



# The Annual Report



S I N C E 1 8 4 4

# HISTORY

**I**n 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.

In 2013, Cargills acquired the franchise license for TGIF and opened its first restaurant at Fort in October 2013.

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# VISION

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

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# 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.

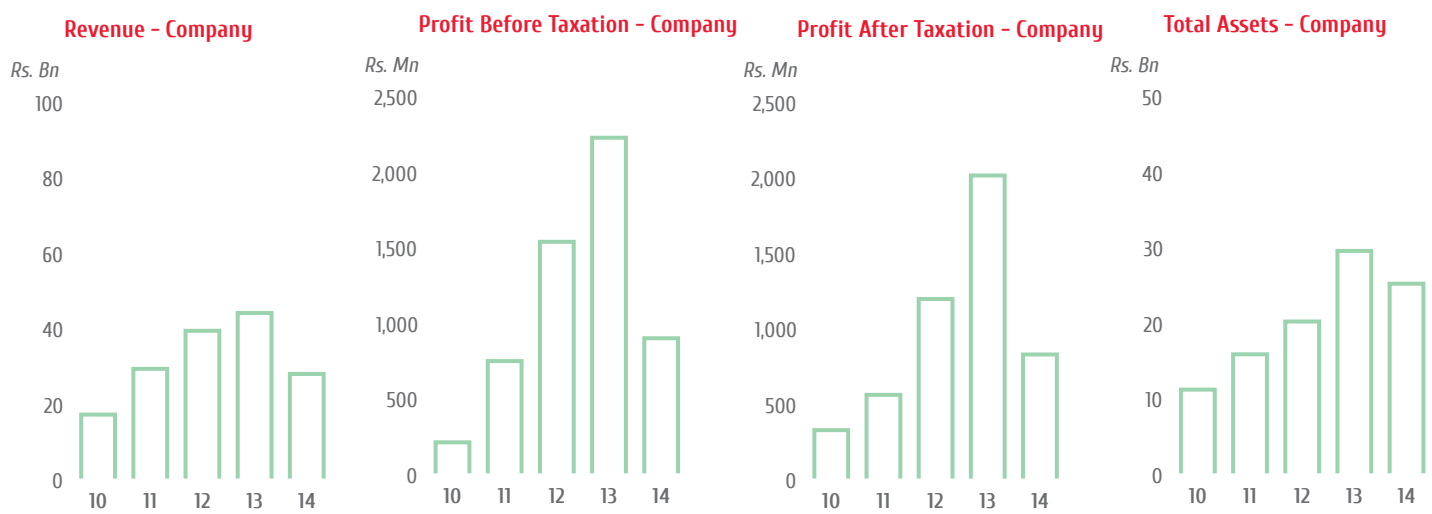
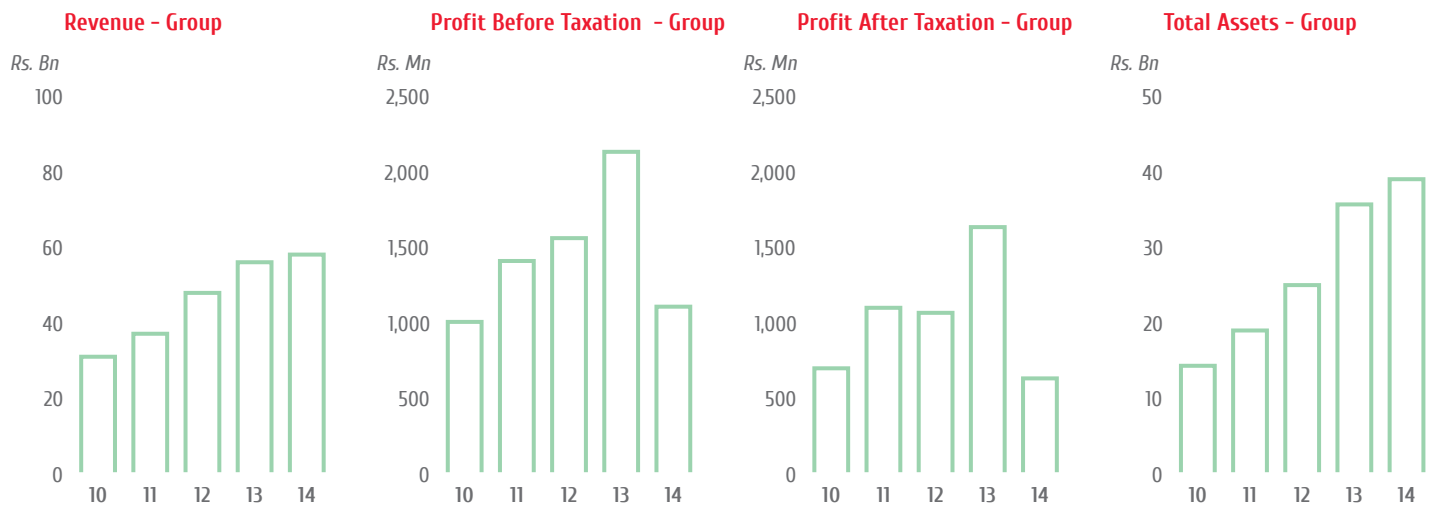






