SINCE 1844

2012/2013 ANNUAL REPORT

Cargills (Ceylon) PLC

CTH
Creating Value since 1928
A MEMBER OF C T HOLDINGS PLC

Contents

History

SINCE 1844

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 Millers Limited consolidating its marketing and distribution operation.

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 sector 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 brands. In the same year the Company secured a provisional commercial banking license from the Central Bank of Sri Lanka.

Vision / Mission

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

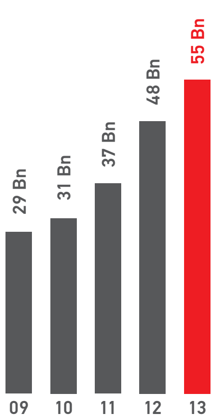
by enhancing local and global markets.

Financial Highlights

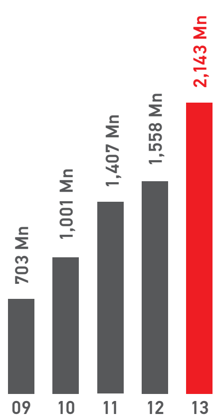
Group

	2013	2012	Change %
Operations			
Revenue	55,378,917	48,256,413	14.76
Profit from operations	2,261,880	2,241,084	0.93
Profit before taxation	2,142,834	1,558,317	37.51
Profit after taxation	1,629,756	1,063,610	53.23
Financial Position			
Non current assets	25,980,682	16,261,058	59.77
Current assets	9,590,178	8,675,827	10.54
Current liabilities	20,460,399	16,451,143	24.37
Non current liabilities	3,071,252	1,017,425	201.87
Capital and reserves	12,039,209	7,468,317	61.20
Per share data (Rs.)			
Earnings per share	7.20	4.68	53.85
Dividends per share	2.00	2.00	-
Net assets per share	53.27	32.96	61.62
Market value per share	151.80	174.00	(12.76)
Cash Flow			
Net cash generated from/(used in)			
- operating activities	821,293	3,446,142	
- investing activities	(6,517,437)	(3,847,745)	
- financing activities	5,915,776	(1,304,087)	

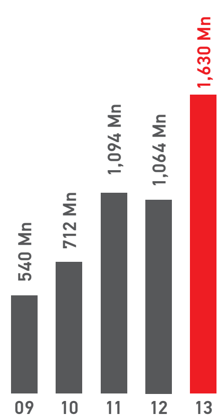
Revenue



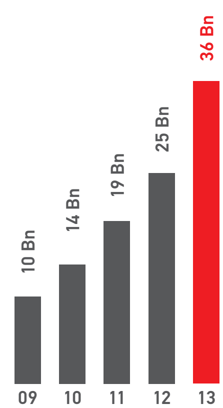
Profit Before Taxation



Profit After Taxation



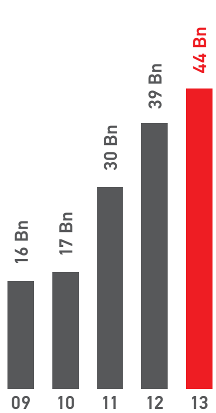
Total Assets



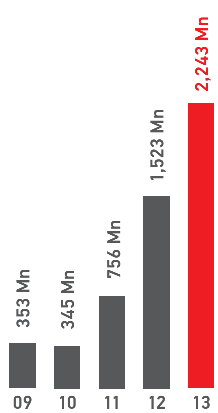
Company

	2013	2012	Change %
Operations			
Revenue	44,258,443	39,205,479	12.89
Profit from operations	2,154,735	2,078,196	3.68
Profit before taxation	2,243,207	1,523,108	47.28
Profit after taxation	2,021,560	1,169,361	72.88
Financial Position			
Non current assets	18,641,021	11,261,019	65.54
Current assets	10,959,212	8,934,999	22.65
Current liabilities	17,953,181	14,223,231	26.22
Non current liabilities	2,440,851	581,946	319.43
Capital and reserves	9,206,201	5,390,841	70.77
Per share data (Rs.)			
Earnings per share	9.02	5.22	72.80
Dividends per share	2.00	2.00	-
Net assets per share	41.10	24.07	70.75
Market value per share	151.80	174.00	(12.76)
Cash Flow			
Net cash generated from/(used in)			
- operating activities	(2,150,316)	1,243,591	
- investing activities	(3,407,477)	(1,579,294)	
- financing activities	5,776,435	(937,805)	

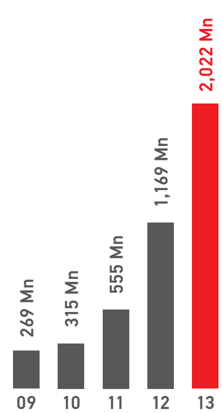
Revenue



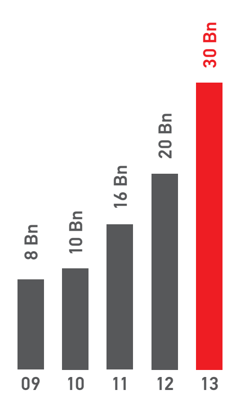
Profit Before Taxation



Profit After Taxation



Total Assets



Our Businesses

Retail

Cargills is Sri Lanka's largest modern retailer. 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 featured among the top brands in the country, and was rated the 4th most valuable brand in Sri Lanka as per the Brand Finance Index ratings of 2013.

Dairy : Ice Cream

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.

Dairy

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 UHT and pasteurized milk, yoghurt and cheese. 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.

Processed Meats

The Cargills processed meats range consists of 'Goldi' and 'Sams'catering to mass market demand and 'Finest' a premium deli range. Cargills is rapidly gaining market share in this category through its product innovation, quality and unique taste. Cargills Quality Foods 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.

Agrifoods

Kist is one of the most trusted brand names in Sri Lanka known for 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.

Confectionery

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 confectioneries under the Brand name 'Kist'. The Company was a family owned business established in 2006 and acquired by Cargills in 2010 and manufactures soft & hard dough biscuits & wafers. The factory is located at the Nalanda Industrial Estate in Matale.

Restaurants

Cargills 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.

Soft Alcohol

Cargills entered the soft alcohol industry in 2011 with the acquisition of the renowned McCallum Brewery Limited through fully owned subsidiary Millers Brewery Limited. The original brewery was established in 1963 by the eminent entrepreneur Mr. U.K. Edmund and was started as a craft brewer nurturing the 'Three Coins' brand from a conservative product to the premium league. The brewery located in Meegoda uses pristine natural spring water to produce high quality beer while adhering to stringent environmental management standards. The Millers Brewery now produces a range of strong and mild beers including lager, pilsner, ale and stout 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 brands owned by Cargills.

Rs. **55,379** Mn
(2012 – Rs. 48,256 Mn)

Group Revenue
14.76% Growth

Rs.**2,262** Mn
(2012 – Rs. 2,241 Mn)

Group Operating Profit
0.93% Growth

Rs.**2,143** Mn
(2012 – Rs. 1,558 Mn)

Group Profit before Tax
37.51% Growth

Rs.**1,630** Mn
(2012 – Rs. 1,064 Mn)

Group Profit After Tax
53.23% Growth

"Having invested heavily since the end of the conflict, the Group is well positioned to benefit from the growth of the economy, and it maintains a positive outlook in view of the long-term scope of its value creation strategy."

"The Retail sector remains committed to safeguarding the interests of its consumers while mitigating risks to margins and profitability through a process of internal efficiencies and controls."

"The FMCG sector of the Group is one with immense long-term potential which has been backed with substantial investments in capacity expansion."

"Our focus on a few simple principles - connecting places of surplus with places of deficit, managing risk, creating responsible supply chains and developing more nutritious foods is how we aim to make a difference."

Dear Shareholder,

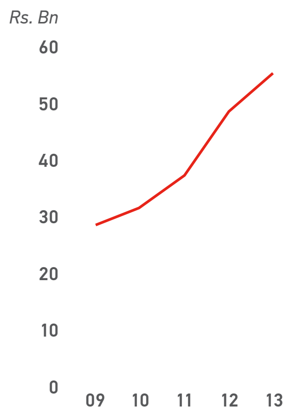
I am pleased to present to you on behalf of the Board of Directors of Cargills (Ceylon) PLC the Annual Report and Audited Financial Statements for the year ended 31st March 2013.

The year 2012 witnessed a period of consolidation in the economy, following two years of rapid growth. After consecutive years of 8% growth, economic growth stabilised at a still healthy pace of 6.4%, buoyed by strong growth in the Construction sub-sector. The rapid infrastructure development beyond the Western province is clearly shifting growth to the regions and this is increasingly evident in the gradual change in consumption patterns and lifestyles beyond the metros, in line with the government's vision - Mahinda Chinthana.

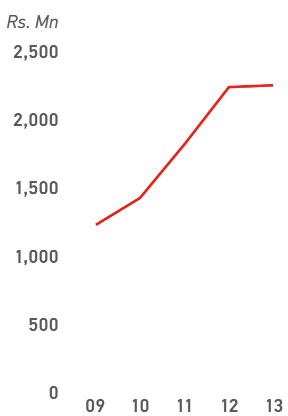
However, the economic climate was challenging, with monetary policy tightened in order to address the widening trade deficit, resulting in a spike in interest rates; adverse weather conditions and the sharp depreciation of the Rupee meanwhile resulted in inflation rising during the year, though still remaining at single digit levels. However, these policy measures helped curtail the trade deficit despite a decline in Exports amidst weak demand from key export destinations, and put the currency on a stronger footing for 2013.

Amidst the policy tightening, the business environment of your company deteriorated on account of cost escalations and a slowdown in demand. Steep revisions to fuel and electricity impacted both group margins and consumers spending, while the depreciation of the Rupee also negatively affected our international agency lines, as pass-through was limited due to demand

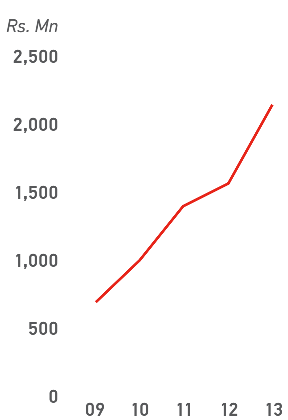
Group Revenue



Group Operating Profit



Group Profit Before Tax



sensitivity. Meanwhile, the rising interest rate environment had a compounded impact on the Group amidst higher gearing levels on account of rapid expansion across the group over the past three years.

Furthermore, the imposition of the Value Added Tax (VAT) on Retail Companies with a quarterly turnover of over Rs 500 Mn had a significant impact on the Group's performance.

Your Group has nevertheless successfully managed these challenging external conditions to deliver steady operating performance for the year ended, although overall group performance recorded a decline on account of the sharp rise in interest costs and tax liability. Having invested heavily since the end of the conflict, the Group is well positioned to benefit from the growth of the economy, and it maintains a positive outlook in view of the long-term scope of its value creation strategy.

Retail

Our Retail sector continues to return a satisfactory performance in an increasingly challenging business environment attributed to escalating costs and policy changes. Regional growth stimulated by State-driven development is now creating greater opportunity for growth beyond the Western Province. However the recent hike in electricity tariffs and fuel prices had a direct impact on the sector with increased pressure on profit margins. The Retail sector responded by enhancing internal efficiencies through rigorous inventory and resource management.

The imposition of VAT on the Retail Trade with effect from 01st January 2013 was a major stumbling block for this sector which remained on target despite the challenging economic conditions. The lack of transitional provisions to allow for the claiming of input VAT on the closing stock as at 31 December 2012 saw the second half of the year returning a mediocre performance.

Accordingly while Revenue has grown by 12.9% Operating Profit has declined by 0.7% for the year concluded. The substantial rise in interest costs attributed to high gearing and increased cost of borrowing has dragged down performance resulting in a 48.5% decline in PAT before accounting for the gain from the change in the fair value of investment properties.

The Retail sector remains committed to safeguarding the interests of our consumers while mitigating risks to margins and profitability through a process of internal efficiencies and controls. While expansion to capture the tremendous growth potential in the sector will continue, Cargills will periodically review its expansion strategy and adapt in response to economic, social and cultural demands.

FMCG

The FMCG sector of the Group is one with immense long-term potential which has been backed with substantial investments in capacity expansion. However, the introduction of the VAT, the declining demand for 'non-essential' items on the back of higher food and utility costs and adverse weather has impacted sector profitability.

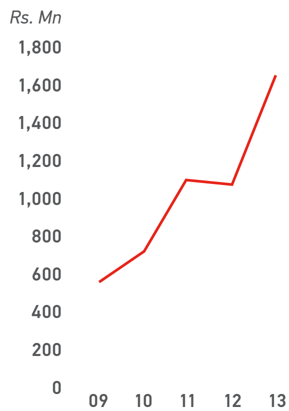
Revenue recorded a 19.4% growth while Operating Profit sees a 11.9% increase. The substantial rise in finance cost and deferred tax provisions on account of investments made has significantly impacted sector profitability resulted in 8.2% degrowth in PBT and 92.5% degrowth in PAT, while the underperformance of the confectioneries and soft alcohol segments further weighed down the sector.

The Group has invested substantially in the expansion of the dairy sector in line with the national goal of achieving self-sufficiency in milk by 2016. Accordingly production capacity of milk and yoghurt has been increased while storage capacity of the ice cream segment has also been enhanced. Meanwhile the diversification of the cheese segment has been implemented with the introduction of new production lines.

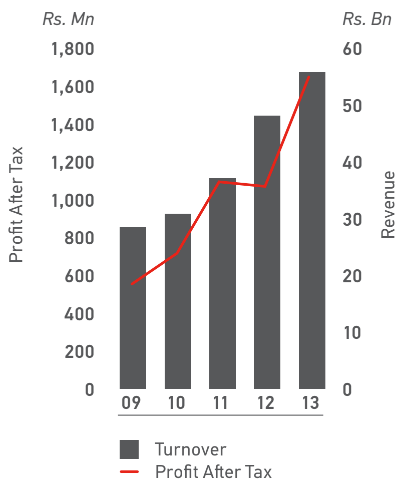
Our meat products enjoyed a steady growth in revenue despite tighter margins attributed to pressure from competition. Meanwhile the range of Kist cordials, jams and sauces reported a solid performance particularly driven by an increasing shift to 'natural' food and beverages. The initial quality setbacks experienced in the confectioneries sub sector have now been addressed while the Company is also pursuing exports with product development activities now ongoing.

The brewery sector expansion programme is ongoing with present capacity touching 300,000 hl. The back-to-back erosion of margins due to increase in excise duties

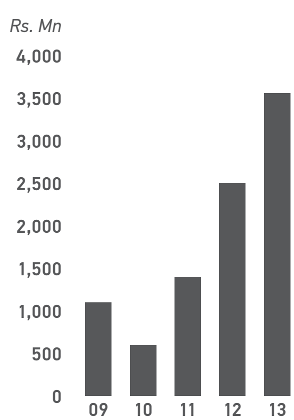
Group Profit After Tax



Group Revenue Vs Profit After Tax



Group Fixed Assets Additions



has led to selective price increases while retaining a price advantage within growth categories. The sub-sector has done well to emerge as the second largest in a highly competitive and regulated market.

Restaurants

The Restaurant sector sees exciting medium to long-term growth potential with an increasing demand from both urban and semi-urban markets attributed to growth in per-capita income, lifestyle change and a growing tourism industry. However rising inputs costs and higher electricity tariffs are having a direct impact on the sector, with the higher price points leading to a marked drop in frequency of patronisation as well as a greater demand for 'value' meals. Steps taken to maintain the KFC value proposition amidst escalating costs has resulted in a substantial erosion of margins. As such while Revenue has grown by 41.4% for the year Operating Profit has declined by 3.55% while PAT saw a decline of 26.1%. The second-half of the new financial year would see the sub-sector's diversification into the entertainment-dining segment with the launch of TGI Friday's.

Investments

The Group, confident of the economic environment in the country in the post-conflict period, invested over Rs 12 Bn in organic and inorganic growth over the past 3 years. This includes acquisition and capacity enhancement in dairy, agriculture, soft alcohol, and confectioneries sectors as well as investments in real estate, property development and financial services. Through these investments the Group has created 2,466 new jobs while positioning itself for its next phase of growth. However the fast-paced investment drive has resulted in increased Group debt and corresponding increase in finance cost. Finance cost for the year concluded amounted to Rs. 1.2 Bn compared to Rs. 625 Mn in the previous year while total Group debt at the year-end stands at Rs. 14.1 Bn.

Summary of Performance

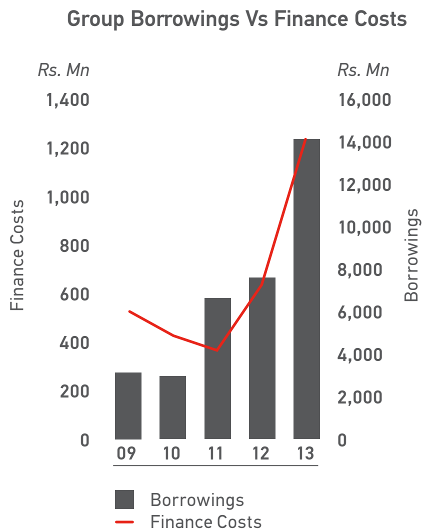
Group Revenue recorded a growth of 14.8% for the year ended 31 March 2013, at Rs 55.4 Bn. Operating Profit for the period appreciated by 0.93% from last year to reach Rs. 2.3 Bn, despite the VAT impact and the soft alcohol and biscuits segments performing below potential. Profit-after-tax for the year ended 31st March 2013 appreciated by 53.2% to end at Rs. 1.6 Bn largely owing to a gain of Rs. 1.1 Bn from the change in the fair value of investment property.

Outlook

While the overall Group results for the year are below expectation, the management has already initiated measures towards turning around this performance. In the year ahead, Cargills would be increasingly focused on cementing the value-for-money advantage in its FMCG product portfolios while rationalising inputs costs and enhancing efficiencies to grow profitability in Retail and Restaurants sectors. The approaches adopted by the Management to mitigate the VAT impact have been effective, resulting in a minimal impact on monthly basis. The team would look to further improvise towards continuing to deliver the best possible advantages to consumers while delivering on business and stakeholder expectations. The Group is confident of the long term potential of its businesses and continues to remain committed to its ethos of creating sustainable value for all its direct and indirect stakeholders including shareholders, business partners, farmers and small and medium enterprises as well as our employees and their families islandwide.

Appropriation

A dividend of 70 cents per share was paid on 21 February 2013 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.



Acknowledgement

In conclusion I take this opportunity to thank Team Cargills for their optimism, energy and determination in a challenging year. Our focus on a few simple principles - connecting places of surplus with places of deficit, managing risk, creating responsible supply chains and developing more nutritious foods is how we aim to make a difference. It is how we intend to be the partner of choice to our stakeholders, achieve sustainable profits and nourish Sri Lankans in every part of the country.

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 a rewarding journey of success.

Signed
Louis Page
Chairman

27 August 2013

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 30 years of management experience with expertise in food retailing, food service, and manufacturing, having introduced the concept of super marketing 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 Accountant (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 26 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 28 years of managerial experience in the hospitality and retail sector.

P S Mathavan

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 Bachelor's Degree in Commerce. He possesses over 20 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) from1987-1992. 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 43 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 Office of the Gardiner Group, comprising, the 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, United Hotels Co (Pvt) Limited, which owns The Surf, Bentota, The Safari, Tissa and The Lake, Polonnaruwa. He is also a Director of several public and private companies and counts over 25 years of management experience. He holds a Bachelor of Business Degree from the Royal Melbourne Institute of Technology, Australia and, a 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, and is also a Member of the elite Young Presidents Organisation since 2008.

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 46 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 44 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 a Director of C T Properties Limited and Managing Director of Ceylon Theatres (Pvt.) Ltd. Prior to joining C T Land Development PLC, he was Executive Director of Millers Limited. He has over 30 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 increasingly challenging yet exciting business. Regional economic growth stimulated by State-driven development is now driving growth opportunities well beyond the Western Province. Meanwhile according to the Nielsen Company, the continued pressure on consumer-wallets by way of higher utility and transport costs has created an increased trend of bargain-hunting at 'wholesale' and 'open' markets. The Industry is also grappling with the newly imposed 'Value Added Tax' on retail companies with turnover in excess of Rs. 500 Mn which none of the supermarket players have passed on to the consumer despite the compromise on already thin margins. Within such a context the Modern Trade Industry is called upon to re-invent itself to continue to remain sustainable and relevant.

Adapting to the wider-context with discipline on fundamentals

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'.

The imposition of VAT on the Retail Trade with effect from 01st January 2013 was a major stumbling block for this sector which remained on target despite the challenging economic conditions that prevailed in the year under review. The situation was further aggravated by the lack of transitional provisions to allow for the claiming of input VAT on the closing stock as at 31 December 2012. To counter this, stock holding was reduced substantially in the month of December which resulted in shortages in certain categories during December 2012 and January 2013. The imposition of VAT also impacted consumer sentiment which led to a significant dip in sales growth during the 4th quarter.

While steps were taken to effectively manage the closing stock, the one-off impact owing to the same was Rs 170 Mn which directly impacted profitability. The Retail team has taken steps to manage the recurrent VAT impact in partnership with suppliers through better sourcing and a review of product mix.

Fortifying the 'Lowest Price' culture

During the year the sector re-launched its 'Lowest Price' challenge reigniting its price leadership positioning as the only supermarket chain to ensure the lowest price on essential items with no conditions attached. 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 especially in the fruit and vegetable category. The certainty of great value for superior quality throughout the store has been fundamental to Cargills Food City and this would remain its unique identity. Taking this a step further Cargills has revisited its fresh-fish supply chain and has invested in the establishment of a new Fish Processing Centre in Negombo. Two fish collection centres operate in Kalpitiya and Point Pedro on a seasonal basis with the total supply-chain now accounting for approximately 4 tonnes per day and directly benefiting around 200 fishermen. Stronger backward integration into the fish value-chain would enable Cargills to provide high-quality fresh and frozen fish to every part of the island at a more affordable price-point.

Local Relevance

In response to an increasing demand for the modern trade experience beyond the Colombo metropolis Cargills has reinvented the supermarket experience through its smaller format stores, 'Cargills Food City Express'. The smaller store size and focused range provides a value-for-money supermarket experience to the masses whilst maintaining the highest standards of food safety and hygiene. The new format has been well received in the smaller townships of Sri Lanka.

Focused Growth through Diverse Formats

During the year we opened 30 new outlets including 17 Cargills Food City Express stores with the store expansion plan now leaning towards the smaller-sized experience. While expansion to capture the tremendous growth potential in the sector will continue, Cargills is cognizant of the potential for over trading, and regularly monitors its expansion progress against a stringent set of KPIs.

