations of Cargills Retail (Private) Limited, a wholly owned subsidiary of Cargills (Ceylon) PLC, was transferred to Cargills (Ceylon) PLC as part of a restructuring process of the group. Consequently the business assets of Cargills Retail (Private) Limited is now used by the company for which a rent is paid to the subsidiary.

The operations of Cargills Food Services (Private) Limited was transferred to Cargills Food Processors (Private) Limited, the parent of Cargills Food Services (Private) Limited, with effect from 1 October 2010. During the financial year Cargills Food Services (Private) Limited sold its property, plant and equipment to Cargills Food Processors (Private) Limited.

Notes to the Financial Statements *contd...*

32. Events After the Balance Sheet Date

The Board of Directors have proposed a final dividend of Rs. 1.30 per share (on the 224,000,000 shares now in issue) for the year ended 31 March 2012 which is to be approved by the shareholders at the Annual General Meeting.

As required by the Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed the company satisfies the 'Solvency Test', and has obtained a certificate from auditors.

In accordance with SLAS 12 (revised 2005)-"Events After the Balance Sheet Date", the proposed dividend has not been recognised as a liability in the financial statements.

No events other than the above, have occurred since the balance sheet date which would require any adjustment to, or disclosure in, the financial statements.

33. Transactions with Group Companies

The Company has provided corporate guarantees for term loans and banking facilities obtained by its subsidiary companies, the details of which have been disclosed under note 22.2 to the financial statements.

The Company provides secretarial and management services to its subsidiary companies free of charge.

Companies within the group engage in trading and business transactions under normal commercial terms which give rise to related company balances. The balances have been disclosed under note 18 to the financial statements.

33.1 Transactions with Key Management Personnel (KMP)

According to SLAS 30 (revised 2005)-"Related Party Disclosure", KMP are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the directors of the company and its parent (including Executive and Non-Executive Directors) and their immediate family members have been classified as KMP of the group.

The Company has provided accommodation at its property at Colombo 2 to the Deputy Chairman/Chief Executive Officer for the due performance of his office.

The Group has paid Rs. 113.8 Mn (2011-Rs. 74.63 Mn) to the directors as emoluments and Rs. nil (2011-Rs. nil) as post employment benefits during the year. There are no other payments made to key management personnel apart from the disclosed amount.

33.2 The Directorates of Directors of the Group Companies

The Directors of the company are also directors of the following companies with which the company had regular business transactions as disclosed below:

	Mr. L.R. Page	Mr. V.R. Page	Mr. M.I. Abdul Wahid	Mr. S.V. Kodikara	Mr. P.S. Mathavan	Mr. Jayantha Dhanapala	Mr. A.T.P. Edirisinghe	Mr. S.E.C. Gardiner	Mr. Sunil Mendis	Mr. Antony A. Page	Mr. J.C. Page	Mr. E.A.D. Perera
Group Companies												
Cargills (Ceylon) PLC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cargills Agrifoods Ltd		✓	✓	✓	✓							
Cargills Distributors (Pvt) Ltd		✓	✓	✓	✓							
Cargills Food Processors (Pvt) Ltd		✓	✓	✓	✓							
Cargills Food Services (Pvt) Ltd		✓	✓	✓	✓							
Cargills Quality Confectioneries (Pvt) Ltd.		✓	✓		✓							
Cargills Quality Dairies (Pvt) Ltd		✓	✓	✓	✓							
Cargills Quality Foods Ltd.		✓	✓	✓	✓							
Cargills Retail (Pvt) Ltd		✓	✓	✓	✓							
CPC (Lanka) Ltd		✓	✓	✓	✓							
Dawson Office Complex (Pvt) Ltd.			✓		✓							
Kotmale Dairy Products (Pvt) Ltd.		✓	✓		✓							
Kotmale Holdings PLC		✓	✓		✓		✓		✓		✓	
Kotmale Kiri (Pvt) Ltd.		✓	✓		✓							
Kotmale Marketing (Pvt) Ltd.		✓	✓		✓							
Kotmale Milk Products Ltd.		✓	✓		✓							
Kotmale Milk Foods Ltd.		✓	✓		✓							
Kotmale Products (Pvt) Ltd.		✓	✓		✓							
Millers Brewery Ltd.		✓		✓	✓		✓					
Millers Ltd		✓	✓		✓							
Other Companies												
Cargills Agriculture & Commercial Bank	✓	✓			✓							
Ceylon Hotels Corporation PLC								✓				
Ceylon Printers PLC										✓		
Ceylon Theatres (Pvt) Ltd		✓								✓	✓	
C T Capital Ltd										✓		
C T Holdings PLC	✓	✓					✓		✓	✓	✓	
C T Land Development PLC	✓	✓					✓			✓	✓	
C T Properties Ltd	✓	✓									✓	✓
Dialog Axiata PLC						✓						
Frederick North Hotel Co. Ltd		✓	✓									
Galle Face Hotel Co. Ltd								✓				
Kalamazoo Systems PLC										✓		
Kandy Hotels Co. (1938) PLC								✓				
Lanka Ceramics PLC							✓			✓	✓	✓
Lanka Floortiles PLC		✓					✓		✓	✓	✓	
Lanka Walltiles PLC		✓					✓		✓	✓		
Paragon Ceylon PLC										✓		
Unidil Packaging Ltd							✓			✓		✓