# FINANCIAL HIGHLIGHTS

	2014 Rs. 000	Group 2013 Rs. 000	Change %	2014 Rs. 000	Company 2013 Rs. 000	Change %
<b>Operations</b>						
Revenue	58,322,854	55,378,917	5.32	28,146,131	44,258,443	(36.41)
Profit from operations	2,210,842	2,261,880	(2.26)	1,578,708	2,154,735	(26.73)
Profit before taxation	1,130,210	2,142,834	(47.26)	904,555	2,243,207	(59.68)
Profit after taxation	649,560	1,629,756	(60.14)	823,004	2,021,560	(59.29)
<b>Financial position</b>						
Non current assets	28,581,903	25,980,682	10.01	12,502,082	18,641,021	(32.93)
Current assets	10,762,975	9,590,178	12.23	12,684,465	10,959,212	15.74
Current liabilities	24,093,935	20,460,399	17.76	13,602,066	17,953,181	(24.24)
Non current liabilities	2,941,381	3,071,252	(4.23)	2,060,944	2,440,851	(15.56)
Capital and reserves	12,309,562	12,039,209	(2.25)	9,523,537	9,206,201	3.45
<b>Per share data (Rs.)</b>						
Earnings per share	2.87	7.20	(60.16)	3.67	9.02	(59.27)
Dividends per share	2.00	2.00	0.00	2.00	2.00	0.00
Net assets per share	54.75	53.27	2.78	42.52	41.10	3.44
Market value per share	136.50	151.80	(10.08)	136.50	151.80	(10.08)
<b>Cash Flow</b>						
Net cash generated from/ (used in)						
- Operating activities	987,418	821,294		(86,798)	(2,150,316)	
- Investing activities	(3,471,786)	(6,517,438)		(713,203)	(3,407,477)	
- Financing activities	4,652,740	5,915,776		2,569,988	5,776,435	



# 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, 'Cargills Food City Express' convenience stores and Cargills 'Big City' hypermarkets. Cargills Food City has been consistently rated the 6th most valuable brand in Sri Lanka as per the Brand Finance Index ratings of 2014.



## 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.



## Agrifoods



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



## Confectionery

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



## Processed Meats

The Cargills processed meats range which 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.







## Ice Cream

Magic is the number one dairy ice cream in Sri Lanka. Cargills Quality Dairies which produces Magic and Heavenly ice cream, 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.



## 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.



Cargills secured 'TGI Fridays'

franchise for Sri Lanka in 2012 and opened its flagship Restaurant in October 2013. TGI Fridays is a globally followed entertainment cum dining trend that has stormed the leisure circuit of 60 countries worldwide.

Located at one of the oldest buildings in Fort, the 191 seat Restaurant stylishly refurbished by Cargills, brims with old-world architectural charm with a very contemporary finish adding much energy and colour to the already transformed adjacent Dutch Hospital Precinct.



## Marketing and Distribution

The Company's marketing and distribution arm Millers, is one of the largest distribution and logistics 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.