Furthermore, amidst certain economic headwinds, the sector would periodically review its expansion strategy and adapt in line with the demands of the macro-economy and emerging social and cultural trends.

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. Through the Group's Retail business alone Cargills now partners over 8,000 farmers through 9 collection and processing centres islandwide. During the year under review Cargills Retail sector collected 25 Mn tonnes of fruit and vegetables from across farming communities returning Rs 1.6 Bn to regional Sri Lanka by way of payments to its farmer network.

In the year concluded Cargills launched its first Fruit and Vegetable wholesale price display terminal at its fresh produce collection centres in Thanamalwila, Jaffna, Nuwara Eliya and Bandarawela. The launch of the wholesale price terminal further reiterates the commitment of Cargills towards the empowerment of smallholder farmers. Cargills continues to offer prices above the wholesale market to farmers along with technical inputs, training, and market information while facilitating credit. Its continued focus on enhanced post-harvest practices including efficient transport utilising plastic crates continues to yield dividends for farmers and consumers by way of 'best prices' for 'best' produce.

Meanwhile under the Northern Horticultural Alliance Project launched in Northern Sri Lanka in partnership with USAID, the Kilinochchi Processing plant, a state of the art fruit and vegetable processing plant is nearing completion. Over 100 new employment opportunities would be created through the plant while 1,000 farmers would be mobilised for supply and an agriculture extension programme is now underway.

Cargills Farmer Community Development funds continue to create sustainable value for local communities. In the year concluded Rs 1.9 million worth of benefits were distributed to the farmer community in Gangeyaya, Thanamalwila. The benefits included awarding of educational scholarships for farmer children, distribution of learning material and farmer equipment as well as providing common amenities for the village. The funds established in Jaffna, Badulla and Monaragala are reaching maturity and disbursement of benefits would take place in the new financial year.

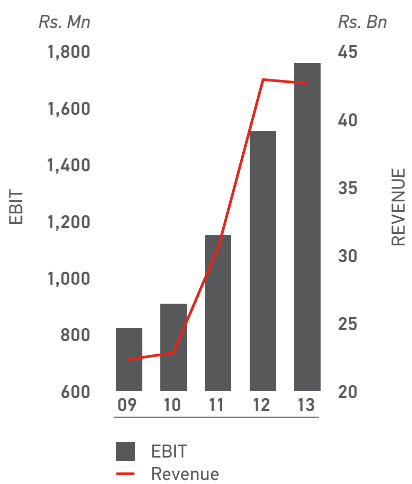
In the year concluded Cargills provided HNB Farmer Insurance schemes for 137 farmers free of charge. The scheme entitles farmers to death, accidental death, disability and permanent disability covers as well as hospitalisation benefits.

Performance

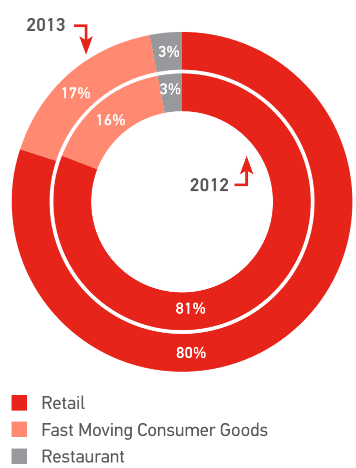
The lack of transitional provisions to allow for the claiming of input Value-Added-Tax (VAT) on the closing stock as at 31 December 2012 had a significant impact on the Group's Retail Business which enjoys peaks sales during the 3rd and 4th quarters of the financial year. The post-VAT drop in consumer sentiment also impacted performance. Accordingly while Revenue has grown by 12.9% Operating Profit has declined by 0.7% for the year concluded. Despite of substantial rise in interest costs attributed to high gearing and increased cost of borrowing, the sector reported a growth of 114.9% in PAT largely owing to a fair valuation gain from investment property.

	2012/2013 Rs. Mn	2011/2012 Rs. Mn	Growth %
Revenue	44,220	39,162	12.92
EBIT	1,689	1,702	(0.76)
Interest	1,099	563	95.20
PBT	1,699	1,081	57.17
PAT	1,477	687	114.99
CAPEX	2,848	1,478	92.69

Retail Segment - EBIT & REVENUE



Group Revenue Mix



FMCG

Industry

In a high-inflation environment, 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 12.5% year on year revenue growth in the sector based on information from general trade with the rural sector accounting for a higher percentage of the country's total FMCG market. The sharp rise in cost of living has seen the share of spend in Food Products increase to 51% of the total FMCG spend while consumption of beverages, personal, laundry and household care and baby care items has seen a decline according to the Nielsen Company.

Dairy

The Group has invested substantially in the expansion of the dairy sector in line with the national goal of achieving self-sufficiency in milk by 2016. Accordingly production capacity of milk and yoghurt has been increased while storage capacity of the ice cream segment has also been enhanced. Meanwhile the diversification of the cheese segment has been implemented with the introduction of new production lines. The dairy capacity expansion project which commenced in 2011/12 is now nearing completion with the total project cost allocated being Rs 1.48 Bn.

The 1 litre UHT milk range and the recently launched chocolate-malt food drink have been well received by consumers and are enjoying substantial volume growth month on month. The Kotmale cheese wedges is of superior quality and further strengthens the brand's position in the cheese category. The new and improved yoghurt product was launched after the end of the financial year in review and is expected to receive a good response from the market. Meanwhile the popular pasteurised and UHT flavoured milk categories continue to report strong growth.

Investments would also be made towards strengthening our outgrower network. Magic and Kotmale together source fresh milk from 15,000 small holders, majority organised into farmer societies. The Group's present daily collection is between 60,000-70,000 litres. To further strengthen the dairy supply chain Cargills has finalised an agreement with GIZ and Tetrapack to set up a Dairy Hub in Chavakachcheri, in the North of Sri Lanka while a purchase agreement has also been reached with the National Livestock Development Board.

Meats

Our meat products also enjoyed a steady growth in revenue despite tighter margins attributed to pressure from competition. The re-launched 'Goldi' and 'Sams' ranges have performed exceptionally well with the sector now enjoying a strong position in the sausages and meatballs categories. We are particularly encouraged by the increased demand from the institutional market and look forward to reaping the benefits of a reinvigorated hospitality industry. Meanwhile exports have returned a strong performance in this sector with contract manufacturing to India having expanded in the year concluded and steps being taken to initiate direct exports to India under own brands. The demand from resorts in the Maldives is also growing while the sector is exploring diversified products to penetrate new markets such as the Seychelles and Lebanon.

Agrifoods

Our range of Kist cordials, jams and sauces reported a solid performance particularly driven by an increasing shift to 'natural' food and beverages. In the year ended the segment launched its much-awaited Absolute range in 1 litre tetra packs and the products have been extremely well received with the emerging health conscious consumption trends. The brand portfolio was further expanded with the launch of 'Fun B' a fruit drink at a lower price point. We retain market leadership both in the 'Nectar' and 'Sauces' categories enjoying a steady growth in market share and volume. Kist jams also remains the leader in the 'natural' jams segment.

Confectioneries

'Kist' biscuits launched in the signature blue packaging are now available in all the standard categories including crackers, marie, chocolate biscuits, wafers and puffs. 'Kist' Chocolate cream and wafers in particular have been well received by the market. In response to an emerging consumer demand for small snacks and main-meal substitutes, smaller packages were introduced while spicy snack variations have also been developed. Meanwhile the initial setbacks experienced in the sub sector have now been fully addressed with product quality and consistency reaching healthy levels. The Company is also pursuing exports with product development activities now ongoing to develop a range that is suitable for the international market.

Soft Alcohol

Our continued long term confidence in our investments in the soft alcohol businesses has resulted in a phased increase in brewing capacity. The brewery which commenced operation with 50,000 hl per annum has now reached 300,000 hl and would continue its phased expansion drive in the medium term. However the brewery business has seen a back-to-back erosion of margins with excise duties being increased twice during the period in April and October 2012. The sector has responded with selective price increases while retaining a price advantage for MBL products within the high-alcohol segment in view of this being the growth category. Market estimates show that MBL has now grown to be the second largest player despite the highly regularized and prohibitive trading environment.

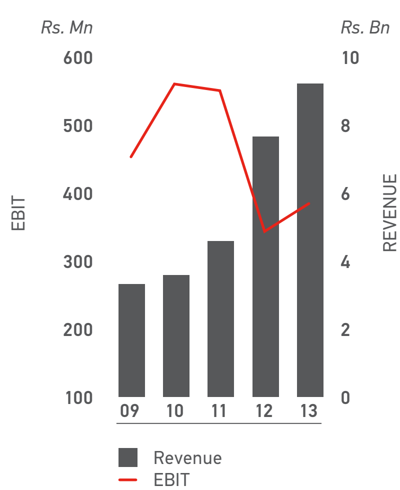
Performance

The FMCG sector was adversely affected by the introduction of the VAT, with Kist, Kist Biscuits, Meats and Millers experiencing stock returns and curtailed purchase orders during the 3rd and 4th quarters. The challenging market environment and adverse weather prevalent in the second half of the year further impacted sector profitability.

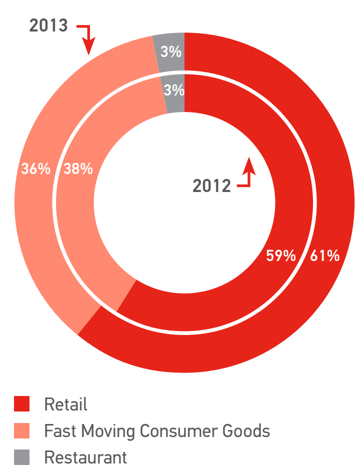
Revenue recorded a 19.4% growth while Operating Profit sees a 11.9% increase. The substantial rise in finance cost and deferred tax provisions on account of investments made has significantly impacted sector profitability resulted in 8.2% degrowth in PBT and 92.5% in PAT, while the underperformance of the confectioneries and soft alcohol segments further weighed down the sector.

	2012/2013 Rs. Mn	2011/2012 Rs. Mn	Growth %
Revenue	9,204	7,711	19.36
EBIT	383	342	11.99
Interest	126	61	106.56
PBT	258	281	(8.19)
PAT	14	188	(92.55)
CAPEX	1,600	792	102.02

FMCG Segment - EBIT & REVENUE



Group Total Assets



Restaurants

Industry

The Restaurants sector is on an upward trend with the Central Bank reporting a 20.2% growth in the Hotels and Restaurants sector of the economy in 2012. Meanwhile a 50.5% growth is evident in private consumption expenditure in the Hotels, Cafes and Restaurants segment in 2011/12.

The sector is also benefitting from the increased number of tourists arrivals to the country and an emerging demand for off-premise restaurants that offer a variety of dining experiences outside the city hotels.

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. However rising inputs costs and higher electricity tariffs are having a direct impact on the sector, with the higher price points leading to a marked drop in frequency of patronisation as well as a greater demand for 'value' meals.

Network

During the year the chain added 5 new restaurants to its fold taking the total count to 23 and retaining its leadership in the Quick-Service-Restaurant (QSR) category. New Restaurants in Wattala, Galle, Ratnapura, Peradeniya and Marine Drive are reporting an excellent response from local clientele.

As evident in the expansion strategy KFC has taken 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 islandwide. However we remain mindful of the emerging macro-economic trends and regional social and cultural nuances in ensuring a planned expansion strategy.

Product Innovation

Innovation continues to be the key strength of this sector. The value-for-money platform and the localised menu remains the winning edge of KFC. This was further fortified through a process of product re-engineering. The now re-launched 'Popcorn Rice' offers a lower entry price for customers and has been well received by the market. The 'Kentucky Grilled Chicken' targeting health-conscious customers who enjoy the great taste of KFC has been introduced to selected outlets. KFC is focused on stepping-up its menu-mix with consideration to affordability and variety.

Diversification

The KFC Delivery Service is now 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.

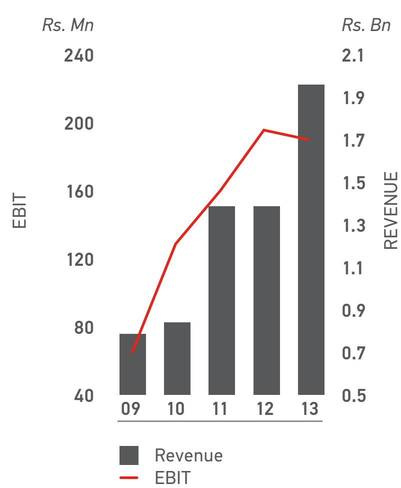
Meanwhile the sub-sector's diversification into the entertainment-dining segment with the launch of TGI Friday's in Sri Lanka is in pre-operation stage. The management looks forward to the opening of the flagship restaurant in Fort during the 2nd half of the new financial year.

Performance

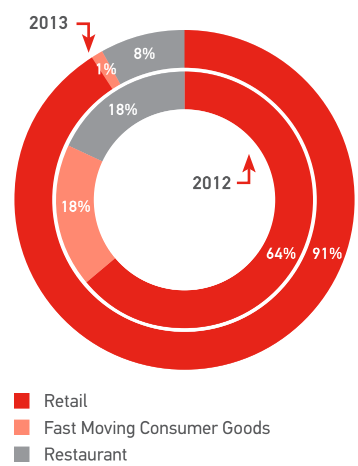
The KFC chain has experienced a substantial increase in input cost which has resulted in higher price points. Steps taken to maintain the KFC value proposition amidst escalating costs has resulted in a substantial erosion of margins. As such while Revenue has grown by 41.4% for the year, Operating Profit and PBT have seen a decline of 3.6% and 5.1% respectively. PAT declined by 26.1% due to deferred tax provisions owing to 5 new outlets being opened during the year while the previous year also include deferred tax provision reversals.

	2012/2013 Rs. Mn	2011/2012 Rs. Mn	Growth %
Revenue	1,955	1,383	41.36
EBIT	190	197	(3.55)
Interest	4	1	300
PBT	186	196	(5.10)
PAT	139	188	(26.06)
CAPEX	385	241	59.75

Restaurant Segment - EBIT & REVENUE



Group Profit After Tax



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, (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 below but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', The Board shall specify the criteria not met and the basis for its determination in the Annual Report.	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 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
7.10.5 Remuneration Committee A listed entity shall have a Remuneration Committee in conformity with the following:		
a) Composition The Remuneration Committee shall comprise of; (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.	Complied with	The Remuneration Committee comprise three independent Non Executive Directors and the details are given on the inner back cover.
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.	Complied with	Kotmale Holdings PLC is a subsidiary of the company and has its own Remuneration Committee.
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.	N/A	N/A
One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied with	Please refer inner back cover.
b) Functions The Remuneration Committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the board of Listed Entity which will make the final determination upon consideration of such recommendations.	Complied with	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.
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. 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).	Complied with	Please refer inner back cover for the names of directors of the Remuneration Committee. Please refer the Remuneration Committee report on page 24 for a statement of the remuneration policy. Please refer Note 6 to the financial statements for the aggregate remuneration paid to the directors.

Corporate Governance Rule	Compliance Status	Details
7.10.6 Audit Committee A listed entity shall have an Audit Committee in conformity with the following:		
a) Composition The Audit Committee shall comprise of; (i) a minimum of two independent Non-Executive Directors (in instances where a Entity has only two directors on its board); or (ii) Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.	Complied with	The Audit Committee comprise three independent Non Executive directors.
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.	Complied with	Kotmale Holdings PLC is a subsidiary of the company and has its own Audit Committee.
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.	N/A	N/A
One Non-Executive Director shall be appointed as Chairman of the committee by the Board of Directors.	Complied with	Please refer inner back cover.
Unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend Audit Committee meetings.	Complied with	Please refer Audit Committee report on page 24.
The Chairman or one member of the committee should be a member of a recognised professional accounting body.	Complied with	The Chairman of the Committee is a member of ICASL and CIMA (UK).
b) Functions Shall include, (i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with SLFRS/LKAS. (ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. (iii) Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards. (iv) Assessment of the independence and performance of the Entity's external auditors. (v) To make recommendation to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	Complied with	Please refer Audit Committee report on page 24.

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 1.1.1 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 91.
(iv) The public holding percentage.	Complied with	Please refer Investor relations supplement on page 91.
(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 39.
(vi) Information pertaining to material foreseeable risk factors of the entity.	Complied with	Please refer report on Risk management on page 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.
(vii) Extents, locations, valuations and the number of buildings of the entity's land holding and investment properties.	Complied with	Please refer page 89 Group real estate portfolio.
(ix) Number of shares representing the entity's stated capital.	Complied with	Please refer page 90 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 90 Investor relations supplement.

Corporate Governance Rule	Compliance Status	Details
(xi) The following ratios and market price information. **Equity** 1. Dividend per share 2. Dividend pay out 3. Net asset 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 88 Five year summary. Please refer page 90 Investor relations supplement.
(xii) Significant changes in the entity's or its subsidiaries' fixed asset and the market value of land, if the value differs substantially from the book value.	Complied with	Land and building revaluation will be done as per the company policy as it become due. As at 31 March 2013 revaluation was carried out. Please refer page 89 Group real estate portfolio.
(xiii) If during the year the entity has raised funds either through a public issue, Right issue, and Private Placement; (a) A statement as to the manner in which the proceeds of such issue has been utilised. (b) If any shares or debentures have been issued, the number, class and consideration received and the reason for the issue; and, (c) Any material change in the use of funds raised through an issue of securities.	N/A	N/A
(xiv) a. Employee Share Option Schemes The following information shall be disclosed in the Annual Report of the Listed Entity in respect of each ESOS: • The number of options granted to each category of Employees during the financial year. • Total number of options vested but not exercised by each category of Employees during the financial year. • Total number of options exercised by each category of Employees and the total number of shares arising there from during the financial year. • Options cancelled during the financial year and the reasons for such cancellation. • The exercise price. • A Declaration by the directors of the Entity confirming that the Entity or any of its subsidiaries has not, directly or indirectly provided funds for the ESOS.	N/A	N/A
b. Employee Share Purchase Schemes The following information shall be disclosed in the Annual Report of the Listed Entity in respect of each ESPS: • The total number of shares issued under the ESPS during the financial year. • The number of shares issued to each category of Employees during the financial year. • The price at which the shares were issued to the Employees. • A Declaration by the directors of the Entity confirming that the entity or any of its subsidiaries has not, directly or indirectly,provided funds for the ESPS.	N/A	N/A

Corporate Governance Rule	Compliance Status	Details
(xiv) Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of section 7 of the Rules.	Complied with	Please refer page 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 19 and 34.

Note 01:

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 Committee and Remuneration Committee Report

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 comprises three members who are Non-Executive Directors who are deemed independent. The Chairman of the Audit Committee is a Fellow of the Institute of Chartered Accountants of Sri Lanka. 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
Mr. A. T. P. Edirisinghe FCMA, FCA - Chairman Independent
Mr. Sunil Mendis - Independent
Mr. E. A. D Perera - Independent

The Group Financial Controller (GFC) and the Chief Internal Auditor attend all meetings when scheduled 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 including the adoption of new Sri Lanka Accounting Standards (SLFRS/LKAS) 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 GFC stating that the respective financial statements are in conformity with the applicable accounting standards, company law and other statues 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 'Auditor's 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 2014.

Signed
A. T. P. Edirisinghe FCMA, FCA,
Chairman – Audit Committee

27 August 2013

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 Mr. Jayantha Dhanapala. The Deputy Chairman & 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

27 August 2013

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.

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 equipment are managed adequately.

Commodity Price Risk

The Group's Manufacturing sector is more exposed to the volatility in the commodity prices. In order to manage commodity price risk, the Group focus on building up long term relationships with suppliers and enter into contracts with them to maintain the price stability.

Sustainability Report

1. Our approach to Sustainability

1.1 Management Commitment and Approach

Cargills is committed to the essential work of bringing affordable nutrition to every part of the island through a sustainable business process. It is the work we do every day.
In a complex world where there is a growing awareness of what must be done now to feed 22.5 million Sri Lankans in 2025, Cargills has the breadth and scope to respond to emerging challenges of food security and nutrition through every aspect of its business process.

We operate with integrity and accountability in our commitment to nourishing Sri Lankans in a responsible way; reducing our environmental impact; and improving the communities where we live and work.

We are committed to nourishing a growing population while protecting the planet. We continue to find new ways to help farmers produce more food in a sustainable manner and to develop more efficient methods of moving food from times and places of surplus to times and places of deficit.

We know that with the talent and conviction of our employees, we can help meet the challenge of ensuring all people have access to safe, nutritious and affordable food.

We focus on meeting today's needs without impairing the capacity to serve future generations. Cargills' interest extends beyond our own operations to the suppliers, partners and other stakeholders in our supply chains.

A responsible supply chain respects people and human rights; produces safe and wholesome food; treats animals humanely; promotes the best, most responsible agricultural practices; and reduces the environmental impact, including protecting the land and conserving scarce resources. Achieving this will require collaboration with all stakeholders across developed and emerging markets. We strive to demonstrate measurable progress against the supply chain issues that we can control and those we can influence. We know our ability to grow as a company depends on the way we treat people,how we enrich our communities and how well we serve our customers.

Through the efforts of our employees, Cargills will grow profitably and grow responsibly to meet the needs of a diverse and developing Country and its people.

1.2 Impacts, Risks and Opportunities

Sustainability is central to Cargills' 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.

1.3 Report parameters

Reporting period

The content of this report falls within the period 1st April, 2012 to 31st March, 2013

Date of previous report

31st March 2012

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 (SLFRS/LKAS) and have been audited by M/s 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 Group 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, state, and federal government agencies
- Non-governmental 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

2. 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.

All manufacturing facilities set annual targets and objectives to reduce the per unit consumption of water and energy as well as to manage the generation of solid and liquid waste towards minimising environmental pollution and to avoid all possible hazards. The goals and objectives as well as achievement of targets for the year concluded have been outlined in Table 1.

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.

Biodiversity

The Group is committed to conserving bio diversity 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 have comprehensive environment management systems that enable individual plants to monitor emissions, effluents and waste. Reporting systems are now being put in place to streamline data and analyse the overall environmental impact in terms of emissions effluents and waste.