Directors have no direct or indirect interest in any other contracts with the company. The above interest in contracts have been declared at Board Meetings by the directors concerned.

Notes to the Financial Statements *contd...*

33.3 Transactions with Related Companies

Company	2012				2011			
	Sales	Other income	Purchases	Other expenses	Sales	Other income	Purchases	Other expenses
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Transactions with Subsidiaries								
Cargills Agrifoods Ltd	5,178	12,315	382,057	-	6,922	3,455	290,514	-
Cargills Distributors (Pvt) Ltd	-	2,497	253,302	-	-	712	245,417	-
Cargills Food Processors (Pvt) Ltd	18,874	12,494	-	-	9,108	10,310	-	-
Cargills Food Services (Pvt) Ltd	-	-	-	-	8,146	2,242	-	-
Cargills Quality Confectioneries (Pvt) Ltd	-	1,301	75,930	-	5,335	-	8,044	-
Cargills Quality Dairies (Pvt) Ltd	2,098	7,272	765,554	-	2,312	3,289	668,079	-
Cargills Quality Foods Ltd	3,796	4,644	368,627	-	1,819	1,437	340,011	-
Cargills Retail (Pvt) Ltd	-	-	-	75,600	-	-	-	64,950
CPC (Lanka) Ltd	176	497	166,845	-	18,018	-	76,661	-
Kotmale Dairy Products (Pvt) Ltd	-	-	267,569	-	-	-	50,499	-
Millers Brewery Ltd	-	3,707	287,235	-	-	-	-	-
Millers Ltd	43,830	12,175	435,204	-	35,002	28,278	357,240	18

Transactions with Other Related Companies

Ceylon Hotels Corporation PLC	35	-	-	-	117	-	-	-
Ceylon Printers PLC	-	-	-	942	-	-	-	979
Ceylon Theatres (Pvt) Ltd	76	-	-	-	31	-	-	-
C T Land Development PLC	-	-	-	29,026	-	-	-	23,846
Dialog Axiata PLC	-	95,427	-	3,899	-	99,998	-	-
Galle Face Hotel Co. Ltd	157	-	-	-	122	-	-	-
Lanka Ceramics PLC	-	-	677	-	-	-	1,258	22
Lanka Floortiles PLC	-	-	-	27,077	714	-	-	8,590
Lanka Walltile Meepe (Pvt) Ltd	-	-	-	-	-	-	-	1,991
Lanka Walltiles PLC	-	-	-	2,574	-	-	-	704
Unidil Packaging Ltd	-	-	-	543	-	-	-	-

2012
Rs. '000

2011
Rs. '000

Net Dividends Received from Subsidiary Companies

Cargills Quality Foods Ltd	23,086	48,603
Cargills Retail (Pvt) Ltd	356,963	-

Advances to Related Company

The Company has advanced a sum of Rs. 46.32 Mn to Cargills Agriculture and Commercial Bank to fund the purchase of assets and to meet other related expenses. Cargills Agriculture and Commercial Bank is a joint project undertaken by the company and its parent C T Holdings PLC.