# CHAIRMAN'S REVIEW

## 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 2014.

The macroeconomic environment in the year 2013/14 presented a blend of opportunities and challenges for each business sector. The overall economy moved forward favorably with a decline in interest rates, a well-managed inflation rate and the currency remaining aligned with the market forces. The low interest rates seen in the latter part of year provided much needed reprieve for the Group with finance cost remaining consistent despite the higher levels of gearing.

The rapid infrastructure development within and beyond the Western province is shifting growth to well beyond Colombo and this is evident in the gradual change in consumption patterns and lifestyles beyond the metros. The expansion of the core Retail sector and as well as capacity and product portfolio enhancement in the FMCG sector is aligned to this growth opportunity. In the year concluded Cargills investments reached Rs 3.5 Bn generating 743 new employment opportunities.

However the price escalations in most inputs, particularly in fuel and electricity have placed pressure on the margins on all businesses. The 25% restriction on VAT exempted supplies imposed in the Budget of 2014 presented a substantial challenge to the core Retail sector. Further, the slowdown in the Agriculture sector combined with Construction sector growth not resulting in short term consumer benefits has adversely impacted consumption across sectors.

We continue to maintain a positive outlook in view of the long-term scope of its value creation strategy underpinned by an assertive and purposeful restructuring exercise rolled out during the year.

### Group Restructure and Operational Consolidation

During the period under review the Group embarked on a restructuring process with a view to establish business specific companies and strengthen the efforts of the management to optimize resources and expertise as well as create opportunities for value creation including attracting direct capital to the Group.

In the year ended, your Company received Shareholder approval for its proposed restructuring exercise as a Major Transaction under the Companies Act No 7 of 2007. The Retail operations that were partly under the Company are now carried out by a wholly owned subsidiary Cargills Foods Company (Pvt) Ltd with effect from 1st October 2013.

As part of its overall restructuring and consolidation agenda, market conditions and the future prospects in the Soft Alcohol industry were subject to a comprehensive review. The growing cost of competing in a distribution driven industry, which is highly regulated and controlled and the resulting

Rs.  
**58,323** Mn  
(2013 – Rs. 55,379 Mn)  
Group Revenue

Rs.  
**2,211** Mn  
(2013 – Rs. 2,262 Mn)  
Group Operating Profit

Rs.  
**1,130** Mn  
(2013 – Rs. 2,143 Mn)  
Group Profit before Tax

Rs.  
**650** Mn  
(2013 – Rs. 1,630 Mn)  
Group Profit After Tax

impact on near term goals and long term return on investment, warranted a decision to exit the business as disclosed post 2013/14.

Meanwhile the Group continues to consolidate the operations of the dairy sector with majority of the production lines now shifted to our state-of-the-art manufacturing facilities in Banduragoda, Gampaha. Consequently some of the Kotmale branded products are now manufactured in Gampaha with a Royalty fee being paid to Kotmale Holdings for use of the brand. We would continue to focus on further capitalizing on the synergies of the Group which would unlock the real potential of this sub-sector which is envisaged to be a key growth driver in the medium term.

The above process of restructuring and consolidation would result in the development of focused management and teams for each sector of operation, increased efficiency in the deployment of capital, reduction of Group debt and a resulting strengthening of the balance sheet.

## Retail

The Modern Retail trade has become an increasingly important sector in the economy making a substantial contribution to State Revenue while partnering macroeconomic growth. The sector's role in enhancing the agriculture value chain, building and enhancing efficiencies of dry, chilled and frozen supply chains as well as strengthening food safety and quality standards is notable. Post-harvest practices adopted by Cargills has reduced food waste within its agriculture supply chain to 3-4% compared to national post-harvest waste that is as high as 30%. It is heartening to see other players in the industry taking the same route with ultimately the consumer and the local producer benefiting from these efficiencies. The sector provides professional training and employment to young men and women largely from regional Sri Lanka creating opportunities for career advancement and even lucrative employment overseas. As an Industry that makes a significant contribution to the national economy we look forward to a policy environment that would enable the sector to

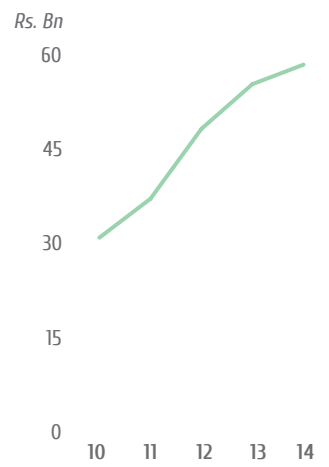
grow and expand in order to further support the revenue goals of the State.