Environment Impact Assessment Summary

Focus Area	Deliverables for 2012/13	Comment on progress	Plan
Energy Management	Long term energy conservation strategies to be included in the overall strategy of the company Operational and personal practices to be standardised to minimise energy wastage Cost Per kilo average energy consumption to be considered as Key performances indicator of each manufacturing unit.	Carried out workshops for the staffs focusing optimisation of energy consumption Set key performance indicator is reviewed monthly basis	Similar programmes to be carried out on an annual basis at respective group of companies. The production planning is done in such a way that optimising energy consumption High energy consuming operations are carried out at off peak hours.
Water Management	Water management to be considered as a key performance indicator and water consumption per kilo is evaluated	Set key performance indicator is reviewed monthly basis	Water meters were fixed in every department to evaluate consumption and data analysed to introduce norms and to manage them Rain water harvesting Recycling of waste water to be used for gardening
Waste Management	The management of waste is a key component of the business evaluation Companies are encouraged to improve their environmental efficiencies each year by reducing waste through resource recovery practices and improving production efficiencies.	Introduction of effective manufacturing methodologies to minimise wastage Conducting awareness programmes	Encouraging other sectors of the Group to join the programme Greening of respective business units

3. Responsibility to our Customers

Fostering a company wide culture that drives continuous improvement towards the safety and well-being 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.

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, 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 consumption.

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 reach 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 30%. 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. 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 SLS 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 endeavor 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 foremost food retailing and fast moving consumer goods business, 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 more affordable.

3.3.1 Healthfest National Action Programme to prevent Non Communicable Diseases

In the year concluded Cargills joined forces with the College of Community Physicians of Sri Lanka to support the goals of Healthfest, a national action programme to influence life style change in Sri Lanka. The programme also partnered by the National Nutrition Secretariat of the Presidential Secretariat, the Ministry of Health and the Department of Agriculture promotes 8 health targets towards healthy living.

The College of Community Physicians has developed the concept of Healthfest in response to the increasing burden of Non Communicable Diseases (NCD) such as heart diseases, stroke, hypertension, diabetes etc. In response Cargills is actively engaging the public towards 8 health targets known as the SUPER EIGHT which was launched at full-day a festival in November 2012.

Of the 8 health targets, consuming 5 servings of fruit and vegetables per day (approximately 400 gms of vegetables and fruits per day) is a key Health Target. Cargills Food City is partnering Healthfest towards promoting this healthy habit. At the Healthfest launch Cargills Food City provided a chance for more than 400 pre-school kids to sample a variety of local fruit and vegetables towards building awareness on the nutritional and medicinal values local fruits and vegetables. Cargills is also working in partnership with Healthfest to develop healthier food and beverages through its manufacturing facilities.

Management System Approach

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 labeling, ethical marketing and communication. Towards this end the Group adheres to the Food Act No 26 of 1980 and the regulations pertaining to Food (Labeling 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 certifications.

4. Responsibility to Our Team

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

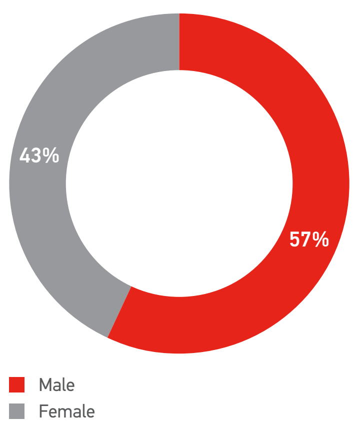
4.1 Nurturing an exceptional team

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.

Employment Type

Gender	Number
Male	4,482
Female	3,350
	7,832

Employment Type - Gender



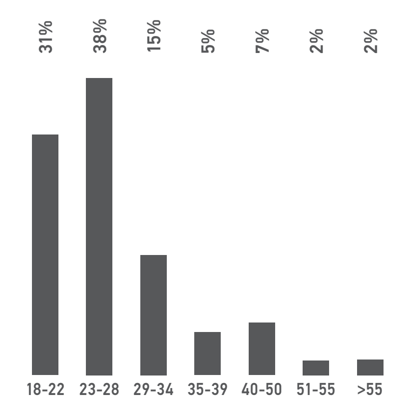
4.1.1 Our Team Members

Cargills provides employment to 7,832 persons at March 31, 2013. 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 a 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.

Employment Age Analysis

Age Range	Number
18-22	2,408
23-28	2,980
29-34	1,206
35-39	430
40-50	520
51-55	134
>55	154
	7,832

Employment Age Analysis



4.1.2 Diversity and Opportunity

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.

Company policy on Recruitment, Selection and Placement

It is the company policy to recruit candidates as per the man power requirements derived through a focused and organised Human Resources Plan. All candidates will be impartially assessed on objective criterion notwithstanding of the race, gender, ethnicity, religion, language, or civil status as an Equal Employment Opportunity provider. Canvassing would be a disqualification, where priority will be given for the talented, qualified applicants with a good track record.

Applicants under the age of 18 years are not deployed in any area of operation.

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 while training is provided on Occupational Health & Safety on a continuous basis as part of the Training Curriculums of the respective business sectors.

Policy on Health and Safety

The management recognises that they have a responsibility to ensure that all reasonable precautions are taken to provide and maintain working conditions, which are safe, healthy and comply with all statutory requirements and codes of practice related to the company's activities.

The company will, so far as it is reasonably practicable, pay particular attention to:

i. The provision and maintenance of machinery, equipment and work system to be safe and healthy.

ii. Arrangements for ensuring safety and eliminating risks to safety and health in connection with use, handling, storage and transport of articles and substances.

iii. The provisions of such information, training and supervision to ensure the health and safety at work of employees and others.

iv. The control of the place of work maintaining it in a safe condition.

v. The provision of a safe means of access and egress from the place of work.

vi. Taking measures in preventing all health and safety hazards at work for all.

vii. Ensuring health and safety instructions are strictly adhered to by all employees

4.3 Training and 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 regional parts of Sri Lanka as part of the Group's CSR initiatives. 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 labor 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 a series of certificate and diploma programmes aimed at creating opportunity for career advancement in the food and manufacturing sector. The Certificate programs develop the various basic skills required to become 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, 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.

Accelerated Skills Acquisition Programme (ASAP)

ASAP, a programme which has been developed by the USAID, 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 05-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 GemiDiriya 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 & 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 opportunities to empower youth in rural areas using ICT as a tool for development.

In the year concluded

- A Structured Career Progression plan was designed in identifying the training needs at each of the potential stages of development (retain / develop/ grow)
- Activation of regional training for the effectiveness of the participation
- Activity based (short) training, focused on Customer service was introduced to create energy and passion
- A programme named "Team Celebration Day" was reactivated to instill basic team values and to recognise and respect employees
- "Employee Dialogues" commenced to feel the pulse of Employees to add productivity at work

Policy on Human Resource Development

Cargills' endeavors in developing a talented work force equipped with the modern knowledge and competencies along with a proper mindset to cope up with the emerging business challenges and to gain a competitive advantage.

The company encourages a learning environment, by stimulating integrated thinking, personal mastery, mental models, shared vision and team learning. The company facilitates training opportunities to employees by continuously examining the training needs. Simultaneously, the employees are encouraged and motivated to point out to the areas where they require training to enhance their overall performance.

4.5 Employee Volunteerism

Cargills supports our employees to help build vibrant and stable communities where we live and work. We encourage employee volunteerism and leveraging of individual expertise to collaborate with the community towards its development and enhancement.

All Business Units engage in localised philanthropic activities on a volunteer basis specially targeting the Vesak and Poson periods. Accordingly 'Dansal', blood donation campaigns, giving alms to elderly and children's homes and releasing of cattle from slaughter were initiated by employees at their respective locations of duty. In addition employees also organised a 'Vesak' Lantern competition where customers were encouraged to participate. The Group donated the prize money towards the local competitions.

As part of the employee volunteerism agenda of the Group, Team Cargills volunteered to bring Christmas to two Orphanages during Christmas 2012. Christmas parties were held and dry rations, toys, books and clothes were distributed among children from Sarvodhaya Suva Setha Lama Nivasaya, Moratuwa and Angela Lama Nivasaya in Rawathawatta.

5. Responsible to our Community

5.1 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 a 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 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.

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.

Harassment

It is the Cargills policy to maintain a workplace free of sexual harassment, including unwelcome sexual advances, intimidation and other action that create a hostile or offensive environment. Further no employees may condone or take any action which fosters or creates a hostile environment for colleagues.

Anti-Corruption

Cargills upholds the distinction of being among 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 honoring 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.

Insider Trading

Trading company's shares or other securities by individuals who have access to information which are not publicly available is strictly prohibited as it can potentially affect the Cargills share price and future businesses. Non-compliance may not only entail disciplinary sanctions, but also result in criminal charges.

Governing Laws

Employees are individually and collectively obliged to ensure that Cargills business is conducted in full compliance with all applicable laws and regulations of the country.

5.2 Responsible to our partners

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.

5.2.1 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, non-governmental organisations and communities to foster sustainable economic development and promote responsible practices throughout our agribusiness supply chains. Together, our activities are improving agricultural and labor practices, as well as helping to conserve the environment.

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 programs. We have committed to expanding this program 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 2011-12, NHA Project is being operated jointly by Cargills and USAID. The project aims to enhance income and employability of 1100 fruit and vegetable growing farmers and palmyrah sap tappers and processors of the Northern Province.

The program 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 program, activities like need assessment study on 3000 cultivators, training of 1100 farmers and palmyrah 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 Center, procurement of fruits and vegetables from Jaffna Peninsula have been concluded. Nine cultivation tool kits narrating scientific methods of farm and crop management and written in Tamil language were handed over to 1000 vegetable farmers.

- In order to create a mindset for managing post-harvest losses,plastic crates 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 30 %.
- In order to introduce sweet and seedless grape varieties, 5000 rooted cuttings of Sonaka (berries yellow colour) and Sharad (berries black 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 in 2011/12. Post-planting establishment and growth in the field is observed to be excellent and a foreign consultant would be in the country to further improve the flowering and fruiting. Once the yield and consumer acceptability are confirmed these varieties will change the landscape of grape cultivation in Jaffna and nearby regions.
- 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 300 farmers were tested for soil fertility status. Results showed that by and large all Jaffna soils must receive a 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 save a huge sum of otherwise precious foreign exchange.
- Kilinochchi Processing plant, a state of the art fruit and vegetable processing plant is nearing completion. Over 100 new employment opportunities would be created through the plant with preference to war affected widows between the ages of 20 and 45 while 1,000 farmers would be mobilised for supply and an agriculture extension programme is now underway. New crop varieties including passionfruit, melon and hybrid papaya have been introduced to farmers and necessary training as well as technical equipment, planting materials and GI wire was distributed to facilitate the cultivation.

5.2.2 Market Intelligence

In the year concluded Cargills launched its first Fruit and Vegetable wholesale price display terminal at its fresh produce collection centres in Thanamalwila and Jaffna while terminals would be launched in Nuwaraeliya and Bandarawela shortly. The launch of the wholesale price terminal further reiterates the commitment of Cargills towards the empowerment of smallholder farmers. Cargills continues to offer prices above the wholesale market to farmers along with technical inputs, training, and market information while facilitating credit. With this launch of the price terminals Cargills has taken a step further by providing market intelligence to the farmers.

5.2.3 Dairy Development

Investments have been made towards strengthening our dairy out grower network. Cargills soruces fresh milk from 15,000 small holders, majority organised into farmer societies. Collection takes place through a supply chain of 330 collection centres and 20 chilling centres spread across the Central Province and Gampaha and Kurunegala Districts.

To further strengthen the dairy supply chain Cargills has finalised an agreement with GIZ and Tetrapack to set up a Dairy Hub in Chavakachcheri, in the North of Sri Lanka. Once established the Hub would target to collect 4,000 litres of fresh milk on a daily basis. Meanwhile an agreement has also been inked to purchase 4,000 litres of milk per day from the National Livestock Development Board. 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.

5.2.3 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 kilogram 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, Monaragala, Welimada and Jaffna and Cargills has taken steps to match funds collected in the pool.

Thanamalwila Community Development Fund

Rs 1.9 million worth of benefits were distributed to the farmer community as part of the Cargills farmer community Development Fund established in Gangeyaya, Thanamalwila.

Over 40 scholarships were awarded to students who have passed Grade 5 Scholarship exams and those pursuing Advanced Level and External Degrees. A further 05 laptops were awarded to students from the area pursuing University education.

54 students who are from families facing economic challenges were also granted learning material while a further 15 farmers who have made the highest contribution towards fresh produce collection from the area were given farmer equipment.

In addition a resting hut and 100 chairs was donated to the Farmer Society while plastic crates for post-harvest transportation was distributed among 30 farmers.

Farmer Insurance

In the year concluded Cargills provided HNB Farmer Insurance schemes for 137 farmers free of charge. The scheme entitles famers to death, accidental death, disability and permanent disability covers as well as hospitalisation benefits.

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 contributed towards Cochlear Implant Surgery for a 5 year old girl from Matale living in impoverished conditions and born with Severe to Profound Sensorineural hearing loss in both ears. The cost of the surgery was Rs 2.5 million minus the surgical consultant fees.
- One Trust made the Galle Children's Festival possible in November 2012. The festival is an extension from the internationally acclaimed Galle Literary Festival opening a plethora of aesthetic and cultural activities for the children of Sri Lanka absolutely free of charge.
- The festival included a diverse range of performances, exhibitions, workshops, activities, field trips and parades held over 4 days. This year's programme has been expanded to include a family friendly opening night, devoted day for schools, a day of workshops and performances for the local community plus a day of exciting field trips and adventures.
- Through this festival the children of Sri Lanka were given the opportunity to explore the exciting world of aesthetics, culture and play. Over 1200 children from across Sri Lanka were brought together for the event.
- In the year concluded funds were raised for One Trust Sri Lanka through its partnerships with Baby Cheramy Big heart project and corporate association with landmark theatre productions 'Evita' by the Workshop Players and 'Rag' by Centre Stage Productions.
- One Trust together with group companies contributed towards providing emergency relief to those displaced during the inclement weather that prevailed in latter part of the year 2012. Dry ration packs were distributed in Alokapura and Hambathota-West in the Hambanthota District, Mahanuwana, Thavarana and Indigodawila in the Puttllam District as well as Mahalur, Eruwil, Kalawanchikudy, Kurumanweli and Kalladdi areas in the Batticaloa District.
- During the year Cargills and One Trust supported various fund raising events towards the empowerment of war affected children and families.
  - 'Viru Dana Gee Sara - 5': The event was organised by the SevaVanitha Unit of the Ministry of Defence in order to raise funds for the projects initiated to uplift the welfare facilities of war heroes and their families.
  - "Stride - 2": The second fund-raising event for ViruDaru welfare projects also looked to create awareness among the general public on the plight of children of war heroes. The walk attended by over 3,000 people also raised funds to provide psychological counseling to war affected children.

6. 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 Economic Value statement 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. The direct economic value generated by the Group is Rs. 10.3 Bn

Financial Reports

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 2013 which were approved by the Board of Directors on 27 August 2013.

Review of the Year

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

Activities

Manufacturing of and Trading in Food and Beverage and Distribution are the principal activities of the Group of companies. During the year there were no significant changes in the principal activities of the group.

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 cream, 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 chain of photo processing outlets.

Financial Statements

The audited financial statements comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow and Notes to the Financial Statements of the Company and the Group for the financial year ended 31 March 2013 given on pages 42 to 86 form an integral part of the Annual Report of the Board.

Auditors' Report

The auditors' report is set out on page 41.

Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on the pages 47 to 54.

There have been changes in the accounting policies in the year under review with the adoption of the new Sri Lanka Accounting Standards (SLFRS and LKAS) with effect from 1 April 2012. The group prepared its financial statements for the previous periods up to the year ended 31 March 2012 in accordance with the Sri Lanka Accounting Standard (SLAS) which were effective up to 31 March 2012. These have now been restated in accordance with SLFRS/ LKAS to enable comparison.

Results and dividends

	Group		Company	
For the year ended 31 March	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Profit for the year after taxation amounted to	1,629,756	1,063,610	2,021,560	1,169,361
After deducting the amount attributable to non controlling interest of	(17,238)	(14,263)	-	-
The profit attributable to shareholders was	**1,612,518**	**1,049,347**	**2,021,560**	**1,169,361**
To which profit brought forward from previous year is added	3,226,403	2,583,431	1,173,105	384,544
Adjustment resulted in increase of subsidiary share holdings	(2,094)	(25,575)	-	-
Transfer to general reserve	-	-	-	-
Leaving an amount available to the company for appropriation of	**4,836,827**	**3,607,203**	**3,194,665**	**1,553,905**
From which your directors have made appropriation as follows:				
Dividend paid during the year ended 31 March 2012				
Final Rs. 1 per share applicable to Financial Year 2010/2011	-	224,000	-	224,000
Interim 70 Cents per share for Financial Year 2011/2012	-	156,800	-	156,800
Dividend paid for the year ended 31 March 2013				
Final Rs. 1.30 per share applicable to Financial Year 2011/2012	291,200	-	291,200	-
Interim 70 Cents per share for Financial Year 2012/2013	156,800	-	156,800	-
Leaving an unappropriated balance to be carried forward of	4,388,827	3,226,403	2,746,665	1,173,105
	4,836,827	**3,607,203**	**3,194,665**	**1,553,905**

An interim dividend of 70 cents per share (Rs.156.8 Mn) was paid on 21 February 2013 for the year ended 31 March 2013. A final dividend of Rs. 1.30 per share (Rs. 291.2 Mn) is proposed for the year ended 31 March 2013. This will be reflected in the subsequent year's financial statements. (refer note 9 to the financial statements on page 58)

Reserves

After the above mentioned appropriations, the total reserves of the Group stands at Rs. 11,801 Mn (2012 – Rs. 7,251 Mn), while the total reserves of the Company stand at Rs. 9,075 Mn. (2012- Rs. 5,260 Mn).

Stated Capital

Stated Capital of the company as at 31 March 2013 was Rs.131 Mn. The detail of the stated capital is given in note 20 to the financial statements on page 66.

Capital Expenditure

The Group's capital outlay on property, plant and equipment amounted to Rs. 3,540 Mn (2012 - Rs. 2,510.6 Mn) while the capital outlay of the Company on property, plant and equipment amounted to Rs.1,554.6 Mn (2012 - Rs. 1,478 Mn). Details are given in note 10 to the financial statements on pages 59 and 60.

The movement of property, plant and equipment during the year is given in note 10 to the financial statements on pages 59 and 60.

Investment Property

The carrying value of land and building classified as investment property of the Company and the Group as at 31st March 2013 amounted to Rs.2,651 Mn and Rs. 2,651 Mn respectively. Details of investment property held by the Group and the company are disclosed in Note 11 to the Financial Statements on page 60.

Market Value of Properties

The land and buildings of the group were revalued as at 31 March 2013. Details are given in note 10 to the financial statements on pages 59 and 60. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties.

The portfolio of the revalued land and buildings are given on page 89 in the financial statements.

Shareholdings

The Company is a subsidiary of C T Holdings PLC and there were 2004 registered shareholders as at 31 March 2013 (2012-2,038).

An analysis of shareholdings according to the size of holding and the names of the 20 largest shareholders is given on pages 90 and 91.

Directorate

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

Messrs L. R. Page, Sunil Mendis and S. V. Kodikara retire by rotation in terms of the Company's Articles of Association and being eligible offer themselves for re-election.

Mr. Jayantha Dhanapala too retires in terms of Section 210 (2) (b) of the Companies Act No. 7 of 2007 having attained the age of seventy four years and offers himself for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 7 of 2007.

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 34.1 on page 75 to the consolidated financial statements.

Directors' Interests in Contracts

Directors' interests in transactions of the company are disclosed in note 34 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.

Interests Register

The company maintains an Interests Register conforming to the Provisions of the Companies Act No. 07 of 2007.

Directors' shareholdings

The Directors' shareholdings in the Company were as follows:

	As at 31 March 2013	As at 31 March 2012
Mr. L R Page	36,760	36,760
Mr. V R Page	14,403,900	14,403,900
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	5,084,950	5,050,000
Mr. J C Page	1,705,500	1,705,500
Mr. E A D Perera	10,000	10,000

Donations

During the year donations amounting to Rs. 800,000 were made by the Company.

Auditors

Messrs. KPMG are deemed re-appointed 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 the 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.

Events after the Reporting period

Events after the Reporting period of the Company are given in note 33 to the financial statements on page 75.

Statutory Payments

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

Future Developments

The Chairman's Review 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

27 August 2013

Statement of Directors' Responsibilities

The Companies Act No. 7 of 2007 places the responsibility on the Directors to prepare and present financial statements for each year comprising a statement of financial position as at year end date and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year together with the significant 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 41.

Considering the present financial position of the Company and the Group 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 (SLFRS/LKAS) which have been consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors are responsible for ensuring that the Company and the Group maintain 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 and the Listing Rules of the Colombo Stock Exchange.