Group	2012				2011			
	Sales	Other income	Purchases	Other expenses	Sales	Other income	Purchases	Other expenses
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Transactions with Holding Company								
C T Holdings PLC	-	-	-	-	497	-	-	-
Transactions with Other Related Companies								
Ceylon Hotels Corporation PLC	589	-	-	-	928	-	-	-
Ceylon Printers PLC	40	-	-	1,977	87	-	-	979
Ceylon Theatres (Pvt) Ltd	2,130	-	-	-	395	-	-	-
C T Land Development PLC	-	-	-	60,557	-	-	-	48,521
Dialog Axiata PLC	-	95,427	-	6,583	-	99,998	-	61
Galle Face Hotel Co. Ltd	9,641	-	-	-	2,680	-	-	-
Kandy Hotels Co. (1938) PLC	2,036	-	-	-	894	-	-	-
Lanka Ceramics PLC	-	-	677	-	-	-	1,258	22
Lanka Floortiles PLC	-	-	-	27,077	714	-	-	8,590
Lanka Walltile Meepe (Pvt) Ltd	-	-	-	-	-	-	-	2,106
Lanka Walltiles PLC	-	-	74	4,714	-	-	-	789
Unidil Packaging (Pvt) Ltd	-	-	13,757	543	-	-	4,705	-
United Hotels Co. Ltd	294	-	-	-	-	-	-	-

Panadaria (Private) Limited

Mrs. R Page, wife of the Deputy Chairman/CEO is a director of the above company with which the company had the following transaction during the year and the amount outstanding as at 31 March 2012 was Rs. 2.46 Mn (2011-Rs. 2.06 Mn).

- Purchases for re-sale in the ordinary course of business of Rs. 28.79 Mn (2011-Rs. 27.95 Mn)
- Rental income of Rs. 1.56 Mn (2011-Rs. 1.56 Mn)

There are no material related party transactions other than those disclosed above.

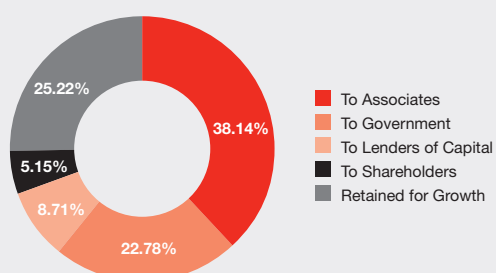
33.4 Amounts Due from/Due to Related Companies

Amounts due from and due to related companies as at the year end have been disclosed under note 18 to these financial statements.

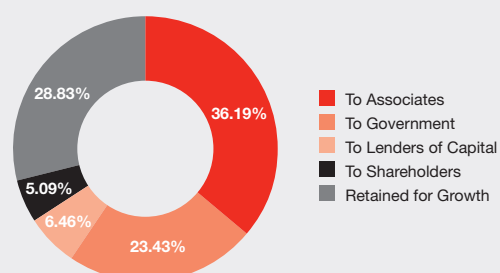
Statement of Value Added

	%	2012 Rs. '000	%	2011 Rs. '000
Creation of Value Added				
Gross revenue		49,447,605		38,156,172
Cost of goods and services		(42,836,488)		(33,019,085)
Value added from operation		6,611,117		5,137,087
Dividends received		273		8
Other income		785,642		582,442
Total value added		7,397,032		5,719,537
Distribution of Value Added				
To Associates				
Salaries, wages and other related costs	36.60	2,707,753	34.89	1,995,461
Directors' fees and remuneration	1.54	113,800	1.30	74,625
	38.14	2,821,553	36.19	2,070,086
To Government				
Government levies	16.11	1,191,192	17.97	1,027,511
Corporate taxes	6.67	493,553	5.46	312,530
	22.78	1,684,745	23.43	1,340,041
To Lenders of Capital				
Interest	8.52	630,044	6.36	363,946
Non controlling interest	0.19	14,263	0.10	5,623
	8.71	644,307	6.46	369,569
To Shareholders				
Dividends	5.15	380,800	5.09	291,200
Retained for Growth				
Depreciation	15.78	1,167,340	14.88	851,291
Retained earnings	9.44	698,287	13.95	797,350
	25.22	1,865,627	28.83	1,648,641
	100.00	7,397,032	100.00	5,719,537