In the year ended the Supermarket business was particularly challenged by the restriction on VAT exempted supplies. At the time of imposition more than 40% of the business constituted of VAT exempted items such as rice, sugar, milk powder as well as fruit and vegetables which are also not price-marked. The additional VAT impact attributed to the 25% cap on VAT exempted turnover was Rs. 122.5 Mn from January to March 2014. However the Company remained aligned to its price leadership positioning and did not pass this cost to the consumer. This resulted in the profitability of the sector being negatively impacted in the last quarter of the financial year. We are of the view that the cap on VAT exempted turnover only applicable to the retail trade should be reviewed with a more macroeconomic perspective taking into account the need to create and expand formalized and sustainable markets for VAT exempted local products.

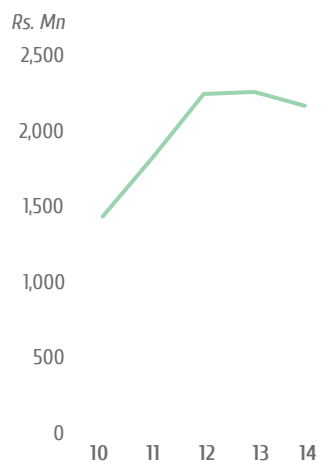
Cargills Food City has made concerted efforts to realign its operational strategies with the fiscal environment, which is expected to result in transaction growth and increased savings for customers in the new financial year. The sector is currently driving advancements in logistics and store operations in a continuous bid to reduce costs and improve productivity while optimizing transportation routes and distribution center efficiencies are key to

**The Brand Cargills Food City built on price leadership, sustainable markets for farmers and better quality of life for our employees and consumers would continue to fine-tune its successful business model in a process of long term value creation.**

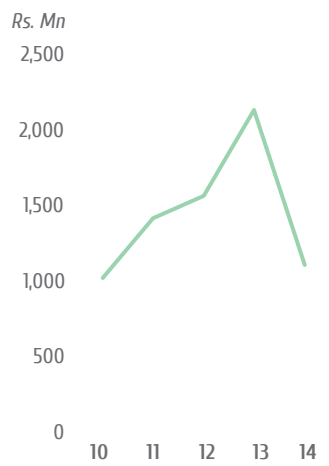
## Group Revenue



## Group Operating Profit



## Group Profit Before Tax



# CHAIRMAN'S REVIEW CONTD.

achieving further productivity in our supply chain. While expansion to capture the tremendous growth potential in the sector will continue, Cargills is cognizant of risks associated with overtrading, and regularly monitors its expansion strategy. The Brand Cargills Food City built on price leadership, sustainable markets for farmers and better quality of life for our employees and consumers would continue to fine-tune its successful business model in a process of long term value creation.

## FMCG

The opportunities in the FMCG sector are substantial and in the year ahead the Group is focused on increasing its numeric and geographic distribution. Your Company having made substantial investments in adding capacity to its manufacturing lines is now focused on building a strong supply chain for consistent local sourcing of all key raw materials.

Our dairy sector is presently enjoying the dividends of the consumer shift from imported powdered milk to local fresh milk which is encouraging for the entire dairy industry. However the trend also presents a substantial constraint in supply. This challenge requires a long term action plan and a collaborative effort from the private and public sector to increase animal productivity, build farmer capacities, enhance feed and feed quality

**The opportunities in the FMCG sector are substantial and in the year ahead the Group is focused on increasing its numeric and geographic distribution.**

while developing the infrastructure to meet the increasing demand. In the year ahead we foresee further investments in strengthening the raw material supply and storage capacities of the dairy sub-sector towards building a more sustainable supply chain.