The Directors are responsible for the proper management of the resources of the Company and the Group. The internal control system has been designed and implemented to obtain reasonable but not absolute assurance that the Company and the Group 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

27 August 2013

Independent Auditors' Report

KPMG
(Chartered Accountants)
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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"), and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 42 to 86 of the 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

Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2013 and the financial statements give a true and fair view of the financial position of the Company as at 31 March 2013, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at 31 March 2013, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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

27 August 2013
Colombo

Statement of Comprehensive Income

For the year ended 31 March	Notes	Group 2013 Rs. '000	Group 2012 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000
Revenue	2	**55,378,917**	**48,256,413**	**44,258,443**	**39,205,479**
Cost of sales	3	(49,689,762)	(43,340,403)	(41,678,246)	(36,842,252)
Gross profit		**5,689,155**	**4,916,010**	**2,580,197**	**2,363,227**
Other income	4	934,767	782,136	1,406,827	1,184,076
Distribution expenses		(1,623,229)	(1,249,904)	(327,833)	(218,768)
Administrative expenses		(2,342,280)	(1,958,316)	(1,433,781)	(1,181,968)
Other expenses		(396,533)	(248,842)	(70,675)	(68,371)
Results from operating activities		**2,261,880**	**2,241,084**	**2,154,735**	**2,078,196**
Net finance cost	5	(1,228,343)	(625,104)	(1,034,676)	(555,088)
Changes in fair value of investment property	11	1,123,148	-	1,123,148	-
Share of loss of equity accounted investees	13.5	(13,851)	(57,663)	-	-
Profit before taxation	6	**2,142,834**	**1,558,317**	**2,243,207**	**1,523,108**
Income tax expense	7	(513,078)	(494,707)	(221,647)	(353,747)
Net profit for the year		**1,629,756**	**1,063,610**	**2,021,560**	**1,169,361**
Other comprehensive income					
Revaluation of property plant and equipment		3,556,295	-	2,332,136	-
Net gain/(loss) on available-for-sale investments	13.4	2,044	(13,042)	2,088	(12,958)
Tax on other comprehensive Income		(164,975)	-	(92,424)	-
Other comprehensive income for the year, net of tax		**3,393,364**	**(13,042)**	**2,241,800**	**(12,958)**
Total comprehensive income for the year		**5,023,120**	**1,050,568**	**4,263,360**	**1,156,403**
Profit attributable to:					
Equity shareholders of the parent		1,612,518	1,049,347	2,021,560	1,169,361
Non controlling interest		17,238	14,263	-	-
Profit for the year		**1,629,756**	**1,063,610**	**2,021,560**	**1,169,361**
Total comprehensive income attributable to:					
Equity shareholders of the parent		4,999,653	1,036,305	4,263,360	1,156,403
Non controlling interest		23,467	14,263	-	-
Total comprehensive income for the year		**5,023,120**	**1,050,568**	**4,263,360**	**1,156,403**
Earnings per share-basic/diluted (Rs.)	8	7.20	4.68	9.02	5.22
Dividends per share (Rs.)	9	2.00	2.00	2.00	2.00
Dividends paid per share (Rs.)		2.00	1.70	2.00	1.70

The figures in brackets indicate deductions.
The accounting policies and notes from pages 47 to 86 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March	Notes	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000
ASSETS							
Non - current assets							
Property, plant and equipment	10	20,637,567	14,230,364	11,104,597	11,435,893	8,371,391	7,471,198
Investment property	11	2,650,500	-	-	2,650,500	-	-
Intangible assets	12	1,664,682	1,731,104	1,054,384	-	-	-
Investments in subsidiaries	13.1	-	-	-	3,678,553	2,673,553	1,668,553
Investment in associates	13.2	89,768	103,619	161,282	216,075	216,075	216,075
Other long term investments	13.3	660,000	-	-	660,000	-	-
Advance paid for acquisition of assets	14	-	-	1,205,425	-	-	-
Prepayment on leasehold land and building	15	27,125	28,000	28,875	-	-	-
Deferred tax assets	16	251,040	167,971	14,315	-	-	-
		25,980,682	**16,261,058**	**13,568,878**	**18,641,021**	**11,261,019**	**9,355,826**
Current assets							
Inventories	17	4,962,511	4,961,865	3,576,322	3,501,509	3,469,818	2,707,913
Trade and other receivables	18	2,540,255	2,894,764	1,588,978	884,944	1,476,915	704,712
Amount due from related companies	19	837,750	160,888	197,079	5,765,110	3,507,427	2,800,698
Other financial assets	13.4	362,180	140,727	75,680	36,094	34,006	46,965
Cash and cash equivalents	22	887,482	517,583	303,645	771,555	446,833	246,161
		9,590,178	**8,675,827**	**5,741,704**	**10,959,212**	**8,934,999**	**6,506,449**
Total assets		**35,570,860**	**24,936,885**	**19,310,582**	**29,600,233**	**20,196,018**	**15,862,275**
EQUITY							
Stated capital	20	130,723	130,723	130,723	130,723	130,723	130,723
Reserves	21	7,412,412	4,025,277	4,038,319	6,328,813	4,087,013	4,099,971
Retained earnings		4,388,827	3,226,403	2,583,431	2,746,665	1,173,105	384,544
Total equity attributable to equity holders of the company		**11,931,962**	**7,382,403**	**6,752,473**	**9,206,201**	**5,390,841**	**4,615,238**
Non controlling interest		107,247	85,914	89,723	-	-	-
Total equity		**12,039,209**	**7,468,317**	**6,842,196**	**9,206,201**	**5,390,841**	**4,615,238**
LIABILITIES							
Non - current liabilities							
Borrowings	23	1,850,163	242,540	384,167	1,700,400	-	-
Deferred tax liability	24	877,565	499,023	328,458	493,836	365,350	287,662
Deferred income	25	58,372	25,658	2,389	-	-	-
Retirement benefit obligation	26	285,152	250,204	192,761	246,615	216,596	164,553
		3,071,252	**1,017,425**	**907,775**	**2,440,851**	**581,946**	**452,215**
Current liabilities							
Trade and other payables	27	7,851,157	6,862,511	5,029,389	6,150,956	5,179,384	4,038,849
Current tax liability		284,784	379,315	277,501	64,943	226,168	229,719
Amount due to related companies	19	27,985	1,819,264	1,636	699,541	2,410,053	1,035,803
Dividends payable	28	19,997	20,815	17,610	19,809	20,624	17,609
Borrowings	23	12,276,476	7,369,238	6,234,475	11,017,932	6,387,002	5,472,842
		20,460,399	**16,451,143**	**11,560,611**	**17,953,181**	**14,223,231**	**10,794,822**
Total liabilities		**23,531,651**	**17,468,568**	**12,468,386**	**20,394,032**	**14,805,177**	**11,247,037**
Total equity and liabilities		**35,570,860**	**24,936,885**	**19,310,582**	**29,600,233**	**20,196,018**	**15,862,275**

The accounting policies and notes from pages 47 to 86 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. 7 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

27 August 2013
Colombo

Statement of Changes in Equity

	Stated capital Rs. '000	Capital reserve Rs. '000	Revaluation reserve Rs. '000	General reserve Rs. '000	Available for sale reserve Rs. '000	Retained earnings Rs. '000	Total Rs. '000	Non controlling interest Rs. '000	Total Rs. '000
	Attributable to equity shareholders of parent								
Group									
Balance as at 1 April 2011	130,723	7,928	3,548,434	485,500	(3,543)	2,583,431	6,752,473	89,723	6,842,196
Net profit for the year	-	-	-	-	-	1,049,347	1,049,347	14,263	1,063,610
Other comprehensive income	-	-	-	-	(13,042)	-	(13,042)	-	(13,042)
Total comprehensive income	**130,723**	**7,928**	**3,548,434**	**485,500**	**(16,585)**	**3,632,778**	**7,788,778**	**103,986**	**7,892,764**
Transactions with owners, recognised directly in equity									
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**	**3,548,434**	**485,500**	**(16,585)**	**3,226,403**	**7,382,403**	**85,914**	**7,468,317**
Balance as at 1 April 2012	130,723	7,928	3,548,434	485,500	(16,585)	3,226,403	7,382,403	85,914	7,468,317
Net profit for the year	-	-	-	-	-	1,612,518	1,612,518	17,238	1,629,756
Other comprehensive income	-	-	3,385,091	-	2,044	-	3,387,135	6,229	3,393,364
Total comprehensive income	**130,723**	**7,928**	**6,933,525**	**485,500**	**(14,541)**	**4,838,921**	**12,382,056**	**109,381**	**12,491,437**
Transactions with owners, recognised directly in equity									
Adjustment resulted in increase of subsidiary shareholding	-	-	-	-	-	(2,094)	(2,094)	(2,134)	(4,228)
Dividends	-	-	-	-	-	(448,000)	(448,000)	-	(448,000)
Balance as at 31 March 2013	**130,723**	**7,928**	**6,933,525**	**485,500**	**(14,541)**	**4,388,827**	**11,931,962**	**107,247**	**12,039,209**

	Stated capital Rs. '000	Revaluation reserve Rs. '000	General reserve Rs. '000	Available for sale reserve Rs. '000	Retained earnings Rs. '000	Total Rs. '000
Company						
Balance as at 1 April 2011	130,723	3,618,106	485,500	(3,635)	384,544	4,615,238
Net profit for the year	-	-	-	-	1,169,361	1,169,361
Other comprehensive income	-	-	-	(12,958)	-	(12,958)
Total comprehensive income	**130,723**	**3,618,106**	**485,500**	**(16,593)**	**1,553,905**	**5,771,641**
Transactions with owners, recognised directly in equity						
Dividends	-	-	-	-	(380,800)	(380,800)
Balance as at 31 March 2012	**130,723**	**3,618,106**	**485,500**	**(16,593)**	**1,173,105**	**5,390,841**
Balance as at 1 April 2012	130,723	3,618,106	485,500	(16,593)	1,173,105	5,390,841
Net profit for the year	-	-	-	-	2,021,560	2,021,560
Other comprehensive income	-	2,239,712	-	2,088	-	2,241,800
Total comprehensive income	**130,723**	**5,857,818**	**485,500**	**(14,505)**	**3,194,665**	**9,654,201**
Transactions with owners, recognised directly in equity						
Dividends	-	-	-	-	(448,000)	(448,000)
Balance as at 31 March 2013	**130,723**	**5,857,818**	**485,500**	**(14,505)**	**2,746,665**	**9,206,201**

The figures in brackets indicate deductions.
The accounting policies and notes from pages 47 to 86 form an integral part of these financial statements.

Statement of Cash Flow

For the year ended 31 March	Notes	Group 2013 Rs. '000	Group 2012 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000
Cash flows from operating activities					
Profit before taxation		2,142,834	1,558,317	2,243,207	1,523,108
Adjustments for:					
Depreciation	10	1,331,017	1,167,340	725,207	674,369
Retirement benefit obligation	26	57,076	72,083	50,792	64,464
Changes in fair value on investment property	11	(1,123,148)	-	(1,123,148)	
Amortisation of intangible assets	12	11,586	9,647	-	-
Amortisation of prepayment on leasehold land and building	15	875	875	-	-
Profit/(loss) on sale of property, plant and equipment	4	(33,238)	(15,405)	(11,471)	-
Impairment of intangible assets		102,528	-	-	-
Amortisation of deferred income	25	(1,184)	(4,152)	-	-
Share of associate results	13.5	13,851	57,663	-	-
Provision for / (reversal of provision for) inventories		(10,599)	12,968	(2,275)	3,559
Provision for / (reversal of provision for) doubtful debtors		19,767	23,359	628	2,580
Net finance cost	5	1,228,343	625,104	1,034,676	555,088
Dividend income	4	(374)	(273)	(448,493)	(380,317)
Operating profit before working capital changes		**3,739,334**	**3,507,526**	**2,469,123**	**2,442,851**
Changes in working capital					
- (Increase) / decrease in inventories		9,954	(1,398,512)	(29,416)	(765,464)
- (Increase) / decrease in trade and other receivables		234,642	(1,375,793)	503,839	(854,055)
- (Increase) / decrease in related company receivables		(676,862)	36,191	(2,809,564)	(1,683,643)
- Increase / (decrease) in trade and other payables		988,644	1,833,124	971,572	1,140,536
- Increase / (decrease) in related company payables		(1,791,279)	1,817,628	(1,710,512)	1,731,213
Cash generated from operations		**2,504,433**	**4,420,164**	**(604,958)**	**2,011,438**
Taxes paid		(375,848)	(329,338)	(259,306)	(200,338)
Interest paid		(1,285,164)	(630,044)	(1,265,279)	(555,088)
Gratuity paid	26	(22,128)	(14,640)	(20,773)	(12,421)
Net cash generated from / (used in) operating activities		**821,293**	**3,446,142**	**(2,150,316)**	**1,243,591**
Cash flows from investing activities					
Addition to property, plant and equipment		(4,446,063)	(3,537,232)	(1,691,573)	(1,574,562)
Addition to investment property		(1,293,352)	-	(1,293,352)	-
Investment in new share issues of subsidiaries	13	-	-	(5,000)	(5,000)
Addition to intangible assets	12	(47,692)	(16,367)	-	-
Acquisition of non controlling interest in subsidiaries		(4,228)	(43,647)	-	-
Addition to other long term investments		(660,000)	-	(660,000)	-
Advance paid for acquisition of assets	14	-	(223,998)	-	-
Addition to other financial assets		(220,571)	(73,148)	-	-
Disposal of property, plant and equipment		63,376	18,953	11,471	-
Receipt of grant		33,898	27,421	-	-
Interest income		56,821	-	230,603	-
Dividends received	4	374	273	374	268
Net cash generated from / (used in) investing activities		**(6,517,437)**	**(3,847,745)**	**(3,407,477)**	**(1,579,294)**

Statement of Cash Flow

For the year ended 31 March	Notes	Group 2013 Rs. '000	Group 2012 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000
Cash flows from financing activities					
Proceeds from long term borrowings		2,000,000	-	2,000,000	-
Net proceeds from / (repayment of) short term borrowings		4,501,295	(799,065)	4,225,250	(560,020)
Repayments of long term borrowings	23.1	(136,701)	(127,427)	-	-
Dividends paid		(448,818)	(377,595)	(448,815)	(377,785)
Net cash generated from / (used in) financing activities		**5,915,776**	**(1,304,087)**	**5,776,435**	**(937,805)**
Increase / (decrease) in cash and cash equivalents		**219,632**	**(1,705,690)**	**218,642**	**(1,273,508)**
Movement in cash and cash equivalents					
At the beginning of the year		(3,976,133)	(2,270,443)	(3,210,229)	(1,936,721)
Movement during the year		219,632	(1,705,690)	218,642	(1,273,508)
At the end of the year	22	**(3,756,501)**	**(3,976,133)**	**(2,991,587)**	**(3,210,229)**

The figures in brackets indicate deductions.
The accounting policies and notes from pages 47 to 86 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 domiciled in Sri Lanka and listed in Colombo Stock Exchange. The company's registered office is located at 40, York Street, Colombo 1.

The consolidated financial statements of the company as at and for the year ended 31 March 2013 comprise the company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the group's interest in associates.

1.1.1 Principal Activities and Nature of Operations

The Group primarily involved in Operating a Chain of retail outlets.

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 and other dairy products under the brand names of 'Cargills 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.

All the companies in the Group have a common financial year, which ends on 31st March.

1.2 Basis of preparation

1.2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with new Sri Lanka Accounting Standards (SLFRSs/ LKASs) as laid down by the Institute of Chartered Accountants of Sri Lanka(ICASL) and the requirements of the Companies Act No. 07 of 2007.

For all periods up to and including the year ended 31 March 2012, the Group and the Company prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLASs). These are the Group's and the Company's first financial statements prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRSs & LKASs) and SLFRS - 1 First-time Adoption of Sri Lanka Accounting Standards has been applied.

An explanation of how the transition to SLFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in Note 36.

The Financial statements were authorised for issue by the Board of Directors on 27 August 2013.

1.2.2 Basis of measurement

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

- Available for sale financial assets which are measured at fair value
- Investment properties are measured at fair value
- Defined benefit obligations are measured at its present value, based on an actuarial valuation

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 foresee a need for liquidation or cessation of trading.

1.2.3 Comparative Information

The previous year figures and phrases have been reclassified whenever necessary to conform to current year presentation.

1.2.4 Functional and Presentation Currency

These financial statements are presented in Sri Lankan Rupees, which is the company's functional currency. All financial information presented in Rupees has been rounded to the nearest thousands, unless stated otherwise.

1.2.5 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with SLFRSs / LKASs requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 significant areas of estimation uncertainty and judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in notes;

Note 16 - utilisation of tax losses
Note 26 - measurement of defined benefit obligations

1.3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SLFRS / LKAS statement of financial position at 1 April 2011 for the purposes of the transition to SLFRSs / LKASs, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

1.3.1 Basis of consolidation

1.3.1.1 Business combinations

The consolidated Financial Statements (referred to as the "Group") comprise the Financial Statements of the Company and its subsidiaries.

The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions/events in similar circumstances and where necessary, appropriate adjustments have been made in the Consolidated Financial Statements.

As part of its transition to SLFRSs and LKASs, the Group elected to restate only those business combinations that occurred on or after the transition date 1 April 2011.

1.3.1.2 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 deconsolidated from the date that control ceases.

1.3.1.3 Acquisitions from entities under common control

The purchase method of accounting is used to account for the acquisition of subsidiary 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 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.

1.3.1.4 Transactions eliminated on consolidation

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

1.3.1.5 Non-controlling Interest

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:
at fair value; or at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Non controlling interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquired entity. Separate disclosure is made of 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.

1.3.1.6 Investments in associates (equity accounted investees)

Associates are all entities over which the group has significant influence but not 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.

1.4 Foreign currency

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.

1.5 Assets and the bases of their valuation

1.5.1 Property, plant and equipment

1.5.1.1 Recognition and Measurement

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Where land and buildings are subsequently revalued, any increases in the carrying amount is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve statement of 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.

1.5.1.3 Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

1.5.1.4 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on derecognition are recognised within other income in profit or loss.

1.5.1.5 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives and rates of depreciation for the current and comparative periods are as follows:

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

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

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

1.5.1.6 Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

1.5.1.7 Capital work In progress

Capital expenses incurred during the year which are not completed as at the Balance Sheet date are shown as Capital Work – In – Progress whilst, the Capital assets which have been completed during the year and put to use have been transferred to Property, Plant and Equipment.

1.5.1.8 Returnable containers

Returnable containers are classified under Property, Plant and Equipment. All purchases of returnable containers will be recognised at cost and depreciated over a period of 5 years. In the event a returnable container breaks within the premises of the Company, the written down value on a first in first out (FIFO) basis will be charged to the Statement of Comprehensive Income as breakages.

1.5.2 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

1.5.2 Intangible assets

An Intangible Asset is recognised if it is probable that economic benefits are attributable to the assets will flow to the entity and cost of the assets can be measured reliably and carried at cost less accumulated amortisation and accumulated impairment losses.

1.5.2.1 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.

1.5.2.2 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 acquisitions 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.

1.5.2.3 Brand name

Externally acquired brand names are shown at their historical costs. Brand names which have a infinite useful life are carried at cost less accumulated impairment losses. The useful life of a 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 LKAS 08.

1.5.2.4 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.

1.5.3 Financial Instruments

1.5.3.1 Financial Assets

1.5.3.1.1 Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short term deposits, trade and other receivables, loans and other receivables, unquoted equity instruments and derivative financial instruments.

1.5.3.1.2 Derecognition

The Group derecognises a financial asset when

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

On derecognition of a financial asset, the difference between the carrying amount of the asset or the carrying amount allocated to the portion of the asset transferred and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

1.5.3.2 Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

1.5.3.3 Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for sale financial assets.

1.5.3.3.1 Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the statement of comprehensive income.

1.5.3.3.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income.

The Group considers impairment of trade receivables at both a specific significant individual debtor level and collectively. Any Group company which has any individually significant debtors assesses them for specific impairment. All individually insignificant debtors that are not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together assets with similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred and adjusted for the management's judgment. The carrying amount of the trade receivables is reduced through the use of the bad debt provision account and the amount of the loss is recognised in the profit or loss. If there is no realistic prospect of future recovery of a debt, the amount is written off.

An impairment loss in respect of other financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

1.5.3.3.3 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

During the financial year the Group has not designated any financial assets as held-to-maturity investments.

1.5.3.3.4 Available-for-sale financial investments

Available-for-sale financial investments include equity. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

Subsequent to initial recognition, they are measured at fair value and any changes therein, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised the gain or loss accumulated in equity is reclassified to profit or loss.

Interest income on available-for-sale debt securities calculated using the effective interest method and dividend income on available for sale quoted and unquoted equity investments are recognised in the income statement.

1.5.4 Financial Liabilities

1.5.4.1 Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, transaction costs that are directly attributable to the acquisition or issue of such financial liability.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments.

1.5.4.2 Subsequent measurement

1.5.4.2.1 Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39.

Gains or losses on liabilities held for trading are recognised in the statement comprehensive income.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

1.5.4.2.2 Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

1.5.4.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

1.5.4.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

1.5.5 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

1.5.6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, demand deposits, short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows.

1.5.7 Equity and liabilities

1.5.7.1 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.

1.5.8 Post employment benefits

1.5.8.1 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 LKAS 19 - “Employees Benefits”.

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

The assumptions based on which the results of the actuarial valuation was determined, are included in note 26 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.

1.5.8.2 Defined contribution plans – employees’ provident fund and employee 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 statement of comprehensive income when incurred.

1.5.9 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.

1.5.10 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.

1.5.11 Provisions, contingent assets and contingent liabilities

A provision is recognised if, as a result of a past event the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

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.

1.6 Statement of comprehensive income

1.6.1 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.

1.6.1.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes. The following specific recognition criteria must also be met before revenue is recognised:

1.6.2 Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

1.6.3 Other income

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

Foreign currency gains and losses are reported on a net basis.

Income from scrap sales are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rental income is recognised on an accrual basis.

1.6.4 Government grants

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.

1.6.5 Expenditure recognition

1.6.5.1 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.

1.6.5.2 Allowance for doubtful debts

The Group assesses at the date of balance sheet whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

1.6.5.3 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received may recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.6.5.4 Borrowing costs

Borrowing costs directly attributable to acquisition, construction or production of assets that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that Group incurs in connection with the borrowing of funds.

1.6.5.5 Net finance cost

Finance income comprises interest income on funds invested and staff loans, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

1.6.5.6 Taxation

1.6.5.6.1 Current taxation

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.

1.6.5.6.2 Deferred taxation

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

1.7 Segmental 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 revenues, 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.

1.8 Related party transaction

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/ decisions of the other, irrespective of whether a price is being charged or not.

The relevant details are disclosed in the respective notes to the Financial Statements.

1.9 Statement of cash flow

Interest received and dividends received are classified as investing cash flows, while dividend paid and interest paid, is classified as financing cash flows for the purpose of presentation of Statement of Cash Flows which has been prepared using the 'Indirect Method'.

1.10 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period.

1.11 Events occurring after the reporting period

Events after the reporting period are those events favorable and unfavorable that occurs between the end of the reporting period and the date when the financial statements are authorised for issue.

The materiality of the events occurring after the reporting period is considered and appropriate adjustments to or disclosures are made in the Financial Statements, where necessary.

1.12 Commitments and contingencies

Commitments and contingencies as at the balance sheet date, is disclosed in Note 32 to the Financial Statements.

1.13 First Time Adoption of Sri Lanka Accounting Standards (SLFRSs/LKASs)

These financial statements, for the year ended 31 March 2013, are the first the Group has prepared in accordance with SLFRSs/LKASs. For periods up to and including the year ended 31 March 2012, the Group prepared its financial statements in accordance with the Sri Lanka Accounting Standards that existed immediately prior to 1st January 2012 (SLASs) Accordingly, the Group has prepared financial statements which comply with SLFRSs/LKASs applicable for periods ending on or after 31 March 2013, together with the comparative period data as at and for the year ended 31 March 2012, as described in the significant accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1st April 2011 the date of transition to SLFRSs/ LKASs for the Group.

Optional exemptions as permitted in the SLFRS – 1 First Time Adoption of Sri Lanka Accounting Standards (SLFRSs).

Deemed Cost

The Group elected to measure freehold land and buildings and investment property at the date of transition to SLFRS (i.e. 1st April 2011) at their fair values and use the fair values as their deemed cost at that date.

Investments in subsidiaries, jointly controlled entities and equity accounted investees

The Group elected to account for its investments in subsidiaries, jointly controlled entities and equity accounted investees at cost as recognised previously as per the previous Sri Lanka accounting standards.

Borrowing Cost

The Group opted to apply transition provisions set out in LKAS 23 – Borrowing Costs and capitalise the borrowing costs that are directly attributable to construction of qualifying assets after the transition date of 1st April 2011.