Value Addition for 2012



Value Addition for 2011



Five Year Financial Summary

Group	2008 Rs. '000	2009 Rs. '000	2010 Rs. '000	2011 Rs. '000	2012 Rs. '000
Financial results					
Revenue	23,142,619	28,692,481	30,874,797	37,128,661	48,256,413
Profit from operations	947,199	1,232,186	1,429,545	1,825,442	2,274,610
Profit before taxation	607,152	702,586	1,000,726	1,406,703	1,586,903
Profit after taxation	491,016	539,900	712,392	1,094,173	1,093,350
Non controlling interest	(43,169)	(40,446)	-	(5,623)	(14,263)
Profit attributable to equity shareholders of the parent	447,847	499,454	712,392	1,088,550	1,079,087
Financial position					
Stated capital	130,723	130,723	130,723	130,723	130,723
Reserves	1,410,967	2,001,981	6,010,432	6,828,987	7,500,543
Non controlling interest	353,818	-	-	89,723	85,914
Capital and reserves	1,895,508	2,132,704	6,141,155	7,049,433	7,717,180
Current assets	3,627,091	4,249,141	4,697,601	5,741,611	8,754,516
Current liabilities	(5,548,754)	(6,371,303)	(7,085,476)	(11,353,281)	(16,202,845)
Working capital	(1,921,663)	(2,122,162)	(2,387,875)	(5,611,670)	(7,448,329)
Non current assets	4,712,094	5,411,594	9,251,241	13,568,878	16,096,388
Non current liabilities	(894,923)	(1,156,728)	(722,211)	(907,775)	(930,879)
Non controlling interest	(353,818)	-	-	(89,723)	(85,914)
Net assets	1,541,690	2,132,704	6,141,155	6,959,710	7,631,266
Key Indicators					
Growth in turnover (%)	29.02	23.98	7.61	20.26	29.97
Growth in earnings (%)	70.91	11.52	42.63	52.83	(0.87)
Operating profit to turnover (%)	4.09	4.29	4.63	4.92	4.71
Earnings to turnover (%)	1.94	1.74	2.31	2.93	2.24
Return on total assets (%)	5.37	5.17	5.11	5.67	4.40
Growth in total assets (%)	23.13	15.85	44.39	38.40	28.69
Growth in capital and reserves (%)	29.09	12.51	187.95	14.79	9.47
Return on capital and reserves (%)	25.90	25.32	11.60	15.52	14.17
Return on investment (%)	29.19	26.81	17.22	16.59	14.81
Earnings per share (Rs.)	2.00	2.23	3.18	4.86	4.82
Dividends per share (Rs.)	0.39	0.50	1.10	1.50	2.00
Dividends paid per share (Rs.)	0.30	0.39	0.80	1.30	1.70
Net assets per share (Rs.)	6.88	9.52	27.42	31.07	34.07
Dividend pay out (%)	15.01	17.49	25.15	26.75	35.29
Dividends paid	67,200	86,800	179,200	291,200	380,800
Debt equity ratio (times)	4.18	3.53	1.27	1.74	2.22
Interest cover (times)	1.79	2.33	3.33	5.02	3.61
Current ratio (times)	0.65	0.67	0.66	0.51	0.54
Quick assets ratio (times)	0.19	0.25	0.23	0.19	0.23
Capital additions	1,058,914	1,096,392	602,720	1,408,938	2,510,633
Market capitalisation	11,198,600	5,264,000	15,792,000	51,139,200	38,976,000

-Return on investment is computed by dividing the profit for the year by total average assets employed.

-Debt equity ratio is computed by dividing the total liabilities by the shareholders' funds.

-Above ratios have been computed based on 224,000,000 shares in issue as at 31 March 2012.