Our flagship milk brand 'Kotmale' continues to enjoy the trust and loyalty of millions of consumers. The newly introduced 'Yoguard', the popular pasteurized and UHT milk and flavored categories and the range of locally manufactured cheese continue to reiterate the taste and quality associated with this mass-appeal brand. In the year ended Magic, Sri Lanka's leading dairy ice cream brand also strengthened its portfolio on the platform of innovation with the introduction of several unique products.

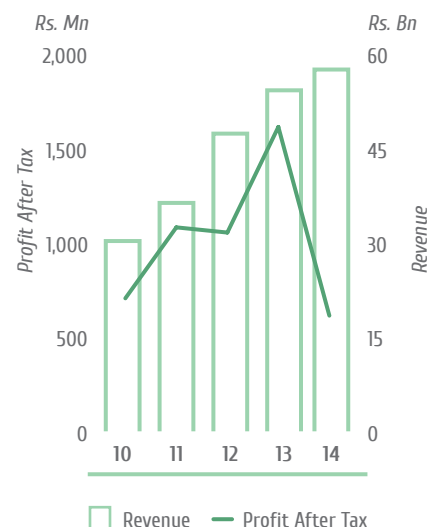
Increased competition at the lower end of the processed meats market has resulted in tighter margins despite the steady growth enjoyed by our key brands 'Goldi' 'Sams' and 'Finest'. While bulk trading is proliferating at the cost of quality and hygiene our brands continue to hold strong positions both in the grocery and modern trade while the demand from key export markets remains steady. Our range of Kist nectars, cordials, jams and sauces reported a solid performance with Kist nectar in particular enhancing its leadership in the category. During the year the smaller SKU was launched for jam with the introduction of 'Jam Batta' while Kist Sauces remains the superior product in the market. The 'Kist' biscuits range has now overcome all operational challenges and is consistently delivering a high quality product that is on par with competition in terms of taste.

The soft alcohol and confectionaries businesses continued to negatively impact the profitability of the FMCG Sector. However this impact would be substantially reduced in the forthcoming year following the disposal of the Soft Alcohol business.

**Profit After Tax**



**Group Revenue Vs Profit after Tax**





## Restaurants

The Restaurants sector is on an upward trajectory continuing to benefit from the growth in the tourist arrivals. However the KFC performance experienced a downturn during the year owing to lower than expected volumes and tighter margins as competition has mushroomed over the past few quarters. While continuing to offer value-for-money meals KFC is now driving it's unique-selling-point of 'freshly prepared' signature KFC chicken which is unparalleled in the market.

TGI Friday's opened its flagship Restaurant for business during the second half of the concluded financial year. The American Franchise is well accepted in the market and is highly patronized by both local and foreign clientele for its authentic 'Friday-Feel' and delectable range of food and beverages coupled with a superior service and ambience.

**We remain confident that strategic steps taken to consolidate and restructure business sectors towards streamlining management focus and efficiency as well as reducing gearing and attracting investment would yield the desired results in the forthcoming Year.**

## Property Development and Banking

In the period concluded the landmark mall project in Jaffna was opened for operations as 'Cargills Square.' The mall sets the tone for the Group's interests in the property development sector and we envisage the synergies with our parent CT Holdings PLC being exploited towards unlocking the value of several strategically located properties.

The strategic investment into Banking and Finance made sound progress. In April 2014 the Head Office branch of Cargills Bank was opened for business while a second branch was declared open subsequently in July 2014 on Old Moors Street.

## Summary of Performance

The Cargills Group recorded Net Revenue of Rs 58.3 Bn for the period at a 5.3% growth. Operating profit for the period is marginally down to reach Rs 2.2 Bn while Net Profit sees a (60.1)% decline at Rs. 649.5 Mn largely due to the change in fair value of investment property, which was substantial in the previous year. Group results have also been impacted by increases in operating costs, taxation and finance costs.