1.14 New standards and interpretations not yet adopted

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing theses financial statements. The Group expects that these standards when applied will have substantial impact to the financial performance, financial position and disclosures. The Group will be adopting these standards when they become effective.

SLFRS 9	– Financial Instruments
SLFRS 10	– Consolidated Financial Statements
SLFRS 11	– Joint Arrangements
SLFRS 12	– Disclosure of Interest in other entities
SLFRS 13	– Fair value measurement

	Group 2013 Rs. '000	Group 2012 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000

2. REVENUE

	2013	2012	2013	2012
Gross revenue	57,763,590	49,447,605	45,393,159	39,596,392
Revenue related taxes	(2,384,673)	(1,191,192)	(1,134,716)	(390,913)
Net revenue	**55,378,917**	**48,256,413**	**44,258,443**	**39,205,479**

Group has identified three sectors as the primary segments of the group and are presented in the note 29. 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 cost.

	Group 2013 Rs. '000	Group 2012 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000

4. OTHER INCOME

	2013	2012	2013	2012
Dividend income	374	273	448,493	380,317
Rental income	13,560	28,500	24,527	41,432
Profit on sale of property, plant and equipment	33,238	15,405	11,471	-
Merchandising income	876,918	718,866	922,336	762,327
Foreign exchange gain	6,786	9,906	-	-
Amortisation of deferred income				
- Capital grant	623	1,975	-	-
- Revenue grant	561	2,177	-	-
Sundry income	2,707	5,034	-	-
	934,767	**782,136**	**1,406,827**	**1,184,076**

5. NET FINANCE COST

5.1 Finance income

	2013	2012	2013	2012
Loan interest	56,821	3,779	230,603	-
Forward contract fair valuation	-	1,161	-	-
	56,821	4,940	230,603	-

5.2 Finance expense on

	2013	2012	2013	2012
Short term loans	702,219	404,360	812,496	376,246
Bank overdrafts	444,556	201,872	334,345	172,458
Other loans and bank charges	136,902	23,337	118,112	5,909
Staff security deposits	326	475	326	475
Forward contract fair valuation	1,161	-	-	-
	1,285,164	**630,044**	**1,265,279**	**555,088**
	1,228,343	**625,104**	**1,034,676**	**555,088**

Borrowing cost capitalised by the Group and the Company on qualifying assets during the financial year amounted to Rs. 176 Mn and (2012 - nil) and Rs. 46 Mn and (2012 - nil) respectively. Borrowing cost capitalisation rate is 14%.

6. PROFIT BEFORE TAXATION

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

	Group		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Staff costs (note 6.1)	3,014,790	2,707,753	1,981,709	1,909,026
Auditors' remuneration				
- Audit	5,289	4,520	1,018	850
- Non audit services	576	1,324	248	305
Depreciation on property, plant and equipment (note 10)	1,331,017	1,167,340	725,207	674,369
Amortisation/impairment of intangible assets (note 12)	114,114	9,647	-	-
Foreign exchange gain (note 4)	(6,786)	(9,906)	-	-
(Reversal) / provision for inventories	(10,599)	12,968	(2,275)	3,559
Directors' emoluments	134,120	113,800	122,880	103,060

6.1 Staff costs

Salaries, wages and other costs	2,707,745	2,414,667	1,759,229	1,690,531
Pension costs - retirement benefit obligation (note 26)	57,077	72,083	50,792	64,464
Defined contribution plan cost - EPF and ETF	249,968	221,003	171,688	154,031
	3,014,790	**2,707,753**	**1,981,709**	**1,909,026**
Number of employees as at 31 March	7,832	7,414	5,718	5,469

7. INCOME TAX EXPENSE

Current income tax				
Current tax charge (note 7.1)	346,601	455,394	202,980	295,188
Irrecoverable ESC	688	116	-	-
Dividend tax	52,685	41,829	-	-
(Over) / under provision of current tax of previous years	(17,395)	(19,539)	(17,395)	(19,129)
Deferred income tax (note 7.2)	130,499	16,907	36,062	77,688
	513,078	**494,707**	**221,647**	**353,747**

(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.

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, hence provision has been made for income tax at the normal rate for the financial years ended 31 March 2012 and 31 March 2013 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. 31.93 Mn (2012 - Rs. 123.66 Mn) and Rs. 15.59 Mn (2012 - Rs. 27.99 Mn) respectively.

	Group 2013 Rs. '000	Group 2012 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000

7.1 Reconciliation between current tax charge and profit before taxation is given below:

	Group 2013 Rs. '000	Group 2012 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000
Profit before taxation	2,142,834	1,558,317	2,243,207	1,523,108
Aggregate disallowed expenses	1,843,007	1,557,194	868,400	780,716
Aggregate allowable expenses	(2,003,823)	(1,876,455)	(855,352)	(950,108)
Aggregate other income	(1,256,955)	(19,938)	(1,583,113)	(380,317)
Adjusted business profit	725,063	1,219,118	673,142	973,399
Tax losses incurred	637,804	621,484	-	-
Taxable income from other sources	61,914	31,585	-	-
Adjusted profit (a)	**1,424,781**	**1,872,187**	**673,142**	**973,399**
Tax losses brought forward	1,290,088	839,893	-	-
Tax losses added	637,804	621,484	-	-
Tax losses utilised (b)	(99,661)	(171,289)	-	-
Tax losses carried forward	**1,828,231**	**1,290,088**	**-**	**-**
Taxable income (a+b)	**1,325,120**	**1,700,898**	**673,142**	**973,399**
Income tax @ 28% (2012 - @28%)	271,851	349,494	154,645	219,734
Income tax @ 12% (2012 - @12%)	18,460	24,234	-	-
Income tax @ 10% (2012 - @10%)	7,955	6,212	-	-
Income tax @ 40% (2012 - @40%)	48,335	75,454	48,335	75,454
Current tax charge	**346,601**	**455,394**	**202,980**	**295,188**

7.2 Deferred income tax

	Group 2013 Rs. '000	Group 2012 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000
Deferred tax expense arising from:				
Accelerated depreciation for tax purposes	228,848	119,084	44,467	92,260
Provisions	5,427	(21,343)	-	-
Retirement benefit obligation	(10,028)	(20,530)	(8,405)	(14,572)
Benefit arising from tax losses	(87,776)	(68,841)	-	-
Deferred income	(9,294)	(7,050)	-	-
Increase / (decrease) in future tax rate	3,322	15,587	-	-
Deferred tax charge / (release)	**130,499**	**16,907**	**36,062**	**77,688**

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. INCOME TAX EXPENSE (CONTD.)

7.3 Temporary differences associated with Cargills Retail (Private) Limited, Cargills Quality Confectioneries (Private) Limited, Cargills Food Services (Private) Limited, Dawson Office Complex (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.

	2013		2012	
	Temporary difference Rs. '000	Tax effect on temporary difference Rs. '000	Temporary difference Rs. '000	Tax effect on temporary difference Rs. '000
Deductible temporary differences	226,434	63,402	271,906	76,134
Tax losses	895,929	250,860	670,971	187,872
	1,122,363	**314,262**	**942,877**	**264,006**

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. 1,122.4 Mn (2012 - Rs. 942.9 Mn) could be utilised in accordance with LKAS 12 - "Income taxes".

	Group		Company	
	2013	2012	2013	2012
8. EARNINGS PER SHARE				
Profit attributable to equity shareholders of the parent (Rs. '000)	1,612,518	1,049,347	2,021,560	1,169,361
Weighted average number of ordinary shares	224,000,000	224,000,000	224,000,000	224,000,000
Basic earnings per share (Rs.)	7.20	4.68	9.02	5.22

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 dilutive earning per share is equal to basic earning per share for the year.

	Group			Company		
	Rs.	2013 Rs. '000	2012 Rs. '000	Rs.	2013 Rs. '000	2012 Rs. '000
9. DIVIDEND PER SHARE						
Dividends for the year						
Interim - paid	0.70	156,800	156,800	0.70	156,800	156,800
Final - proposed	1.30	291,200	291,200	1.30	291,200	291,200
	2.00	**448,000**	**448,000**	**2.00**	**448,000**	**448,000**

An interim dividend of 70 Cents per share (Rs. 156,8 Mn) was paid on 21 February 2013 for the year ended 31 March 2013. A final dividend of Rs. 1.30 per share is proposed for the year ended 31 March 2013. The Final dividend proposed on 27 August 2013 has not been recognised as at the balance sheet date in compliance with LKAS 10 - "Events after the Reporting period".

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land Rs. '000	Freehold building Rs. '000	Expenditure incurred on leasehold building Rs. '000	Plant, machinery and others Rs. '000	Motor vehicles Rs. '000	Total 2013 Rs. '000	Total 2012 Rs. '000	Total 1 April 2011 Rs. '000
Group								
Cost / revaluation								
As at 1 April	4,942,391	1,456,196	2,404,068	8,211,463	625,574	17,639,692	14,331,420	11,765,219
Additions	415,302	74,603	771,671	2,128,492	149,967	3,540,035	2,510,633	1,408,938
Revaluation	2,995,408	560,887	-	-	-	3,556,295	-	-
Transfers	(191,000)	(43,000)	-	-	-	(234,000)	78,124	-
On allocation of advance paid	-	-	-	-	-	-	759,423	1,172,650
Disposals	-	-	-	(45,390)	(41,897)	(87,287)	(27,786)	(4,420)
Impairment	-	-	-	-	-	-	(12,122)	(10,967)
As at 31 March	**8,162,101**	**2,048,686**	**3,175,739**	**10,294,565**	**733,644**	**24,414,735**	**17,639,692**	**14,331,420**
Depreciation / amortisation								
As at 1 April	-	316,152	1,217,770	3,898,693	372,286	5,804,901	4,673,921	3,721,852
Charge for the year	-	44,799	225,360	950,694	110,164	1,331,017	1,167,340	851,291
On acquisition of subsidiaries	-	-	-	-	-	-	-	104,220
Disposals	-	-	-	(15,466)	(41,683)	(57,149)	(24,238)	(3,442)
Impairment	-	-	-	-	-	-	(12,122)	-
As at 31 March	**-**	**360,951**	**1,443,130**	**4,833,921**	**440,767**	**7,078,769**	**5,804,901**	**4,673,921**
Carrying value	8,162,101	1,687,735	1,732,609	5,460,644	292,877	17,335,966	11,834,791	9,657,499
Capital work in progress	-	-	-	-	-	3,301,601	2,395,573	1,447,098
Carrying value as at 31 March	**8,162,101**	**1,687,735**	**1,732,609**	**5,460,644**	**292,877**	**20,637,567**	**14,230,364**	**11,104,597**
Company								
Cost / revaluation								
As at 1 April	3,793,722	543,778	1,370,706	4,090,701	250,512	10,049,419	8,571,422	7,694,839
Additions	352,528	14,565	408,980	770,800	7,740	1,554,613	1,477,997	877,205
Revaluation	2,002,050	330,086	-	-	-	2,332,136	-	-
Transfers	(191,000)	(43,000)	-	-	-	(234,000)	-	-
Disposals	-	-	-	-	(22,081)	(22,081)	-	(622)
As at 31 March	**5,957,300**	**845,429**	**1,779,686**	**4,861,501**	**236,171**	**13,680,087**	**10,049,419**	**8,571,422**
Depreciation / amortisation								
As at 1 April	-	42,240	743,319	1,923,961	143,716	2,853,236	2,178,867	1,643,790
Charge for the year	-	10,639	155,848	519,216	39,504	725,207	674,369	535,586
Disposals	-	-	-	-	(22,081)	(22,081)	-	(509)
As at 31 March	**-**	**52,879**	**899,167**	**2,443,177**	**161,139**	**3,556,362**	**2,853,236**	**2,178,867**
Carrying value	5,957,300	792,550	880,519	2,418,324	75,032	10,123,725	7,196,183	6,392,555
Capital work in progress	-	-	-	-	-	1,312,168	1,175,208	1,078,643
Carrying value as at 31 March	**5,957,300**	**792,550**	**880,519**	**2,418,324**	**75,032**	**11,435,893**	**8,371,391**	**7,471,198**

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

Freehold land and buildings owned by the group were revalued as at 31 March 2013 by Mr. T Weeratne (FIVSL), 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.

These revaluations have been carried out in conformity with the requirements of LKAS 16 - "Property, plant and equipment". The surplus on revaluation was credited to the revaluation reserve account.

Due to change in nature of use, Freehold Property at Canal Row, Colombo 01, was transferred as Investment Property and this property was revalued as at 31 March 2013 by Messrs. Mr. T Weeratne (FIVSL), an independent professional valuer. The Property was valued at their open market/ fair value, and the surplus arising from the revaluation was transferred to the revaluation reserve.

The details of assets mortgaged for banking facilities obtained have been given in the note 23.2 to the financial statements.

10.1 If land and buildings were stated at the historical cost basis, the amounts would have been as follows:

	Land			Building		
	2013 Rs. '000	2012 Rs. '000	1 April 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1 April 2011 Rs. '000
Group						
Cost	1,586,675	1,317,476	693,063	924,391	862,387	746,226
Accumulated depreciation	-	-	-	(308,664)	(292,904)	(263,401)
Net book value	**1,586,675**	**1,317,476**	**693,063**	**615,727**	**569,483**	**482,825**
Company						
Cost	546,849	353,024	137,122	280,020	265,455	263,431
Accumulated depreciation	-	-	-	(36,936)	(31,611)	(26,343)
Net book value	**546,849**	**353,024**	**137,122**	**243,084**	**233,844**	**237,088**

Depreciation to the value of Rs. 980.47 Mn (2012 - Rs. 932.4 Mn) and Rs. 350.63 Mn (2012 - Rs. 234.9 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. 654.5 Mn (2012 - Rs. 606.1 Mn) and Rs. 70.7 Mn (2012 - Rs. 68.3 Mn) has been charged respectively to the cost of goods sold and other expenses of the company.

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

Fully depreciated assets of the group as at the year end is Rs. 2,363 Mn (2012 - 1,942 Mn) and that of the company is Rs. 1,097 Mn (2012 - Rs. 789.3 Mn).

	Group			Company		
	2013 Rs. '000	2012 Rs. '000	1 April 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1 April 2011 Rs. '000
11. INVESTMENT PROPERTY						
As at 1st April	-	-	-	-	-	-
Additions	1,293,352	-	-	1,293,352	-	-
Reclassification from PPE	234,000	-	-	234,000	-	-
Changes in fair value during the year	1,123,148	-	-	1,123,148	-	-
	2,650,500	**-**	**-**	**2,650,500**	**-**	**-**

In accordance with LKAS 40, fair value of the Investment Property was ascertained by the independent valuations carried out by Mr. T Weeratne (FIVSL), an independent professional valuer as at 31 March 2013. The Market value has been taken as the fair value.

Location	Method of valuation	Land extent	Valuation/cost Rs '000
Canal Row, Colombo 01	Open market value	15 Perches	234,000
Vauxhall street	Open market value	1.5 Acres	1,906,000
Braybrooke place	Open market value	78 Perches	510,500

12. INTANGIBLE ASSETS

Group	Goodwill 2013 Rs. '000	Goodwill 2012 Rs. '000	Goodwill 1 April 2011 Rs. '000	Franchisee fee 2013 Rs. '000	Franchisee fee 2012 Rs. '000	Franchisee fee 1 April 2011 Rs. '000	Software 2013 Rs. '000	Software 2012 Rs. '000	Software 1 April 2011 Rs. '000	Brand name 2013 Rs. '000	Brand name 2012 Rs. '000	Brand name 1 April 2011 Rs. '000	Total 2013 Rs. '000	Total 2012 Rs. '000	Total 1 April 2011 Rs. '000
Gross value															
As at 1 April	396,571	396,571	294,043	81,306	65,801	65,801	16,029	15,167	9,314	1,331,865	661,865	-	1,825,771	1,139,404	369,158
On allocation of advance paid	-	-	-	-	-	-	-	-	-	-	670,000	-	-	670,000	-
Additions	-	-	102,528	37,327	15,505	-	10,365	862	5,853	-	-	661,865	47,692	16,367	770,246
As at 31 March	396,571	396,571	396,571	118,633	81,306	65,801	26,394	16,029	15,167	1,331,865	1,331,865	661,865	1,873,463	1,825,771	1,139,404
Amortisation															
As at 1 April	36,450	36,450	36,450	46,951	41,161	36,013	11,266	7,409	4,772	-	-	-	94,667	85,020	77,235
Amortisation for the year	-	-	-	8,683	5,790	5,148	2,903	3,857	2,637	-	-	-	11,586	9,647	7,785
Impairment	102,528	-	-	-	-	-	-	-	-	-	-	-	102,528	-	-
As at 31 March	138,978	36,450	36,450	55,634	46,951	41,161	14,169	11,266	7,409	-	-	-	208,781	94,667	85,020
Net book value as at 31 March	257,593	360,121	360,121	62,999	34,355	24,640	12,225	4,763	7,758	1,331,865	1,331,865	661,865	1,664,682	1,731,104	1,054,384

Goodwill as at the balance sheet date has been tested for impairment and found impairment in carrying value of Rs.102.5 Mn on acquisition of Cargills Quality Confectioneries (Private) Limited. Recoverable value has been estimated based on the value in use method as stipulated in LKAS 36 - 'Impairment of Assets'.

On transition to SLFRS/LKAS the group re-measured the all identifiable assets and liabilities acquired as part of a business combination at the acquisition date at their fair value. Accordingly the brand value of Rs. 661.9 Mn has been recognised on the business combination of Kotmale Holdings PLC. The 'Relief from Royalty Method' has been used for brand valuation.

The allocation of Rs. 670 Mn to the brand name represents the part of 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 transfered from the advance payment account in 2010/11. The 'Relief from Royalty Method' has been used for brand valuation.

Management is in the view that the brand name has an infinite useful life and accordingly no amortisation is done. However, in accordance with LKAS 38 - '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 LKAS 36 - 'Impairment of Assets'. Brand has been tested for impairment and found no impairment during the year.

Amortisation of intangible assets of Rs. 9.43 Mn (2012 - 5.79 Mn) has been charged in cost of goods sold and Rs. 2.16 Mn (2012 - 3.86 Mn) in administrative expenses.

	No of Shares	Holding	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000
13. INVESTMENTS								
13.1 Investments in subsidiaries								
Unquoted :								
Cargills Retail (Private) Limited	47,500,002	100%	-	-	-	475,000	475,000	475,000
Cargills Quality Foods Limited	4,860,291	100%	-	-	-	1,193,453	1,193,453	1,193,453
Millers Brewery Limited	20,000,002	100%	-	-	-	2,010,000	1,005,000	100
Dawson Office Complex (Private) Limited	1,001	100%	-	-	-	100	100	-
			-	**-**	**-**	**3,678,553**	**2,673,553**	**1,668,553**
13.2 Investment in associates								
Unquoted :								
C T Properties Limited	21,500,000	25%	89,768	103,619	161,282	216,075	216,075	216,075
			89,768	**103,619**	**161,282**	**216,075**	**216,075**	**216,075**
13.3 Other long term investments								
Cargills Agriculture and Commercial Bank	66,000,000		660,000	-	-	660,000	-	-
			660,000	**-**	**-**	**660,000**	**-**	**-**

During the year the Company has subscribed to 66 Mn shares of Cargills Agriculture and Commercial Bank share allotment.

	No of Shares	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000
13. INVESTMENTS (CONTD.)							
13.4 Other financial assets							
13.4.1 Financial instruments at fair value through profit & loss							
Forward foreign exchange contract		-	1,161	-	-	-	-
		-	**1,161**	**-**	**-**	**-**	**-**
13.4.2 Available-for-sale investments							
Other quoted equity investments							
Lanka IOC PLC	200,000	3,880	3,520	3,650	3,880	3,520	3,650
Sierra Cables PLC	49,500	163	267	109	33	53	22
Aitken Spence PLC	267,500	30,094	43,391	45,170	30,094	43,391	45,170
		34,136	**47,178**	**48,929**	**34,006**	**46,965**	**48,842**
Increase/(Decrease) in fair value of investments		2,044	(13,042)	(1,750)	2,088	(12,959)	(1,877)
		36,180	**34,136**	**47,178**	**36,094**	**34,006**	**46,965**
13.4.3 Other non equity investments							
REPO Investments		326,000	105,429	28,502	-	-	-
		326,000	**105,429**	**28,502**	**-**	**-**	**-**
		362,180	**140,727**	**75,680**	**36,094**	**34,006**	**46,965**

The market value of quoted short term investments as at 31 March 2013, as quoted by the Colombo Stock Exchange amounted to Rs. 36.18 Mn (2012 - Rs. 34.14 Mn)

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.

Cargills Agrifoods Limited, CPC Lanka Limited, Cargills Quality Dairies (Private) Limited, Cargills Distributors (Private) Limited, Cargills Food Processors (Private) Limited, Millers Limited, 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 of CQF.

Kotmale Holdings PLC is a subsidiary of Cargills Quality Foods Limited (CQF) in which CQF has 85.26% 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 of 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 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. 1 Bn to bring the total issued share capital to Rs. 2 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 Foods Limited, a wholly owned subsidiary of the Company, acquired 113,373 ordinary shares of the subsidiary Kotmale Holdings PLC at a purchase consideration of Rs. 4.23 Mn and the value of net assets acquired was Rs. 2.13 Mn and resulting excess payment of Rs. 2.09 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 85.26% from 84.90%.

	2013 Rs. '000	Group 2012 Rs. '000	1 April 2011 Rs. '000
13.5 Investment in associates			
As at 1 April	103,619	161,282	216,075
Share of loss incurred	(13,851)	(57,663)	(54,793)
As at 31 March	**89,768**	**103,619**	**161,282**

	2013 Rs. '000	2012 Rs. '000	1 April 2011 Rs. '000
13.6 Summarised financial information of associates			
Group share of;			
Revenue	74,327	42,567	183,728
Operating expenses	(36,309)	(50,104)	(203,156)
Finance expenses	(51,138)	(48,983)	(33,331)
Income tax expense	(731)	(1,143)	(2,034)
Loss for the year	**(13,851)**	**(57,663)**	**(54,793)**
Group share of;			
Total assets	238,740	281,934	329,218
Total liabilities	(356,315)	(385,658)	(375,279)
Net assets	**(117,575)**	**(103,724)**	**(46,061)**
Goodwill	207,343	207,343	207,343
	89,768	**103,619**	**161,282**

14. ADVANCE PAID FOR ACQUISITION OF ASSETS AND ALLOCATION AMONG THE ASSETS

The advance Rs 1,205.4 Mn paid in the financial years 2010/11 and 2011/12 by Millers Brewery Limited, a fully owned subsidiary of the company in respect of the acquisition of the business assets of McCallum Breweries (Ceylon) (Private) Limited, McCallum Brewing Company (Private) Limited and Three Coins Company (Private) Limited, has been allocated to the respective asset categories in the financial year 2011/12.