Group Real Estate Portfolio

Location	Land Extent	Building Area (Sq. ft.)	Valuation/Costs Rs.'000	Year of Valuation
Cargills (Ceylon) PLC				
Colombo 01	141 Perches	140,000	1,640,000	2010
Colombo 02	82 Perches	12,450	473,000	2010
Kandy	94 Perches	6,729	750,000	2010
Maharagama	145 Perches	6,384	382,000	2010
Nuwara Eliya	57 Perches	6,900	106,000	2010
Mattakuliya	330 Perches	65,000	552,000	2010
Park Road	-	4,332	28,000	2010
Boralasgamuwa	2.5 Acres	-	167,500	2010
Colombo 01	15.25 Perches	-	158,703	-
Kohuwala	28.65 Perches	-	57,199	-
Cargills Quality Foods Limited				
Mattakuliya	1.5 Acres	6,667	188,500	2010
Ja - Ela	5.1 Acres	23,067	294,000	2010
Ja - Ela	4 Acres	-	59,429	-
Cargills Agrifoods Limited				
Katana	11.3 Acres	10,210	183,680	2010
Millers Limited				
Bandarawela	85 Perches	6,345	100,000	2010
Kelaniya	1.2 Acres	62,985	197,600	2010
CPC Lanka Limited				
Katoolaya estate, Thawalantenne	4 Acres	550	4,159	-
Dawson Office Complex (Private) Limited				
Colombo 02	99 Perches	-	249,599	-
Kotmale Dairy Products (Private) Limited				
Mulleriyawa	1.7 Acres	29,615	69,000	-
Bogahawatta	1.7 Acres	17,442	12,000	-
Millers Brewery Limited				
Watareka	17.44 Acres	-	281,782	-
Watareka	3.08 Acres	-	41,804	-
Watareka	124 Perches	-	19,346	-
Watareka	1.19 Acres	-	12,803	-

Note:

Addition to the real estate portfolio subsequent to the revaluation carried out in the financial year 2010, have been recorded at their historical costs.

Investor Relations Supplement

1. General

Stated capital	Rs. 130,723,000
Issued shares	224,000,000
Class of shares	Ordinary shares
Voting rights	One vote per ordinary share

2. Stock Exchange Listing

The issued ordinary shares of Cargills (Ceylon) PLC are listed in the Colombo Stock Exchange.

3. Distribution of Shareholders

	31 March 2012				31 March 2011			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Size of								
1 - 1,000	1,200	58.88	371,306	0.17	1,307	58.27	433,523	0.19
1,001 - 10,000	559	27.43	2,057,319	0.92	638	28.45	2,436,337	1.09
10,001 - 100,000	225	11.04	6,716,417	3.00	242	10.79	6,885,808	3.07
100,001 - 1,000,000	41	2.01	12,819,582	5.72	42	1.87	11,731,632	5.24
1,000,001 - and over	13	0.64	202,035,376	90.19	14	0.62	202,512,700	90.41
	2,038	100.00	224,000,000	100.00	2,243	100.00	224,000,000	100.00

4. Analysis of Shareholders

	31 March 2012				31 March 2011			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Group of								
Institutions	154	7.56	186,875,122	83.43	177	7.89	185,265,631	82.71
Individuals	1,884	92.44	37,124,878	16.57	2,066	92.11	38,734,369	17.29
Total	2,038	100.00	224,000,000	100.00	2,243	100.00	224,000,000	100.00
Residents	1,939	95.14	217,582,385	97.13	2,146	95.68	217,441,965	97.07
Non residents	99	4.86	6,417,615	2.87	97	4.32	6,558,035	2.93
Total	2,038	100.00	224,000,000	100.00	2,243	100.00	224,000,000	100.00

5. Group Companies

During the year, Millers Brewery Limited issued ordinary shares amounting to Rs. 999.9 Mn to enhance the total issued share capital to Rs. 1 Bn and the company acquired the total shares issued.

Dawson Office Complex (Private) Limited issued ordinary shares amounting to Rs. 100,000 and the company subscribed for the entire shares issued.

Investor Relations Supplement *contd...*

During the year, Cargills Quality Confectioneries (Private) Limited issued ordinary shares amounting to Rs. 349.99 Mn to enhance the total issued share capital to Rs. 350 Mn and the Cargills Quality Foods Limited, a subsidiary of the company, acquired the total shares issued.

During the year, Cargills Quality Foods Limited, a wholly owned subsidiary of the company, acquired 1,000,095 ordinary shares of the subsidiary Kotmale Holdings PLC at a purchase consideration of Rs. 43.65 Mn.