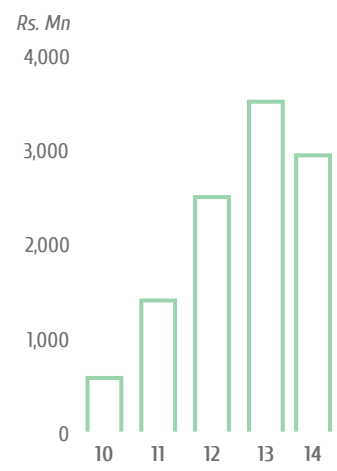
## Sustainability

Our approach to sustainability is driven by our employees who continue to add value to communities we serve and each day seek out new ways to contribute to social advancement through business. We are deeply committed to compliance and social, environmental and local responsibility. Our training and leadership development programs reinforce the mission of upholding the highest standards in all businesses. Cargills has a unique culture grounded on three basic principles of helping to reduce the cost of living, enhancing youth skills and bridging regional disparity through Food with Love. We will continue to nourish and strengthen these foundational beliefs.

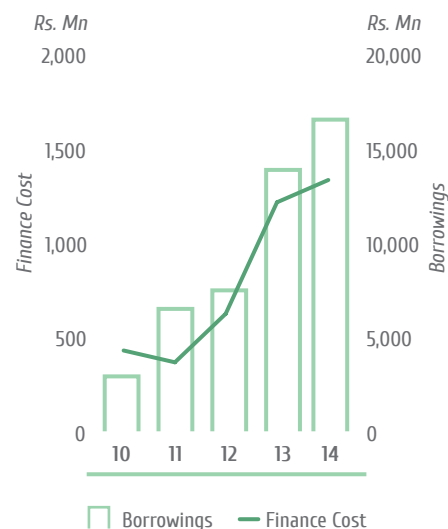
## Outlook

While the Group's performance is below expectation owing to a challenging external environment as well as the continued under performance of newer businesses, we remain confident that strategic steps taken to consolidate and restructure business sectors towards streamlining management focus and efficiency as well as reducing gearing and attracting investment would yield the desired results in the forthcoming Year. In the year ahead we will continue to fine-tune our winning Retail model in line with the demands of the macro-environment while enhancing

### Fixed Assets Additions



### Group Borrowings Vs. Finance Cost



# CHAIRMAN'S REVIEW CONTD.

our Restaurant sector to meet consumer expectations. We would also strive to capture the full potential of our FMCG portfolio through a greater focus on distribution and market penetration. Cargills looks to the future confident that we have all the

**We are deeply committed to compliance and social, environmental and local responsibility. Operating with integrity is a cornerstone for building trust.**

ingredients necessary to create sustainable value for all stakeholders.

## Appropriation

A dividend of 70 cents per share was paid on January 6, 2014 as interim dividend and a dividend of Rs. 1.30 per share will be proposed at the forthcoming annual general meeting. 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 commend our employees who have grown to 8,325 across 287 locations islandwide. Each employee brings to the team a fresh range of skills and competencies. The final result has been a larger and more vibrant team of professionals and their ability is reflected in our continued resilience in challenging business environments. I extend my sincere thanks to the Board of Directors whose leadership 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.

*(Signed.)*  
**Louis Page**  
Chairman

6 August 2014



Introducing the  
delicious new taste of  
**Magic Rainbow**  
Ice Cream  
**500ml - Rs. 150/-**





# 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 27 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

**Director**

Mr. Sidath V. Kodikara is the Chief Executive Officer of Cargills Foods Company (Private) Limited, the retail arm of the Group. He is a Fellow of the Institute of Hospitality, United Kingdom. He counts over 29 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. He is presently the Deputy Managing Director / Chief Financial Officer of Cargills Bank Ltd.

## Jayantha Dhanapala

**\*Director**

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



## Priya Edirisinghe

\*Director

Mr. A. T. Priya Edirisinghe is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow Member of the Chartered Institute of Management Accountants (UK), and holds a Diploma in Commercial Arbitration. He was the Senior Partner of HLB Edirisinghe & Co., Chartered Accountants and currently serves as Consultant/Advisor. He is the Managing Director of PE Management Consultants (Pvt) Ltd. He counts over 44 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.

## Anthony A Page

\*\*Director

Mr. Anthony A. Page is the Chairman Emeritus of C T Holdings Group of Companies and counts 45 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.