	Group 2012 Rs. '000	1 April 2011 Rs. '000
Brought forward advances	1,205,425	-
Add:		
Payments made during the year	223,998	1,205,425
Total purchase consideration of the business	**1,429,423**	**1,205,425**
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**	**-**

	Group 2013 Rs. '000	2012 Rs. '000	1 April 2011 Rs. '000
15. PREPAYMENT ON LEASEHOLD LAND AND BUILDING			
Gross value			
As at 31 March	**35,000**	**35,000**	**35,000**
Amortisation			
As at 1 April	6,125	5,250	4,375
Amortisation for the year	875	875	875
As at 31 March	**7,000**	**6,125**	**5,250**
Balance as at 31 March	**28,000**	**28,875**	**29,750**
Current portion of the prepayment	875	875	875
Non- current portion of the prepayment	27,125	28,000	28,875
	28,000	**28,875**	**29,750**
16. DEFERRED TAX ASSETS			
As at 1 April	167,971	14,315	21,777
On revaluation surplus of building	(23,278)	-	-
Release / (charge) for the year	106,347	153,656	(7,462)
As at 31 March	**251,040**	**167,971**	**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	(53,201)	(31,397)	(218)
- Temporary difference of revaluation surplus of building	(14,308)	-	-
- Temporary difference on provisions	28,536	35,318	2,354
- Temporary difference of retirement benefit obligation	8,430	7,855	508
- Temporary difference on deferred income	16,344	7,050	-
- Temporary difference of carry forward tax losses	265,239	149,145	11,671
	251,040	**167,971**	**14,315**

Deferred tax assets of Rs. 192.9 Mn, Rs. 57 Mn, Rs. 0.9 Mn and 0.3 Mn respectively arising from the subsidiaries Millers Brewery Limited, Cargills Agrifoods Limited, Cargills Distributors (Private) Limited and Millers Limited have been recognised.

	Group 2013 Rs. '000	2012 Rs. '000	1 April 2011 Rs. '000	Company 2013 Rs. '000	2012 Rs. '000	1 April 2011 Rs. '000
17. INVENTORIES						
Raw materials	739,242	702,411	471,446	-	-	-
Work in progress	47,364	29,465	8,253	-	-	-
Finished goods	274,671	180,948	77,730	-	-	-
Merchandising stock for sale	3,680,010	3,654,209	2,918,880	3,404,256	3,385,464	2,630,352
Food and beverages - restaurant operations	66,990	58,632	34,131	-	-	-
Consumables	127,257	103,412	81,352	65,350	64,740	58,760
	4,935,534	**4,729,077**	**3,591,792**	**3,469,606**	**3,450,204**	**2,689,112**
Provision for obsolete inventories	(63,456)	(74,055)	(61,087)	(1,284)	(3,559)	-
	4,872,078	**4,655,022**	**3,530,705**	**3,468,322**	**3,446,645**	**2,689,112**
Goods in transit	90,433	306,843	45,617	33,187	23,173	18,801
	4,962,511	**4,961,865**	**3,576,322**	**3,501,509**	**3,469,818**	**2,707,913**

Inventories amounting to Rs. 215 Mn has been mortgaged for bank facilities obtained (note 23.2)

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000

18. TRADE AND OTHER RECEIVABLES

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000
Trade receivables	1,317,498	1,048,794	830,553	130,707	116,371	126,905
Provision for bad and doubtful debts	(139,718)	(119,951)	(96,592)	(6,754)	(6,126)	(3,546)
	1,177,780	**928,843**	**733,961**	**123,953**	**110,245**	**123,359**
Prepayments and deposits	812,385	1,270,158	355,545	568,610	1,123,890	281,335
Other receivables	288,238	266,568	130,836	103,842	73,575	38,164
Loans and advances (note 18.1)	15,134	10,775	20,607	14,192	9,740	6,819
Tax recoverable (note 18.2)	246,718	418,420	348,029	74,347	159,465	255,035
	2,540,255	**2,894,764**	**1,588,978**	**884,944**	**1,476,915**	**704,712**

The details of trade receivables mortgaged for banking facilities obtained have been given in the note 23.2 to the financial statements.

18.1 Loans and advances represents loans to employees and the movement during the year is as follows :

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000
As at 1 April	10,775	20,607	7,513	9,740	6,819	7,389
On acquisition of subsidiaries	-	-	10,656	-	-	-
Loans granted	39,411	24,849	21,523	36,122	21,634	18,156
	50,186	**45,456**	**39,692**	**45,862**	**28,453**	**25,545**
Repayments	(35,052)	(34,681)	(19,085)	(31,670)	(18,713)	(18,726)
As at 31 March	**15,134**	**10,775**	**20,607**	**14,192**	**9,740**	**6,819**

18.2 Tax recoverable

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

19. AMOUNTS DUE FROM/DUE TO RELATED COMPANIES

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000
Amounts due from subsidiaries						
Cargills Quality Foods Limited	-	-	-	2,553,726	1,436,653	1,112,836
Dawson Office Complex (Private) Limited	-	-	-	260,417	251,404	249,599
Millers Brewery Limited	-	-	-	2,111,365	1,644,947	1,221,688
Millers Limited	-	-	-	180	14,625	21,302
Kotmale Dairy Products Limited	-	-	-	3,950	-	-
	-	-	-	4,929,638	3,347,629	2,605,425
Amounts due from holding company						
C T Holdings PLC	18,138	-	17,865	17,465	-	17,254

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000
19. AMOUNTS DUE FROM/DUE TO RELATED COMPANIES (CONTD.)						
Amounts due from other related companies						
Cargills Agriculture and Commercial Bank	729,457	46,322	-	729,457	46,322	
Ceylon Hotels Corporation PLC	247	279	404	-	-	-
Ceylon Printers PLC	7	5	8	-	-	-
Ceylon Theatres (Private) Limited	505	2,018	2,228	391	2,010	2,208
C T Land Development PLC	438	438	77,002	438	438	77,002
C T Properties Limited	77,980	103,380	94,251	77,971	103,371	94,242
CT Real Estate (Private) Limited	7,250	-	-	7,250	-	-
Dialog Axiata PLC	-	-	3,887	-	-	3,887
Galle Face Hotel Co. Limited	81	270	435	-	157	6
Kandy Hotels Co.(1938) PLC	1,147	532	325	-	-	-
Lanka Floortiles PLC	2,500	7,500	674	2,500	7,500	674
United Hotels Co. Limited	-	144	-	-	-	-
	819,612	160,888	179,214	818,007	159,798	178,019
Total amount due from related companies	**837,750**	**160,888**	**197,079**	**5,765,110**	**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	-	-	-	58,122	21,354	34,037
Cargills Distributors (Private) Limited	-	-	-	10,496	16,348	18,604
Cargills Quality Confectioneries (Private) Limited	-	-	-	25,503	11,269	2,998
Cargills Quality Dairies (Private) Limited	-	-	-	51,447	38,978	59,961
Cargills Retail (Private) Limited	-	-	-	517,551	479,011	857,245
CPC (Lanka) Limited	-	-	-	12,877	22,010	17,329
Kotmale Dairy Products Limited	-	-	-	-	17,346	45,378
	-	-	-	675,996	606,316	1,035,552
Amounts due to other related companies						
Dialog Axiata PLC	23,294	4,000	-	23,294	3,998	-
Lanka Ceramics PLC	146	286	251	251	286	251
Unidil Packaging (Private) Limited	4,545	2,205	1,385	-	-	-
	27,985	6,491	1,636	23,545	4,284	251
Total amount due to related companies	**27,985**	**1,819,264**	**1,636**	**699,541**	**2,410,053**	**1,035,803**

20. STATED CAPITAL

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000
Issued and fully paid :						
224,000,000 Ordinary shares	130,723	130,723	130,723	130,723	130,723	130,723

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000

21. RESERVES

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000
Capital reserves						
Revaluation reserve	6,933,525	3,548,434	3,548,434	5,857,818	3,618,106	3,618,106
Capital reserve	7,928	7,928	7,928	-	-	-
	6,941,453	**3,556,362**	**3,556,362**	**5,857,818**	**3,618,106**	**3,618,106**
Revenue reserve						
General reserve	485,500	485,500	485,500	485,500	485,500	485,500
Available-for-sale reserves	(14,541)	(16,585)	(3,543)	(14,505)	(16,593)	(3,635)
	7,412,412	**4,025,277**	**4,038,319**	**6,328,813**	**4,087,013**	**4,099,971**

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.
Available-for-sale reserve consists of net gain/(loss) on available-for-sale investment.

22. CASH AND CASH EQUIVALENTS

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000
Cash at bank and in hand	887,482	517,583	303,645	771,555	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	887,482	517,583	303,645	771,555	446,833	246,161
Bank overdraft	(4,643,983)	(4,493,716)	(2,574,088)	(3,763,142)	(3,657,062)	(2,182,882)
	(3,756,501)	**(3,976,133)**	**(2,270,443)**	**(2,991,587)**	**(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	-	-	-	448,119	380,049	48,603
- Purchase consideration of shares issued by Millers Brewery Limited	-	-	-	1,000,000	999,900	-
- Purchase consideration of shares issued by Dawson Office Complex (Private) Limited	-	-	-	-	100	-

23. BORROWINGS

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000
Current						
Current portion of long term loan	397,303	141,627	127,427	299,600	-	-
Short term loans	7,235,190	2,733,895	3,532,960	6,955,190	2,729,940	3,289,960
Bank overdraft	4,643,983	4,493,716	2,574,088	3,763,142	3,657,062	2,182,882
	12,276,476	**7,369,238**	**6,234,475**	**11,017,932**	**6,387,002**	**5,472,842**
Non-current						
Bank borrowings (note 23.1)	1,850,163	242,540	384,167	1,700,400	-	-
	1,850,163	242,540	384,167	1,700,400	-	-
Total borrowings	**14,126,638**	**7,611,778**	**6,618,642**	**12,718,332**	**6,387,002**	**5,472,842**

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000

23. BORROWINGS (CONTD.)

23.1 Non current

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000
As at 1 April	384,167	511,594	328,898	-	-	49,999
Loans received	2,000,000	-	-	2,000,000	-	-
On acquisition of subsidiaries	-	-	326,472	-	-	-
Repayments	(136,701)	(127,427)	(143,776)	-	-	(49,999)
As at 31 March	2,247,466	384,167	511,594	2,000,000	-	-
Falling due within one year	(397,303)	(141,627)	(127,427)	(299,600)	-	-
	1,850,163	**242,540**	**384,167**	**1,700,400**	**-**	**-**
Repayment during 1-2 years	555,697	97,925	141,289	499,000	-	-
Repayment during 2-5 years	1,294,466	144,615	242,878	1,201,400	-	-
	1,850,163	**242,540**	**384,167**	**1,700,400**	**-**	**-**

23.2 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	115,000	Average interest rate of 16.88%	Trading stock of 15 locations
Commercial Bank	700,000	Average interest rate of 14.68%	An agreement to mortgage land and building at Kandy for Rs.100 Mn and Corporate guarantee from Ceylon Theatres PLC for Rs.50 Mn.
Deutsche Bank	500,000	Average interest rate of 12.79 %.	
HSBC	500,000	Average interest rate of 13.91 %.	
MCB	375,000	Average interest rate of 14.17 %.	Demand promissory note for Rs. 200 Mn.
NTB	750,000	Average interest rate of 15.20 %.	
SCB	500,000	Average interest rate of 13.41%	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 16.50%	Stock Mortgage for Rs. 100 Mn , Demand promissory note for Rs. 100 Mn, Cash margin of Rs. 2 Mn
Short term loans			
Commercial Bank	500,000	Average interest rate of 14.62 %.	
NTB	500,000	Average interest rate of 14.77 %.	
HNB	2,500,000	Average interest rate of 15.49 %.	
HSBC	470,000	Average interest rate of 13.29 %.	
Sampath Bank	800,000	Average interest rate of 13.75 %.	
SCB	2,300,000	Average interest rate of 14.00 %.	
Long term loan			
Commercial Bank	1,000,000	Average interest rate of 15.56 %.	Mortgage of debit and credit card receivables from the selected outlets.
Habib Bank	500,000	5 years, The Loan is repayable in 48 monthly installments commencing from 13th month of disbursement to 60th month.	
State Bank of India	500,000		

Institution & Facility	Principal Amount Rs. '000	Repayment Terms & Interest Rate	Security Offered
Cargills Retail (Private) Limited			
Bank loan			
DFCC	27,500	Average interest rate of 12.38% 60 monthly installments of Rs. 2.5 Mn per month, commencing from March 2009 a average interest rate of 11.71%	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 150 Mn
Cargills Quality Foods Limited			
Bank overdraft			
Commercial Bank	75,000	Average interest rate of 14.68%.	
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. 1.8Mn, at average interest rate of 13.73 % for the year	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 425 Mn. Primary mortgage for Rs. 300 Mn over freehold land, building and project assets at Bandigoda , Ja-Ela.
Cargills Quality Dairies (Private) Limited			
Bank overdraft			
Seylan Bank	80,000	Average interest rate of 16.33 %.	
Commercial Bank	50,000	Average interest rate of 14.68 %.	
Cargills Agrifoods Limited			
Bank overdraft			
Commercial Bank	100,000	Average interest rate of 14.68 %.	
Cargills Food Processors (Private) Limited			
Bank overdraft			
Commercial Bank	100,000	Average interest rate of 14.68%	
Millers Limited			
Bank overdrafts			
HSBC	200,000	Average interest rate of 11.52 %.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 200 Mn.
MCB	25,000	Average interest rate of 15.00 %.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 75 Mn.
SCB	250,000	Average interest rate of 15.75 %.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 250 Mn.
Bank loans			
Commercial Bank	165,000	Average interest rate of 15.37 %.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 215 Mn.
HNB	175,000	Average interest rate of 16.37 %.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 335 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 and machinery fixed in the premises.
Commercial Bank	25,000	Average interest rate of 14.68%	

Institution & Facility	Principal Amount Rs. '000	Repayment Terms & Interest Rate	Security Offered
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. Grace period of 6 months available	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 6.33% for the year. Grace period of 6 months available	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 282.56 Mn. Mortgage over leasehold right of the land, buildings and plant and 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 17.35 %.	Corporate guarantee from Kotmale Holdings PLC mortgage over stocks and book debts.
Import loans			
BOC	40,000	Average interest rate of 17.35 %.	Corporate guarantee from Kotmale Holdings PLC mortgage over stocks and book debts.
Series of loan on import			
BOC	40,000	Average interest rate of 17.35 %.	Corporate guarantee from Kotmale Holdings PLC mortgage over stocks and book debts.
Bank loans			
Lankaputhra Development Bank	11,196	60 monthly installments of Rs. 186,600 per month , commencing from February 2009, at average interest rate of 13.94 % (2% rebate) for the year.	Primary mortgage on project machinery along with relevant insurance covers and a corporate guarantee from Kotmale Holdings PLC.
Peoples Leasing Co.	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 Co.	4,500	48 monthly installments of Rs. 93,750 per month , commencing from August 2009, 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 17.50 %.	Corporate guarantee from Kotmale Holdings PLC.
Import loan facility			
PABC	20,000	Average interest rate of 17.50 %.	Corporate guarantee from Kotmale Holdings PLC.
Millers Brewery Limited			
Bank overdraft			
Commercial Bank	75,000	Average interest rate of 15.35 %.	

	Group			Company		
	2013 Rs. '000	2012 Rs. '000	1 April 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1 April 2011 Rs. '000

24. DEFERRED TAX LIABILITY

	Group 2013	Group 2012	Group 1 April 2011	Company 2013	Company 2012	Company 1 April 2011
As at 1 April	499,023	328,458	360,352	365,350	287,662	324,195
On acquisition of subsidiaries	-	-	4,831	-	-	-
Directly charged to reserves	141,696	-	-	92,424	-	-
Charge / (release) for the year	236,846	170,565	(36,725)	36,062	77,688	(36,533)
As at 31 March	**877,565**	**499,023**	**328,458**	**493,836**	**365,350**	**287,662**

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

	Group 2013	Group 2012	Group 1 April 2011	Company 2013	Company 2012	Company 1 April 2011
Deferred tax provision from						
- Temporary difference of property plant and equipment	764,347	570,303	378,660	400,526	425,997	333,737
- Temporary difference of revaluation surplus of building	211,635	-	-	162,362	-	-
- Temporary difference on carry forward tax losses	(4,709)	(837)	-	-	-	-
- Temporary difference on provisions	(22,540)	(8,802)	(2,712)	-	-	-
- Temporary difference of retirement benefit obligation	(74,490)	(61,641)	(47,490)	(69,052)	(60,647)	(46,075)
- Temporary difference of increase in future tax rates	3,322	-	-	-	-	-
	877,565	**499,023**	**328,458**	**493,836**	**365,350**	**287,662**

25. DEFERRED INCOME

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000
Capital grant			
As at 1 April	25,658	2,389	-
On acquisition of subsidiaries	-	-	2,866
Receipt during the year	33,337	25,244	-
Amortisation	(623)	(1,975)	(477)
As at 31 March	**58,372**	**25,658**	**2,389**
Revenue grant			
Receipt during the year	561	2,177	-
Amortisation	(561)	(2,177)	-
As at 31 March	**-**	**-**	**-**

The above grants include the grants received in respect of two USAID supported projects under taken by the subsidiary company Cargills Agrifoods Limited located in Dehiattakandiya and in Kilinochchi respectively. The two projects, are nearing completion and expected to commence their operation in the next financial year.

Rs. 33.3 Mn for the financial year ended 31 March 2013 has been received as capital grants for Kilinochchi project.

The grants received have been accounted as per the LKAS 20 - "Accounting for government grants and disclosure of government assistance".

As at the balance sheet date neither of the project 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 a part of the Kilinochchi project.

	Group 2013 Rs. '000	2012 Rs. '000	1 April 2011 Rs. '000	Company 2013 Rs. '000	2012 Rs. '000	1 April 2011 Rs. '000
26. RETIREMENT BENEFIT OBLIGATION						
At the beginning of the year	250,204	192,761	163,360	216,596	164,553	150,270
On acquisition of subsidiaries	-	-	12,175	-	-	-
Income statement charge	57,076	72,083	28,454	50,792	64,464	24,753
Contributions paid	(22,128)	(14,640)	(11,228)	(20,773)	(12,421)	(10,470)
At the end of the year	**285,152**	**250,204**	**192,761**	**246,615**	**216,596**	**164,553**
The amount recognised in the balance sheet is as follows						
Present value of unfunded obligation	285,152	250,204	192,761	246,615	216,596	164,553
Present value of funded obligation	-	-	-	-	-	-
Total present value of obligation	285,152	250,204	192,761	246,615	216,596	164,553
Fair value of plan assets	-	-	-	-	-	-
Recognised liability for defined benefit obligation	**285,152**	**250,204**	**192,761**	**246,615**	**216,596**	**164,553**
The movement in retirement benefit obligation over the year is as follows						
At the beginning of the year	250,204	192,761	163,360	216,596	164,553	150,270
On acquisition of subsidiaries	-	-	12,175	-	-	-
Current service cost	36,910	39,629	24,515	32,620	33,431	21,398
Interest cost	27,518	19,742	17,137	23,826	18,174	16,530
Benefit paid	(22,128)	(14,640)	(11,228)	(20,773)	(12,421)	(10,470)
Actuarial (gain) / loss	(7,352)	12,712	(13,198)	(5,654)	12,859	(13,175)
Present value obligation as at the year end	**285,152**	**250,204**	**192,761**	**246,615**	**216,596**	**164,553**
The amount recognised in the income statement is as follows						
Current service cost	36,910	39,629	24,515	32,620	33,431	21,398
Interest cost	27,518	19,742	17,137	23,826	18,174	16,530
Net actuarial (gain) / loss	(7,352)	12,712	(13,198)	(5,654)	12,859	(13,175)
	57,076	**72,083**	**28,454**	**50,792**	**64,464**	**24,753**

This obligation is not externally funded.

The Gratuity liability is based on the actuarial valuation carried out by Mr. M. Poopalanathan, AIA, Messrs. Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries, as at 31 March 2013. The principal assumptions used in the actuarial valuation were as follows:

	2013 %	2012 %	1 April 2011 %
1. Discount rate (the rate of interest used to discount the future cash flows in order to determine the present value)	11	11	11
2. Future salary increase			
- Executives	10	10	10
- Staff	10	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.

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000

27. TRADE AND OTHER PAYABLES

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000
Trade payables	5,471,791	4,720,103	3,560,049	4,657,304	3,993,306	3,143,698
Other payables	1,184,955	1,201,746	723,293	781,742	653,567	518,409
Accrued expenses	1,194,411	940,662	746,047	711,910	532,511	376,742
	7,851,157	**6,862,511**	**5,029,389**	**6,150,956**	**5,179,384**	**4,038,849**

Other payables of the Company includes NBT payables and ESC payables.