6. Share Valuation

The market price per share recorded during the year ended 31 March

	2012 Rs	2011 Rs
Highest	240.00	253.00
Lowest	117.00	70.00
Last traded price	174.00	228.30

7. Top 20 Shareholders

The holdings of the top 20 shareholders

	31 March 2012		31 March 2011	
	Number of Shares	%	Number of Shares	%
C T Holdings PLC	156,799,240	70.00	156,749,240	69.98
Mr. V R Page	14,403,900	6.43	14,380,200	6.42
Employees Provident Fund	6,929,636	3.09	6,263,600	2.80
Ceylon Guardian Investment Trust - A/C No.1	6,558,700	2.93	6,558,700	2.93
Mr. Anthony A Page	5,050,000	2.25	5,050,000	2.25
Odeon Holdings (Ceylon) Limited	4,622,920	2.06	4,622,920	2.06
Ms. M M Page	2,655,900	1.19	2,648,400	1.18
Mr. J C Page	1,705,500	0.76	1,705,500	0.76
BNY-CF Ruffer Investment Fund : CF Ruffer Pacific Fund	1,500,000	0.67	1,500,000	0.67
HINL - JPMCB - Butterfield Trust (Bermuda) Limited	1,297,500	0.58	1,497,500	0.67
Est. of Mrs. M M Udeshi	1,214,640	0.54	1,536,640	0.69
GF Capital Global Limited	864,000	0.39	864,000	0.39
Bank of Ceylon No.1 Account	809,600	0.36	799,600	0.36
The Associated Newspapers of Ceylon Limited	799,840	0.36	799,840	0.36
Northern Trust Fiduciary Services (Ireland) Limited	787,500	0.35	787,500	0.35
SLIC Ltd - Life Fund	776,000	0.35	382,100	0.17
Mr. C Gardiner, The Bishop of Jaffna, The Archbishop of Colombo	563,040	0.25	563,040	0.25
National Saving Bank	543,800	0.24	548,300	0.24
PICTET & CIE	500,000	0.22	500,000	0.22
AVIVA NDB Insurance PLC - A/C No. 7	474,400	0.21	-	-
Total	208,856,116	93.24	207,757,080	92.75

8. Public Holding

The percentage of shares held by the public as at 31 March 2012 is 18.35 % (2011-18.38%)

Notice of Annual General Meeting

Notice is hereby given that the sixty sixth Annual General Meeting of the company will be held at the Sri Lanka Foundation Institute, No. 100, Independence Square, on Thursday, 20 September 2012, at 10.30 a.m. and the business to be brought before the meeting will be:

1. To consider and adopt the Annual Report of the Board and the Statements of Accounts for the year ended 31 March 2012, with the Report of the Auditors thereon
2. To declare a dividend as recommended by the Directors
3. To re-elect Directors
 - a) Anthony A. Page, b) J. C. Page, c) P. S. Mathavan, who retire by rotation, and
 - d) Jayantha Dhanapala, who retires in terms of Section 210 (2) (b) of the Companies Act No. 07 of 2007 having attained the age of seventy three years and offers himself for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 07 of 2007

Ordinary Resolution

“Resolved that Jayantha Dhanapala, a retiring director, who has attained the age of seventy-three years be and is hereby reappointed a Director of the company 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”

4. To authorise the Directors to determine contributions to charities for the financial year 2012/2013
5. To authorise the Directors to determine the remuneration of the Auditors, Messrs. KPMG, who are deemed reappointed as Auditors at the Annual General Meeting of the company in terms of Section 158 of the Companies Act No.07 of 2007

By Order of the Board
Cargills (Ceylon) PLC

Signed
S L W Dissanayake
Company Secretary

20 August 2012

Notes :

- i. A member is entitled to appoint a proxy to attend and vote at the meeting in his or her stead and the proxy need not be a member of the company.
- ii. A form of proxy is enclosed for this purpose.
- iii. The instrument appointing a proxy must be completed and deposited at the registered office of the company not less than 48 hours before the time fixed for the meeting.