## Sanjeev Gardiner

\*\*Director

Mr. Sanjeev Gardiner who has been a Director of Cargills (Ceylon) PLC since 1994 is the Chairman and Chief Executive Officer of the Gardiner Group of Companies including the Galle Face Hotel Co Limited, Galle Face Hotel 1994 (Pvt) Ltd, Ceylon Hotels Holdings (Pvt) Ltd (holding Co of 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 The Surf (Bentota), The Safari (Tissa) and The Lake – (Polonnaruwa) and Co-Chairman of Suisse Hotels Kandy (Pvt) Ltd who owns OZO Hotel in Kandy. He is also a Director of several public and private companies and counts over 25 years of management experience in a diverse array of business. 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 Sri Lanka for several years.

## 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.

## 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 around 50 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.

## 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



♥ **GIVE YOUR  
MUM A TREAT** ♥

**AT**



IN HERE, IT'S ALWAYS FRIDAY®

## The TGI Fridays Mother's Day Lunch/Dinner

Enjoy the special Mother's Day Menu for four, including mum who dines for free, at just **Rs. 5000++**. Choose between two starters and six main courses with drinks and dessert. Visit TGI Fridays, for lunch or dinner, from the **9<sup>th</sup> to the 11<sup>th</sup> of May**, to give your mum this special treat.

Terms and conditions apply.

Adjoining Dutch Hospital opposite the World Trade Center, Colombo, Fort.

For reservations call 011 233 7501

**TGI Fridays** brought to you by Cargills (Ceylon) PLC.



***Give your mum  
a break this  
Mother's Day  
with KFC***



Head over to your nearest KFC or order-in with KFC Delivery from the 10th to the 11th of May 2014, purchase a family bucket of 8 or 12 pieces of crispy chicken and get a 1.5 litre bottle of Pepsi **FREE**.

But that's not all; your mum will also get a special Mother's Day Mug along with your meal absolutely **FREE**.



**011 5532 532**

**KFC** brought to you by Cargills (Ceylon) PLC.

# MANAGEMENT DISCUSSION AND ANALYSIS

**T** **Retail**  
The Value Added Tax stamped on the Retail Industry was further revised in the 2014 Budget proposals to include companies with turnover in excess of Rs 250 Mn per quarter from the previous threshold of Rs 500 Mn imposed for 2013. However the 25% restriction on VAT exempted supplies imposed with effect from 1st January 2014 presented further challenges to the Industry.

Meanwhile the Nielsen Company in its Annual Review 2013 Sri Lanka reported the slowdown in the Agriculture sector combined with Construction sector growth not resulting in short term consumer benefits, adversely impacted consumer spending despite high GDP growth numbers. Further, the fuel price increases seen in the latter part of the previous financial year led to a corresponding increase in electricity and transport costs in the first half of the year under review leading to a nonfood inflation spurt in 2013/14.

This macro situation sees the Industry grappling with a pricing dilemma in non-price marked categories to remain relevant and acceptable to consumers irrespective of income levels.

## **Operation Costs and VAT charged on VAT exempted items impacting profitability**

The increase in electricity tariffs during the month of April 2013 resulted in an increase in operating costs in this sector where electricity consumption is substantial. This added pressure on margins was mitigated through increased internal efficiencies and inventory controls to minimise impact to consumers.

The Supermarket business was particularly challenged by the 25% restriction on VAT exempted supplies, imposed with effect from 1st January 2014 in the Fiscal budget. At the time of imposition more than 40% of the business constituted of VAT exempted items which are also not price-marked. However the Company remained aligned to its price leadership positioning and did not pass this cost to the consumer. This resulted in the profitability of the sector being negatively impacted in the last quarter of the financial year. Cargills Food City has made concerted efforts to realign its operational strategies with the fiscal environment, which is expected to result in transaction growth and increased savings for customers in the new financial year.

## **A fine mix of price Leadership, local relevance and value for money**

During the year the sector continued its 'Price Down' positioning which directly responds to consumer expectation and demand. Customers choose Cargills Food City for our broad assortment, locally relevant merchandise and

the value-for-money advantage particularly in the fresh produce categories. This remains our winning formula and results in continued market share gains in key categories and in the industry.