28. DIVIDENDS PAYABLES

	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1 April 2011 Rs. '000
Unclaimed dividends	19,997	20,815	17,610	19,809	20,624	17,609

29. SEGMENTAL INFORMATION - THE PRIMARY SEGMENTS (BUSINESS SEGMENTS)

Segment results are as follows;

	Retail 2013	Retail 2012	Fast Moving Consumer Goods 2013	Fast Moving Consumer Goods 2012	Restaurant 2013	Restaurant 2012	Group 2013	Group 2012
Revenue	**44,258,443**	**39,205,479**	**14,364,406**	**12,070,796**	**1,954,824**	**1,383,466**	**60,577,673**	**52,659,741**
Intra segment revenue	-	-	(1,219,536)	(1,299,415)	-	-	(1,219,536)	(1,299,415)
Intersegment revenue	(38,586)	(43,830)	(3,940,634)	(3,060,083)	-	-	(3,979,220)	(3,103,913)
	44,219,857	**39,161,649**	**9,204,236**	**7,711,298**	**1,954,824**	**1,383,466**	**55,378,917**	**48,256,413**
Segment operating profit	**1,688,904**	**1,701,603**	**383,030**	**342,185**	**189,946**	**197,296**	**2,261,880**	**2,241,084**
Net finance cost	(1,099,277)	(562,940)	(125,520)	(60,743)	(3,546)	(1,421)	(1,228,343)	(625,104)
Change in fair value of investment property	1,123,148	-	-	-	-	-	1,123,148	-
Share of associate results	(13,851)	(57,663)	-	-	-	-	(13,851)	(57,663)
Profit before taxation	**1,698,924**	**1,081,000**	**257,510**	**281,442**	**186,400**	**195,875**	**2,142,834**	**1,558,317**
Income tax expense								
Current income tax	(185,585)	(314,471)	(169,535)	(139,850)	(27,460)	(23,479)	(382,580)	(477,800)
Deferred income tax	(36,062)	(79,176)	(74,196)	46,725	(20,240)	15,544	(130,498)	(16,907)
Profit for the year	**1,477,277**	**687,353**	**13,779**	**188,317**	**138,700**	**187,940**	**1,629,756**	**1,063,610**
Attributable to:								
Equity shareholders of the parent	1,477,277	687,353	(3,459)	174,054	138,700	187,940	1,612,518	1,049,347
Non controlling interest	-	-	17,238	14,263	-	-	17,238	14,263
	1,477,277	**687,353**	**13,779**	**188,317**	**138,700**	**187,940**	**1,629,756**	**1,063,610**
Segment assets								
Non current assets								
Property, plant and equipment	12,266,166	8,860,746	7,645,602	4,926,667	752,924	470,951	20,664,692	14,258,364
Investment Property	2,650,500	-	-	-	-	-	2,650,500	-
Intangible assets	236,437	236,437	1,357,744	1,460,313	70,501	34,354	1,664,682	1,731,104
Other long term investments	660,000	-	-	-	-	-	660,000	-
Investment in associates	89,768	103,619	-	-	-	-	89,768	103,619
Deferred tax assets	-	-	251,040	167,971	-	-	251,040	167,971
Total non current assets	**15,902,871**	**9,200,802**	**9,254,386**	**6,554,951**	**823,425**	**505,305**	**25,980,682**	**16,261,058**

29. SEGMENTAL INFORMATION - THE PRIMARY SEGMENTS (BUSINESS SEGMENTS) (CONTD.)

	Retail		Fast Moving Consumer Goods		Restaurant		Group	
	2013	2012	2013	2012	2013	2012	2013	2012
Current assets								
Inventories	3,425,248	3,469,818	1,472,422	1,435,269	64,841	56,778	4,962,511	4,961,865
Trade and other receivables	1,741,542	1,655,129	1,502,095	1,288,990	134,368	111,533	3,378,005	3,055,652
Other financial assets	36,094	34,006	326,042	106,661	44	60	362,180	140,727
Cash and cash equivalents	777,150	452,102	81,736	50,165	28,596	15,316	887,482	517,583
Total current assets	**5,980,034**	**5,611,055**	**3,382,295**	**2,881,085**	**227,849**	**183,687**	**9,590,178**	**8,675,827**
Total segmental assets	**21,882,905**	**14,811,857**	**12,636,681**	**9,436,036**	**1,051,274**	**688,992**	**35,570,860**	**24,936,885**
Segment liabilities								
Non current liabilities								
Borrowings	1,700,400	27,500	149,763	215,040	-	-	1,850,163	242,540
Deferred tax liability	493,836	365,350	351,571	121,755	32,158	11,918	877,565	499,023
Deferred income	-	-	58,372	25,658	-	-	58,372	25,658
Retirement benefit obligation	246,615	216,596	38,537	33,608	-	-	285,152	250,204
Total non current liabilities	**2,440,851**	**609,446**	**598,243**	**396,061**	**32,158**	**11,918**	**3,071,252**	**1,017,425**
Current liabilities								
Trade and other payables	6,262,598	7,231,570	1,577,795	1,553,609	343,530	296,726	8,183,923	9,081,905
Borrowings	11,045,431	6,417,002	1,169,058	865,650	61,987	86,586	12,276,476	7,369,238
Total current liabilities	**17,308,029**	**13,648,572**	**2,746,853**	**2,419,259**	**405,517**	**383,312**	**20,460,399**	**16,451,143**
Total segmental liabilities	**19,748,880**	**14,258,018**	**3,345,096**	**2,815,320**	**437,675**	**395,230**	**23,531,651**	**17,468,568**
Other information								
Capital expenditure	2,847,613	1,477,997	1,600,150	792,136	385,272	240,500	4,833,035	2,510,633
Depreciation	787,965	741,348	452,889	373,486	90,162	52,506	1,331,017	1,167,340

Segmental information - the secondary segments (geographical segments)

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

	Group			Company		
	2013 Rs. '000	2012 Rs. '000	1 April 2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	1 April 2011 Rs. '000
30. COMMITMENTS						
Capital commitments						
Approved and contracted	952,018	1,540,365	395,553	751,756	629,998	168,254
Financial commitments						
Future payments of operating lease rentals :						
- within 1 year	493,238	431,163	320,792	411,079	375,451	276,923
- between 1 - 5 years	2,486,254	1,740,576	1,674,997	2,086,608	1,491,513	1,452,677
- more than 5 years	3,094,167	2,779,049	1,844,745	2,593,363	2,579,911	1,615,254
	6,073,659	**4,950,788**	**3,840,534**	**5,091,050**	**4,446,875**	**3,344,854**

31. 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.

Letter 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. 134 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.

32. TRANSFER OF OPERATION WITHIN THE GROUP

In the year under review the production and sales operation of the UHT milk was transferred from Kotmale Milk Products Limited to Cargills Quality Dairies (Private) Limited. The royalty of 3% on the net sale is paid by Cargills Quality Dairies (Private) Limited for the sale of Kotmale products.

33. EVENTS AFTER THE REPORTING PERIOD

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 2013 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. 7 of 2007, the Board of Directors has confirmed the company satisfies the 'Solvency Test', and has obtained a certificate from auditors.

In accordance with LKAS 10 - "Events after the reporting period", 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.

34. 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 23.2 to the financial statements.

The company provides secretarial and management services to its subsidiary companies.

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 19 to the financial statements.

34.1 Transactions with key management personnel (KMP)

According to LKAS 24 - "Related Party Disclosures", KMP are those having authority and responsibility for planning, directing, 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. 134.1 Mn (2012 - Rs. 113.8 Mn) to the directors as emoluments and Rs. nil (2012 - Rs. nil) as post employment benefits during the year. There are no other payments made to key management personnel apart from the disclosed amount.

34. TRANSACTIONS WITH GROUP COMPANIES (CONT.)
34.2 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 Limited			✓	✓	✓							
Cargills Distributors (Private) Limited			✓	✓								
Cargills Food Processors (Private) Limited			✓	✓	✓							
Cargills Food Services (Private) Limited			✓	✓	✓							
Cargills Frozen Products (Private) Limited			✓	✓								
Cargills Quality Confectioneries (Private) Limited			✓	✓								
Cargills Quality Dairies (Private) Limited			✓	✓	✓							
Cargills Quality Foods Limited			✓	✓	✓							
Cargills Retail (Private) Limited			✓	✓								
CPC (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 Products Limited			✓									
Kotmale Milk Foods Limited			✓									
Kotmale Products (Private) Limited			✓									
Millers Brewery Limited				✓	✓		✓					
Millers Limited			✓		✓							
Other Companies												
Cargills Agriculture and Commercial Bank	✓	✓			✓							
Ceylon Hotels Corporation PLC								✓				
Ceylon Printers PLC										✓		
Ceylon Theatres (Private) Limited		✓								✓	✓	
C T Capital Limited										✓		
C T Holdings PLC	✓	✓					✓		✓	✓	✓	
C T Land Development PLC	✓	✓					✓			✓	✓	
C T Properties Limited	✓	✓									✓	✓
Dialog Axiata PLC						✓						
Frederick North Hotel Co. Limited		✓	✓									
Galle Face Hotel Co. Limited								✓				
Kalamazoo Systems PLC										✓		
Kandy Hotels Co. (1938) PLC								✓				
Lanka Ceramics PLC							✓			✓	✓	✓
Lanka Floortiles PLC		✓					✓		✓	✓	✓	
Lanka Walltiles PLC		✓					✓		✓	✓		
Paragon Ceylon PLC										✓		
Unidil Packaging Limited							✓			✓		✓

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.

34.3 Transactions with related companies

Company	2013 Sales Rs. '000	2013 Other income Rs. '000	2013 Purchases Rs. '000	2013 Other expenses Rs. '000	2012 Sales Rs. '000	2012 Other income Rs. '000	2012 Purchases Rs. '000	2012 Other expenses Rs. '000
Transactions with subsidiaries								
Cargills Agrifoods Limited	-	-	496,170	12,993	5,178	12,315	382,057	-
Cargills Distributors (Private) Limited	-	-	238,049	4,571	-	2,497	253,302	-
Cargills Food Processors (Private) Limited	-	12,494	-	-	18,874	12,494	-	-
Cargills Food Services (Private) Limited	-	-	-	-	-	-	-	-
Cargills Quality Confectioneries (Private) Limited	-	-	136,604	4,525	-	1,301	75,930	-
Cargills Quality Dairies (Private) Limited	-	-	868,877	2,735	2,098	7,272	765,554	-
Cargills Quality Foods Limited	-	-	437,989	4,654	3,796	4,644	368,627	-
Cargills Retail (Private) Limited	-	-	-	-	-	-	-	75,600
CPC (Lanka) Limited	-	-	209,174	695	176	497	166,845	-
Kotmale Dairy Products (Private) Limited	-	-	309,560	-	-	-	267,569	-
Millers Brewery Limited	-	-	731,674	-	-	3,707	287,235	-
Millers Limited	38,586	-	423,437	15,475	43,830	12,175	435,204	-
Transactions with holding company								
C T Holdings PLC	-	-	-	-	-	-	-	-
Transactions with other related companies								
Ceylon Hotels Corporation PLC	-	-	-	-	35	-	-	-
Ceylon Printers PLC	-	-	-	-	-	-	-	942
Ceylon Theatres (Private) Limited	90	-	-	-	76	-	-	-
C T Land Development PLC	-	-	-	35,090	-	-	-	29,026
Dialog Axiata PLC	-	102,543	-	7,427	-	95,427	-	3,899
Galle Face Hotel Co. Limited	152	-	-	-	157	-	-	-
Lanka Ceramics PLC	-	-	-	-	-	-	677	-
Lanka Floortiles PLC	1,500	-	9,973	-	-	-	-	27,077
Lanka Walltile Meepe (Private) Limited	-	-	-	-	-	-	-	-
Lanka Walltiles PLC	-	-	-	2,141	-	-	-	2,574
Unidil Packaging Limited	-	-	-	3,535	-	-	-	543

	2013 Rs. '000	2012 Rs. '000
Net dividends received from subsidiary companies		
Cargills Quality Foods Limited	448,119	23,086
Cargills Retail (Private) Limited	-	356,963

34. TRANSACTIONS WITH GROUP COMPANIES (CONT.)
34.3 Transactions with related companies (contd.)

Group	2013				2012			
	Sales Rs. '000	Other income Rs. '000	Purchases Rs. '000	Other expenses Rs. '000	Sales Rs. '000	Other income Rs. '000	Purchases Rs. '000	Other expenses Rs. '000
Transactions with holding company								
C T Holdings PLC	-	-	-	-	-	-	-	-
Transactions with other related companies								
Ceylon Hotels Corporation PLC	540	-	-	-	589	-	-	-
Ceylon Printers PLC	45	-	-	936	40	-	-	1,977
Ceylon Theatres (Private) Limited	373	-	-	-	2,130	-	-	-
C T Capital Limited	-	-	-	-	-	-	-	-
C T Land Development PLC	-	-	-	71,620	-	-	-	60,557
Dialog Axiata PLC	-	102,543	-	7,427	-	95,427	-	6,583
Galle Face Hotel Co. Limited	743	-	-	-	9,641	-	-	-
Kandy Hotels Co. (1938) PLC	2,133	-	-	-	2,036	-	-	-
Lanka Ceramics PLC	-	-	-	-	-	-	677	-
Lanka Floortiles PLC	1,500	-	9,973	-	-	-	-	27,077
Lanka Walltile Meepe (Private) Limited	-	-	-	-	-	-	-	-
Lanka Walltiles PLC	-	-	-	2,141	-	-	74	4,714
Paragon Ceylon Limited	-	-	-	-	-	-	-	-
Unidil Packaging (Private) Limited	-	-	48,786	3,535	-	-	13,757	543
United Hotels Co. Limited	331	-	-	-	294	-	-	-

Panaderia (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 2013 was Rs. 2.74 Mn (2012 - Rs. 2.46 Mn).

- Purchases for re-sale in the ordinary course of business of Rs. 31.77 Mn (2012 - Rs. 28.79 Mn)
- Rental income of Rs. 1.56 Mn (2012 - Rs. 1.56 Mn)

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

34.4 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 19 to these financial statements.

35. FINANCIAL RISK MANAGEMENT
Overview
The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management Framework
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management processes are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committees oversee how management monitors compliance with the Group's risk management processes/ guidelines and procedures and reviews the adequacy of the risk management framework in relation to the risks. The Audit Committees are assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee

35.1 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligation, and arise principally from the Group's receivables from customers

Carrying amount of financial assets represents the maximum credit exposure
The maximum exposure to credit risk at the reporting date was as follows;

As at March	Group 2013 Rs. '000	Group 2012 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000
Carrying value				
Trade receivables	1,177,780	928,843	123,953	110,245
Loans and advances	15,134	10,775	14,192	9,740
Amount due from related companies	837,750	160,888	5,765,110	3,507,427
Cash and cash equivalents	887,482	517,583	771,555	446,833
	2,918,146	**1,618,089**	**6,674,810**	**4,074,245**

35.1.1 Trade receivables

Past due neither not impaired				
Past due 1 - 30 days	749,945	697,538	60,005	66,616
Past due 31 - 60 days	253,956	155,999	35,060	21,853
Past due 61 - 90 days	116,311	51,926	25,686	21,776
> 91 days	57,568	23,380	3,202	-
	1,177,780	**928,843**	**123,953**	**110,245**

The Group has obtained bank guarantees from major customers by reviewing their past performance and credit worthiness.

35.1.2 Loans and advances

Loan and advances represents loans given to permanent employees.

35.1.3 Amount due from related companies

The Group's amounts due from related companies mainly consist of related companies and parent balances.The Company balance consists of the balance from affiliate companies.

35.1.3 Cash and cash equivalents

The Group and the Company held cash and cash equivalents of Rs. 887.5 Mn (2012 - Rs. 517.6 Mn) and Rs. 771.5 Mn (2012 - Rs. 446.8 Mn) at 31 March 2013 respectively, which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks, which are rated AAA(lka) to A-(lka), based on Fitch Ratings.

35.1.4 Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries.

35. FINANCIAL RISK MANAGEMENT (CONTD.)

35.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities as at 31 March 2013

	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Group							
Financial instruments in non-current liabilities							
Borrowings	-	556,119	558,397	537,347	198,300	-	1,850,163
Financial instruments in current liabilities							
Trade and other payables	7,851,157	-	-	-	-	-	7,851,157
Amount due to related companies	27,985	-	-	-	-	-	27,985
Current portion of long term loan	397,303	-	-	-	-	-	397,303
Short term loans	7,235,190	-	-	-	-	-	7,235,190
Bank overdraft	4,643,983	-	-	-	-	-	4,643,983
	20,155,618	**556,119**	**558,397**	**537,347**	**198,300**	**-**	**22,005,781**
Company							
Financial instruments in non-current liabilities							
Borrowings	-	499,000	501,700	501,400	198,300	-	1,700,400
Financial instruments in current liabilities							
Trade and other payables	6,150,956	-	-	-	-	-	6,150,956
Amount due to related companies	699,541	-	-	-	-	-	699,541
Current portion of long term loan	299,600	-	-	-	-	-	299,600
Short term loans	6,955,190	-	-	-	-	-	6,955,190
Bank overdraft	3,763,142	-	-	-	-	-	3,763,142
	17,868,429	**499,000**	**501,700**	**501,400**	**198,300**	**-**	**19,568,829**

The following are the contractual maturities of financial liabilities as at 31 March 2012

	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Group							
Financial instruments in non-current liabilities							
Borrowings	-	97,925	56,697	56,697	31,220	-	242,540
Financial instruments in current liabilities							
Trade and other payables	6,862,512	-	-	-	-	-	6,862,512
Amount due to related companies	1,819,264	-	-	-	-	-	1,819,264
Current portion of long term loan	141,627	-	-	-	-	-	141,627
Short term loans	2,733,895	-	-	-	-	-	2,733,895
Bank overdraft	4,493,716	-	-	-	-	-	4,493,716
	16,051,014	**97,925**	**56,697**	**56,697**	**31,223**	**-**	**16,293,554**
Company							
Financial instruments in non-current liabilities							
Borrowings	-	-	-	-	-	-	-
Financial instruments in current liabilities							
Trade and other payables	5,179,385	-	-	-	-	-	5,179,385
Amount due to related companies	2,410,053	-	-	-	-	-	2,410,053
Current portion of long term loan	-	-	-	-	-	-	-
Short term loans	2,729,940	-	-	-	-	-	2,729,940
Bank overdraft	3,657,062	-	-	-	-	-	3,657,062
	13,976,440	**-**	**-**	**-**	**-**	**-**	**13,976,440**

35.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

35.3.1 Currency Risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the Sri Lankan rupees (LKR).The Group also has limited exposure in respect of recognised foreign currency assets and liabilities.

35.3.2 Interest Rate Risk

The Group is exposed to interest rate risk on borrowings and deposits. The Group's interest rate policy seeks to minimise the cost and volatility of the Group's interest expense by maintaining a diversified portfolio of fixed rate, floating rate and inflation-linked liabilities.

The Group adopts a policy of ensuring borrowings are maintained at manageable level while optimising return. Interest rates are negotiated leveraging on the strength of the Cargills group and thereby ensuring the availability of cost -effective funds at all time, while minimising the negative effect of market fluctuations. Further, the company has considerable banking facilities with several reputed banks which has enabled the company to negotiate competitive rates.

36. EXPLANATION TO THE TRANSITION OF SLFRS/LKAS

In preparing its opening SLFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with SLASs (Previous GAAP). An explanation of how the transition from previous SLASs to SLFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

36.1 Reconciliation of Comprehensive Income for the year ended 31 March 2012

For the year ended 31 March	Note	Group SLAS 2012 Rs. '000	Group Effect of transition to SLFRS/LKAS Rs. '000	Group SLFRS/LKAS 2012 Rs. '000	Company SLAS 2012 Rs. '000	Company Effect of transition to SLFRS/LKAS Rs. '000	Company SLFRS/LKAS 2012 Rs. '000
Revenue		**48,256,413**	**-**	**48,256,413**	**39,205,479**	**-**	**39,205,479**
Cost of sales	36.4.1	(43,299,435)	(40,968)	(43,340,403)	(36,805,497)	(36,755)	(36,842,252)
Gross profit		**4,956,978**	**(40,968)**	**4,916,010**	**2,399,982**	**(36,755)**	**2,363,227**
Other income	36.4.2	785,915	(3,779)	782,136	1,184,076	-	1,184,076
Distribution expenses		(1,249,904)	-	(1,249,904)	(218,768)	-	(218,768)
Administrative expenses		(1,971,274)	12,958	(1,958,316)	(1,194,926)	12,958	(1,181,968)
Other expenses	36.4.4	(247,105)	(1,737)	(248,842)	(68,371)	-	(68,371)
Results from operating activities		**2,274,610**	**(33,526)**	**2,241,084**	**2,101,993**	**(23,797)**	**2,078,196**
Net finance cost	36.4.2/36.4.6	(630,044)	4,940	(625,104)	(555,088)	-	(555,088)
Share of loss of equity accounted investees		(57,663)	-	(57,663)	-	-	-
Profit before taxation		**1,586,903**	**(28,586)**	**1,558,317**	**1,546,905**	**(23,797)**	**1,523,108**
Income tax expense	36.4.5	(493,553)	(1,154)	(494,707)	(355,235)	1,488	(353,747)
Net profit for the year		**1,093,350**	**(29,740)**	**1,063,610**	**1,191,670**	**(22,309)**	**1,169,361**
Other comprehensive income							
Net gain/loss on available-for-sale investments	36.4.3	-	(13,042)	(13,042)	-	(12,958)	(12,958)
Tax on other comprehensive Income		-	-	-	-	-	-
Other comprehensive income for the year, net of tax		**-**	**(13,042)**	**(13,042)**	**-**	**12,958**	**(12,958)**
Total comprehensive income for the year		**1,093,350**	**(42,782)**	**1,050,568**	**1,191,670**	**(35,267)**	**1,156,403**

36. EXPLANATION TO THE TRANSITION OF SLFRS/LKAS (CONTD.)

36.2 Reconciliation of Financial Position - Group

As at 31 March	Note	SLAS 2012 Rs. '000	Effect of transition to SLFRS/LKAS Rs. '000	SLFRS/LKAS 2012 Rs. '000	SLAS 1 April 2011 Rs. '000	Effect of transition to SLFRS/LKAS Rs. '000	SLFRS/LKAS 1 April 2011 Rs. '000
ASSETS							
Non - current assets							
Property, plant and equipment	36.4.4	14,152,240	78,124	14,230,364	11,104,597	-	11,104,597
Intangible assets		1,731,104	-	1,731,104	1,054,384	-	1,054,384
Investments in subsidiaries		-	-	-	-	-	-
Investment in associates		103,619	-	103,619	161,282	-	161,282
Advance paid for acquisition of assets		-	-	-	1,205,425	-	1,205,425
Prepayment on leasehold land and building		28,000	-	28,000	28,875	-	28,875
Deferred tax assets	36.4.5	83,928	84,043	167,971	14,315	-	14,315
		16,098,891	**162,167**	**16,261,058**	**13,568,878**	**-**	**13,568,878**
Current assets							
Inventories	36.4.4	5,041,726	(79,861)	4,961,865	3,576,322	-	3,576,322
Trade and other receivables		2,894,764	-	2,894,764	1,588,978	-	1,588,978
Amount due from related companies		160,888	-	160,888	197,079	-	197,079
Other financial assets	36.4.3/36.4.6	139,555	1,172	140,727	75,587	93	75,680
Cash and cash equivalents		517,583	-	517,583	303,645	-	303,645
		8,754,516	**(78,689)**	**8,675,827**	**5,741,611**	**93**	**5,741,704**
Total assets		**24,853,407**	**83,478**	**24,936,885**	**19,310,489**	**93**	**19,310,582**
EQUITY							
Stated capital		130,723	-	130,723	130,723	-	130,723
Reserves	36.4.7	4,607,736	(582,459)	4,025,277	4,608,892	(570,573)	4,038,319
Retained earnings		2,892,807	333,596	3,226,403	2,220,095	363,336	2,583,431
Total equity attributable to equity holders of the company		**7,631,266**	**(248,863)**	**7,382,403**	**6,959,710**	**(207,237)**	**6,752,473**
Non controlling interest		85,914	-	85,914	89,723	-	89,723
Total equity		**7,717,180**	**(248,863)**	**7,468,317**	**7,049,433**	**(207,237)**	**6,842,196**
LIABILITIES							
Non - current liabilities							
Borrowings		242,540	-	242,540	384,167	-	384,167
Deferred tax liability	36.4.5	414,980	84,043	499,023	328,458	-	328,458
Deferred income		25,658	-	25,658	2,389	-	2,389
Retirement benefit obligation		250,204	-	250,204	192,761	-	192,761
		933,382	**84,043**	**1,017,425**	**907,775**	**-**	**907,775**
Current liabilities							
Trade and other payables	36.4.1	6,614,213	248,298	6,862,511	4,822,059	207,330	5,029,389
Current tax liability		379,315	-	379,315	277,501	-	277,501
Amount due to related companies		1,819,264	-	1,819,264	1,636	-	1,636
Dividends payable		20,815	-	20,815	17,610	-	17,610
Borrowings		7,369,238	-	7,369,238	6,234,475	-	6,234,475
		16,202,845	**248,298**	**16,451,143**	**11,353,281**	**207,330**	**11,560,611**
Total liabilities		**17,136,227**	**332,341**	**17,468,568**	**12,261,056**	**207,330**	**12,468,386**
Total equity and liabilities		**24,853,407**	**83,478**	**24,936,885**	**19,310,489**	**93**	**19,310,582**