Notes

Proxy Form

For use at the sixty sixth Annual General Meeting

*I/We
ofbeing
a *member/members of Cargills (Ceylon) PLC hereby appoint
ofwhom failing
..... of
.....or failing him/her,

the Chairman of the Meeting as *my/our Proxy to represent *me/us and to vote for on *my/our behalf at the sixty sixth Annual General Meeting of the company to be held on Thursday, 20 September 2012 and at any adjournment thereof and at every Poll which may be taken in consequence thereof in the manner indicated below:

Ordinary resolutions								
Resolution number	1	2	3 (a)	3 (b)	3 (c)	3 (d)	4	5
For								
Againts								

.....
Date

.....
Signature of member (s)

- NOTES:**
- (a) *Strike out whichever is not desired
 - (b) Instructions as to completion of the Form of Proxy are set out in the reverse hereof
 - (c) A Proxy holder need not be a Member of the company
 - (d) Please indicate with an "X" in the cage provided how your Proxy holder should vote. If no indication is given, or if there is, in the view of the Proxy holder, any doubt (by reason of the manner in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder in his/her discretion may vote as he/she thinks fit

Proxy Form *contd...*

INSTRUCTIONS FOR COMPLETION OF THE PROXY FORM

1. To be valid, the completed Form of Proxy should be deposited at the Registered Office of the company at No: 40, York Street, Colombo 1, not less than 48 hours before the time appointed for the holding of the meeting.
2. In perfecting the form, please ensure that all details are legible. If you wish to appoint a person other than the Chairman as your proxy, please fill in your full name and address, the name and address of the proxy holder and sign in the space provided and fill in the date of signature.
3. The instrument appointing a Proxy shall, in the case of an individual, be signed by the appointer or by his Attorney and in the case of a Corporation must be executed under its Common Seal or in such other manner prescribed by its Articles of Association or other constitutional documents.
4. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy, if it has not already been registered with the Company.
5. In the case of joint holders, only one need sign. The votes of the senior holder who tenders a vote will alone be counted.
6. In the case of non-resident shareholders, the stamping will be attended to upon return of the completed Form of Proxy to Sri Lanka.

Corporate Information

Name of Company

Cargills (Ceylon) PLC

Company Registration No.

PQ 130

Legal Form

Quoted public company with limited liability, incorporated in Sri Lanka on 1 March 1946.

Board of Directors

L R Page (Chairman)
V R Page (Deputy Chairman/CEO)
M I Abdul Wahid (Managing Director/Deputy CEO)
S V Kodikara (Executive Director/COO)
P S Mathavan (Executive Director)
Jayantha Dhanapala
A T P Edirisinghe
S E C Gardiner
Sunil Mendis
Anthony A Page
J C Page
E A D Perera

Company Secretary

S L W Dissanayake

Remuneration Committee

Sunil Mendis (Chairman)
Jayantha Dhanapala
A T P Edirisinghe

Audit Committee

A T P Edirisinghe (Chairman)
Sunil Mendis
E A D Perera

Stock Exchange Listing

Colombo Stock Exchange

Registered Office

40, York Street, Colombo 1, Sri Lanka
Telephone : +94 (0) 11 242 7777
Facsimile : +94 (0) 11 233 8704
E-mail : ccl@cargillsceylon.com

Postal Address

P.O. Box 23, Colombo 1

Auditors

KPMG
Chartered Accountants

Legal Consultants

Dissanayake Amaratunga Associates

Bankers

Bank of Ceylon
Commercial Bank of Ceylon
Deutsche Bank
DFCC Bank
HNB Bank
HSBC Bank
MCB Bank
NDB Bank
Nations Trust Bank
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank

Subsidiary Companies

Cargills Agrifoods Limited
Cargills Distributors (Private) Limited
Cargills Food Processors (Private) Limited
Cargills Food Services (Private) Limited
Cargills Retail (Private) Limited
Cargills Quality Confectioneries (Private) Limited
Cargills Quality Dairies (Private) Limited
Cargills Quality Foods Limited
C P C Lanka Limited
Dawson Office Complex (Private) Limited
Kotmale Dairy Products (Private) Limited
Kotmale Holdings PLC
Kotmale Kiri (Private) Limited
Kotmale Marketing (Private) Limited
Kotmale Milk Foods Limited
Kotmale Milk Products Limited
Kotmale Products Limited
Millers Brewery Limited
Millers Limited

Associate Company

C T Properties Limited