36.3 Reconciliation of Financial Position - Company

As at 31 March	Note	SLAS 2012 Rs. '000	Effect of transition to SLFRS/LKAS Rs. '000	SLFRS/LKAS 2012 Rs. '000	SLAS 1 April 2011 Rs. '000	Effect of transition to SLFRS/LKAS Rs. '000	SLFRS/LKAS 1 April 2011 Rs. '000
ASSETS							
Non - current assets							
Property, plant and equipment		8,371,391	-	8,371,391	7,471,198	-	7,471,198
Investments in subsidiaries		2,673,553	-	2,673,553	1,668,553	-	1,668,553
Investment in associates		216,075	-	216,075	216,075	-	216,075
		11,261,019	**-**	**11,261,019**	**9,355,826**	**-**	**9,355,826**
Current assets							
Inventories		3,469,818	-	3,469,818	2,707,913	-	2,707,913
Trade and other receivables		1,476,915	-	1,476,915	704,712	-	704,712
Amount due from related companies		3,507,427	-	3,507,427	2,800,698	-	2,800,698
Short term investments		34,006	-	34,006	46,965	-	46,965
Cash and cash equivalents		446,833	-	446,833	246,161	-	246,161
		8,934,999	**-**	**8,934,999**	**6,506,449**	**-**	**6,506,449**
Total assets		**20,196,018**	**-**	**20,196,018**	**15,862,275**	**-**	**15,862,275**
EQUITY							
Stated capital		130,723	-	130,723	130,723	-	130,723
Reserves		4,105,094	(18,081)	4,087,013	4,103,606	(3,635)	4,099,971
Retained earnings		1,382,107	(209,002)	1,173,105	571,237	(186,693)	384,544
Total equity attributable to equity holders of the company		**5,617,924**	**(227,083)**	**5,390,841**	**4,805,566**	**(190,328)**	**4,615,238**
Non controlling interest		-	-	-	-	-	-
Total equity		**5,617,924**	**(227,083)**	**5,390,841**	**4,805,566**	**(190,328)**	**4,615,238**
LIABILITIES							
Non - current liabilities							
Borrowings		-	-	-	-	-	-
Deferred tax liability		365,350	-	365,350	287,662	-	287,662
Deferred income		-	-	-	-	-	-
Retirement benefit obligation		216,596	-	216,596	164,553	-	164,553
		581,946	**-**	**581,946**	**452,215**	**-**	**452,215**
Current liabilities							
Trade and other payables	36.4.1	4,952,301	227,083	5,179,384	3,848,521	190,328	4,038,849
Current tax liability		226,168	-	226,168	229,719	-	229,719
Amount due to related companies		2,410,053	-	2,410,053	1,035,803	-	1,035,803
Dividend payable		20,624	-	20,624	17,609	-	17,609
Borrowings		6,387,002	-	6,387,002	5,472,842	-	5,472,842
		13,996,148	**227,083**	**14,223,231**	**10,604,494**	**190,328**	**10,794,822**
Total liabilities		**14,578,094**	**227,083**	**14,805,177**	**11,056,709**	**190,328**	**11,247,037**
Total equity and liabilities		**20,196,018**	**-**	**20,196,018**	**15,862,275**	**-**	**15,862,275**

36. EXPLANATION TO THE TRANSITION OF SLFRS/LKAS (CONTD.)

36.4.1 The group has changed the method of accounting operating lease payments of premises occupied by the Group in accordance with LKAS 17 - Leases

The impact arising from the change is summarised as follows:

For the year ended 31 March	Group 2012 Rs' 000	Company 2012 Rs' 000
Statement of comprehensive income		
Cost of sales	40,968	36,755
	40,968	**36,755**

As at 31 March	Group 2012 Rs' 000	Group 1 April 2011 Rs' 000	Company 2012 Rs' 000	Company 1 April 2011 Rs' 000
Statement of financial position				
Other payables	248,298	207,330	227,083	190,328
	248,298	**207,330**	**227,083**	**190,328**

36.4.2 Reclassification of Financial Income

The Group classified the interest income in to finance income, which was previously classified as other income

The impact arising from the above is summarised as follows:

For the year ended 31 March	Group 2012 Rs. '000
Statement of comprehensive income	
Other Income	(3,779)
Finance Income	3,779
	-

36.4.3 Under SLFRSs the company has designated investment in quoted equity shares as available-for-sale investments, measured at fair value. Differences has been recognised in Available-for-Sale Reserves.

The impact arising from the change is summarised as follows:

For the year ended 31 March	Group 2012 Rs. '000	Company 2012 Rs. '000
Other comprehensive income		
Net loss on available-for-sale investments	(13,042)	(12,958)
	(13,042)	**(12,958)**

As at 31 March	Group 2012 Rs. '000	Group 1 April 2011 Rs. '000
Statement of financial position		
Other current financial assets		
Available-for-sale investments	11	93
	11	**93**

36.4.4 Reclassification of Returnable Containers comprising of bottles, crates and kegs from Inventories to Property, Plant and Equipment

Returnable Containers were classified under inventories at it's cost/net realisable value and was written off to the Income Statement only in the event they break within the premises of the Company. All returnable containers in the custody of the Agents were supported by deposits which represents its cost / net realisable value in full. These deposits are returned by Agents upon them ceasing operations or in the event of a contraction in sales. With the transition to SLFRS/LKAS,the Group reclassified the Returnable Containers comprising of bottles, crates and kegs from Inventories to Property, Plant and Equipment to reflect more appropriately the nature and the way in which the said assets are used in business operations.

The impact arising from the change is summarised as follows:

For the year ended 31 March	Group 2012 Rs' 000
Statement of comprehensive income	
Other expenses	1,737
	1,737

As at 31 March	Group 2012 Rs' 000
Statement of financial position	
Inventory	(79,862)
Property, plant and equipment	78,124
	(1,738)

36.4.5 Deferred Tax Liabilities/ Deferred Tax Assets

The Group recognised a deferred tax on temporary differences which were not recognised previously. This has resulted in an adjustment to the retained earnings and deferred tax liability.

For the year ended 31 March	Group 2012 Rs' 000	Company 2012 Rs' 000
Statement of comprehensive income		
Income tax expenses	(1,154)	1,488

As at 31 March	Group 2012 Rs' 000
Statement of financial position	
Deferred Tax Liabilities	(84,043)
Deferred Tax Assets	84,043
	-

36. EXPLANATION TO THE TRANSITION OF SLFRS/LKAS (CONTD.)

36.4.6 Fair Valuation of Forward Contract

Under SLASs, company recognised profit or loss arisen from forward contracts at the settlement dates, directly in the profit or loss. SLFRSs requires the company to recognised forward contracts at it fair value at each reporting date and recognised fair value changes in the profit or loss accordingly.

For the year ended 31 March	Group 2012 Rs' 000
Statement of comprehensive income	
Finance income	1,161
	1,161

As at 31 March	Group 2012 Rs. '000
Statement of financial position	
Other current financial assets	
Forward contract	1,161
	1,161

36.4.7 Revaluation reserve / Retained earnings

On transition to SLFRSs/LKASs, Company elected to apply the optional exemption to use that previous revaluation as deemed cost for property, plant and equipment except for lands and buildings. The revaluation reserves were reclassified to retained earnings in the statement of financial position. Except for the reclassification this had no impact on the financial statements.

As at 31 March	Group	
	2012 Rs' 000	1 April 2011 Rs' 000
Statement of financial position		
Reclassification from Revaluation Reserve to Retained earnings	566,418	566,418
	566,418	566,418

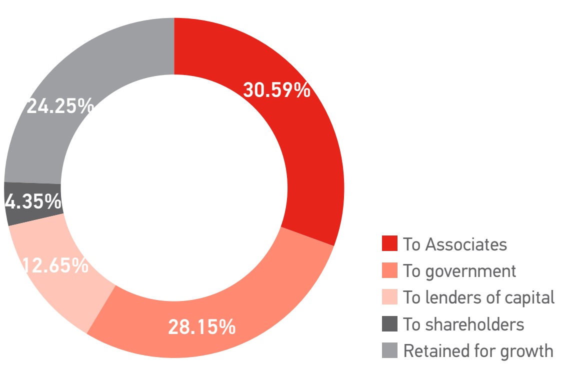
36.4.8 Statement of Cash Flow

No material impact to the Statement of Cash flow of the company and the group arises from the transition from SLAS to SLFRS/LKAS.

Statement of Value Added

	%	2013 Rs.'000	%	2012 Rs.'000
Creation of Value added				
Gross revenue		57,763,590		49,447,605
Cost of good and service		(48,405,759)		(42,861,295)
Value added from operation		9,357,832		6,586,310
Dividend received		374		273
Other income		934,393		781,863
Total value added		**10,292,599**		**7,368,446**
Distribution of value added				
To Associates				
Salaries, wages and other related costs	29.29	3,014,790	36.75	2,707,753
Directors' fees and remuneration	1.30	134,120	1.54	113,800
	30.59	3,148,910	38.29	2,821,553
To government				
Government levies	23.17	2,384,673	16.17	1,191,192
Corporate taxes	4.98	513,078	6.71	494,707
	28.15	2,897,752	22.88	1,685,899
To lenders of capital				
Interest	12.49	1,285,164	8.55	630,044
Non controlling interest	0.16	17,238	0.19	14,263
	12.65	1,302,402	8.74	644,307
To shareholders				
Dividends	4.35	448,000	5.17	380,800
Retained for growth				
Depreciation	12.93	1,331,017	15.84	1,167,340
Retained earnings	11.32	1,164,518	9.08	668,547
	24.25	2,495,535	24.92	1,835,887
	100.00	**10,292,599**	**100.00**	**7,368,446**

2012/13



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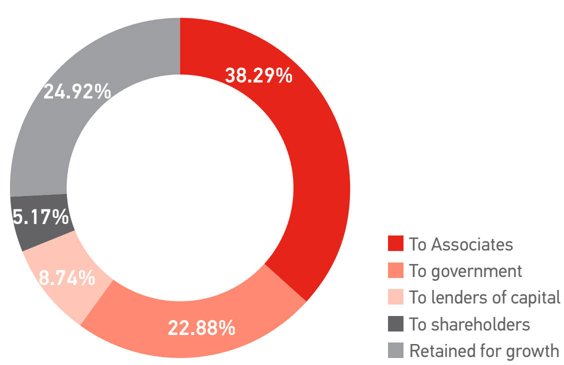

Five Year Financial Summary

Group	2009 Rs.'000	2010 Rs.'000	2011 Rs.'000	2012 Rs.'000	2013 Rs.'000
Financial results					
Revenue	28,692,481	30,874,797	37,128,661	48,256,413	55,378,917
Results from operating activities	1,232,186	1,429,545	1,825,442	2,241,084	2,261,880
Profit before taxation	702,586	1,000,726	1,406,703	1,558,317	2,142,834
Profit after taxation	539,900	712,392	1,094,173	1,063,610	1,629,756
Non controlling interest	(40,446)	-	(5,623)	(14,263)	(17,238)
Profit attributable to equity shareholders of the parent	499,454	712,392	1,088,550	1,049,347	1,612,518
Financial position					
Stated capital	130,723	130,723	130,723	130,723	130,723
Reserves	2,001,981	6,010,432	6,621,750	7,251,680	11,801,239
Non controlling interest	-	-	89,723	85,914	107,247
Capital and reserves	2,132,704	6,141,155	6,842,196	7,468,317	12,039,209
Current assets	4,249,141	4,697,601	5,741,704	8,675,827	9,590,178
Current liabilities	(6,371,303)	(7,085,476)	(11,560,611)	(16,451,143)	(20,460,399)
Working capital	(2,122,162)	(2,387,875)	(5,818,907)	(7,775,316)	(10,870,221)
Non current assets	5,411,594	9,251,241	13,568,878	16,261,058	25,980,682
Non current liabilities	(1,156,728)	(722,211)	(907,775)	(1,017,425)	(3,071,252)
Non controlling interest	-	-	(89,723)	(85,914)	(107,247)
Net assets	2,132,704	6,141,155	6,752,473	7,382,403	11,931,963
Key Indicators					
Growth in turnover (%)	23.98	7.61	20.26	29.97	14.76
Growth in earnings (%)	11.52	42.63	52.80	(3.60)	53.67
Operating profit to turnover (%)	4.29	4.63	4.92	4.64	4.08
Earnings to turnover (%)	1.74	2.31	2.93	2.17	2.91
Return on total assets (%)	5.17	5.11	5.67	4.27	4.58
Growth in total assets (%)	15.85	44.39	38.44	29.14	42.64
Growth in capital and reserves (%)	12.51	187.95	11.42	9.15	61.20
Return on capital and reserves (%)	25.32	11.60	15.99	14.24	13.54
Return on investment (%)	26.81	17.22	16.86	14.86	16.71
Earnings per share (Rs.)	2.23	3.18	4.86	4.68	7.20
Dividends per share (Rs.)	0.50	1.10	1.50	2.00	2.00
Net assets per share (Rs.)	9.52	27.42	30.14	32.96	53.27
Dividend paid per share (Rs.)	0.39	0.80	1.30	1.70	2.00
Dividend pay out (%)	17.49	25.15	26.75	36.29	27.78
Dividends paid	86,800	179,200	291,200	380,800	448,000
Debt equity ratio (times)	3.53	1.27	1.82	2.34	1.95
Interest cover (times)	2.33	3.33	5.02	3.59	1.84
Current ratio (times)	0.67	0.66	0.50	0.53	0.47
Quick assets ratio (times)	0.25	0.23	0.19	0.23	0.23
Capital additions	1,096,392	602,720	1,408,938	2,510,633	3,540,035
Market capitalisation	5,264,000	15,792,000	51,139,200	38,976,000	34,003,200

(a) Return on investment is computed by dividing the profit for the year by total average assets employed.
(b) Debt equity ratio is computed by dividing the total liabilities by the shareholders' funds.
(c) Above ratios have been computed based on 224,000,000 shares in issue as at 31 March 2013.

Group Real Estate Portfolio

Location	Land extent		Building area (Sq ft)	Valuation/cost Rs '000	Year of valuation
Cargills (Ceylon) PLC					
Colombo 01	141	Perches	124,215	2,550,000	2013
Colombo 02	82	Perches	20,970	707,600	2013
Kandy	94	Perches	25,174	1,250,000	2013
Maharagama	145	Perches	15,827	498,000	2013
Nuwara Eliya	57	Perches	9,617	150,000	2013
111, Sri Wickrama Mw, Mattakuliya	2	Acres	80,967	720,000	2013
Park Road		-	4,610	35,000	2013
Boralasgamuwa	2.5	Acres	23,168	290,000	2013
Kohuwala	29	Perches	6,225	91,500	2013
141, Sri Wickrama Mw, Mattakuliya	1.8	Acres	44,469	457,750	2013
Vauxhall Street	1.5	Acres	21,070	1,906,000	2013
Braybrooke Place	78	Perches	4,846	510,500	2013
Canal Row, Colombo 01	15	Perches	12,300	234,000	2013
Cargills Quality Foods Limited					
Mattakuliya	1.3	Acres	16,409	316,000	2013
Ja - Ela	5.1	Acres	38,381	365,000	2013
Ja - Ela	4	Acres	29,246	90,000	2013
Cargills Agrifoods Limited					
Katana	11.3	Acres	66,184	366,000	2013
Millers Limited					
Bandarawela	85	Perches	6,345	292,000	2013
Kelaniya	1.5	Acres	55,770	263,000	2013
Nittambuwa	112	Perches	-	70,000	2013
CPC Lanka Limited					
Katoolaya Estate, Thawalantenne	4	Acres	695	5,000	2013
Dawson Office Complex (Private) Limited					
Colombo 02	94	Perches	-	655,000	2013
Kotmale Dairy Products (Private) Limited					
Mulleriyawa	1.7	Acres	28,862	100,000	2013
Bogahawatta	1.7	Acres	15,980	22,900	2013
Millers Brewery Limited					
Watareka	19.4	Acres	76,300	465,500	2013

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

Size of	31 Mach 2013				31 Mach 2012			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 - 1,000	1,207	60.23	334,568	0.15	1,200	58.88	371,306	0.17
1,001 - 10,000	520	25.95	1,922,818	0.86	559	27.43	2,057,319	0.92
10,001 - 100,000	222	11.08	6,500,635	2.90	225	11.04	6,716,417	3.00
100,001 - 1,000,000	42	2.10	12,842,862	5.73	41	2.01	12,819,582	5.72
1,000,001 and over	13	0.65	202,399,117	90.36	13	0.64	202,035,376	90.19
	2,004	**100.00**	**224,000,000**	**100.00**	**2,038**	**100.00**	**224,000,000**	**100.00**

4. Analysis of shareholders

Group of	31 Mach 2013				31 Mach 2012			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Institutions	138	6.89	188,805,991	84.29	154	7.56	186,875,122	83.43
Individuals	1,866	93.11	35,194,009	15.71	1,884	92.44	37,124,878	16.57
Total	**2,004**	**100.00**	**224,000,000**	**100.00**	**2,038**	**100.00**	**224,000,000**	**100.00**
Residents	1,908	95.21	212,906,024	95.05	1,939	95.14	217,582,385	97.13
Non residents	96	4.79	11,093,976	4.95	99	4.86	6,417,615	2.87
Total	**2,004**	**100.00**	**224,000,000**	**100.00**	**2,038**	**100.00**	**224,000,000**	**100.00**

5. Group companies

During the year, Millers Brewery Limited issued ordinary shares amounting to Rs. 1 Bn to bring the total issued share capital to Rs. 2 Bn and the company acquired the total shares issued.

During the year, Cargills Quality Foods Limited, a wholly owned subsidiary of the company, acquired 113,373 ordinary shares of the subsidiary Kotmale Holdings PLC at a purchase consideration of Rs. 4.23 Mn.

During the year, Cargills Frozen Products (Private) Limited was incorporated with an initial share investment of Rs. 50 Mn for which Cargills Quality Dairies (Private) Limited, a wholly owned sub-subsidiary of the company subscribed in full.

6. Share valuation

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

	2013 Rs.	2012 Rs.	1 April 201 Rs.
Highest	180.00	240.00	253.00
Lowest	125.00	117.00	70.00
Last traded price	151.80	174.00	228.30

7. Top 20 shareholders

The holdings of the top 20 shareholders

	31 Mach 2013 Number of Shares	%	31 Mach 2012 Number of Shares	%
C T Holdings PLC	156,799,240	70.00	156,799,240	70.00
Mr. V R Page	14,403,900	6.43	14,403,900	6.43
Employees Provident Fund	7,304,276	3.26	6,929,636	3.09
Mr. Anthony A Page	5,084,950	2.27	5,050,000	2.25
Odeon Holdings (Ceylon) Limited	4,622,920	2.06	4,622,920	2.06
Ceylon Guardian Investment Trust - A/C No.1	4,558,700	2.04	6,558,700	2.93
HSBC Intl Nom Ltd - SSBT-National Westminister Bank PLC	3,100,087	1.38	-	-
Ms. M M Page	2,724,604	1.22	2,655,900	1.19
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	1,297,500	0.58
GF Capital Global Limited	864,000	0.39	864,000	0.39
Bank of Ceylon No.1 Account	809,600	0.36	809,600	0.36
The Associated Newspapers of Ceylon Limited	799,840	0.36	799,840	0.36
Mellon Bank N.A. - Florida Retirement System	796,700	0.36	-	-
Northern Trust Fiduciary Services (Ireland) Limited	787,500	0.35	787,500	0.35
Sir Chittampalam A Gardiner Trust	563,040	0.25	563,040	0.25
National Saving Bank	543,800	0.24	543,800	0.24
PICTET & CIE	500,000	0.22	500,000	0.22
HSBC Intl Nom Ltd - SSBT-Russell Institutional Funds Public Limited Company	420,000	0.19	-	-
Total	**209,186,157**	**93.39**	**206,391,076**	**92.14**

8. Public holding

The percentage of shares held by the public as at 31 March 2013 is 18.33% (2012 - 18.35%)

Notice of Annual General Meeting

Notice is hereby given that the sixty seventh Annual General Meeting of the Company will be held on Friday, 20 September 2013, at 9.30 a.m. at The Auditorium, the Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha (Longdon Place), Colombo 07, 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 2013, with the Report of the Auditors thereon

2. To declare a dividend as recommended by the Directors

3. To re-elect Directors
   a) L. R. Page, b) S. V. Kodikara, c) Sunil Mendis, 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 four 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-four 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 2013/14

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

27 August 2013

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

Notes

Proxy Form

For use at the sixty seventh Annual General Meeting

*I / We ....

of .... being a

*member/members of Cargills (Ceylon) PLC hereby appoint .... of

.... whom 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 seventh Annual General Meeting of the Company to be held on Friday, 20 September 2013 and at any adjournment thereof and at every Poll which may be taken in consequent thereof in the manner indicated below:

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

....

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

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
Habib Bank
HNB Bank
HSBC Bank
MCB Bank
NDB Bank
Nation Trust Bank
Pan Asia Bank
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank
State Bank of India

Subsidiary Companies
Cargills Agrifoods Limited
Cargills Distributors (Private) Limited
Cargills Food Processors (Private) Limited
Cargills Food Services (Private) Limited
Cargills Frozen Products (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) Ltd
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

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Cargills (Ceylon) PLC

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2012/2013
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