With a view to create an increasingly customer-centric experience, Cargills Food City launched its loyalty programme 'Cargills Member' in partnership with 'Star Points' to offer customers a one-of-a-kind lifestyle 'loyalty' experience. With 208,000 members now on board already the 'Cargills Member' loyalty card has been developed to create a holistic lifestyle experience for the individual shopper. The programme offers the opportunity to save more and access better discounts and bargains but also strives to create that opportunity based on the needs and aspirations of individuals and families.

## **Small store format increasing penetration**

The 'Cargills Food City Express' concept is gaining in popularity with 26 of the 38 new locations being the small-store format which has a focused locally relevant offering whilst maintaining the highest standards of food safety and hygiene. While expansion to capture the tremendous growth potential in the sector will continue, Cargills is cognizant of the potential for overtrading, and regularly monitors its expansion strategy.

## **Process engineering and efficiency a key focus**

The sector is driving advancements in logistics and store operations in a continuous bid to reduce costs and improve productivity while optimized transportation routes and distribution center efficiencies are driving supply chain productivity. We remain focused



on driving the productivity loop to leverage operating expenses by focusing on sales. We also foster an environment that leverages best practices across the enterprise to drive process improvements. Operational excellence requires capital discipline and efficiency and our project management team has made sound progress in lowering the cost of new stores and remodels.

### Agribusiness

Our enduring relationship with the farmer communities across Sri Lanka remains an engagement that forms the heart and soul of this sector differentiating commerce from sustainable business. Through the Group's Retail business alone Cargills now partners over 10,000 farmers through 10 collection and processing centres islandwide.

During the year under review our fruit and vegetable value chain was further strengthened with the addition of the collection centre in Kilinochchi, Jaffna which forms part of the Northern Horticultural Alliance Project launched in Northern Sri Lanka in partnership with USAID. The centre has mobilized 1,000 farmers contributing 3.5 MT to our daily average fruit and vegetable tonnage of 90 MT sourced from over 10,000 smallholder farmers across the island. Further, temporary collection centres were established in Naula, Bakamuna and Welimada to specifically support onion, potato and vegetable farmers during the seasonal glut.

Cargills also established a new Fish Processing Centre in Negombo while two fish collection centres operate in Kalpitiya and Point Pedro on a seasonal basis with the total supply-chain now accounting for approximately 3.6 MT per day and directly benefiting around 200 fishermen.

The Cargills Farmer Community Development funds continue to create sustainable value for local communities. The funds collect 50 cents paid by the Company against each kilogram of produce purchased from the community and is annually disbursed for educational scholarships and community development activities as determined by the community. In the year concluded Rs. 4.1 Mn worth of benefits were distributed to the farmer

communities in Thanamalwila, Boralanda and Ruwalwala. A similar fund was established for the Kilinochchi collection centre while the fund in Allawedi, Jaffna is nearing maturity and disbursement of benefits would take place in the new financial year.

In the year concluded Cargills provided HNB Farmer Insurance schemes for 300 farmers free of charge while 137 policies issued previously were renewed. The scheme entitles farmers to death, accidental death, disability and permanent disability covers as well as hospitalization benefits.

### Performance

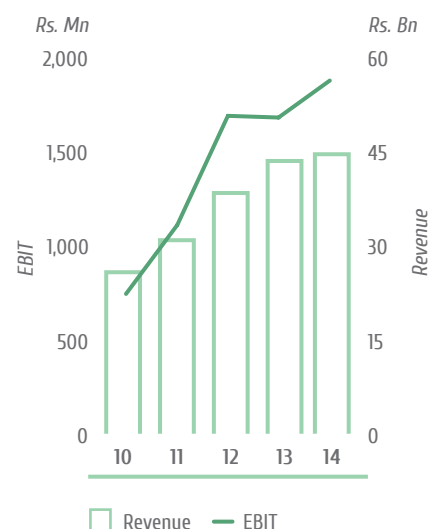
Steps taken to adapt to the changed policy environment has resulted in a growth of 2.5% in Net Turnover to Rs. 45.3 Bn for the period while Operating Profit is also up by 12.16% at 1.9 Bn.

RETAIL			
Rs. Mn	2013/2014	2012/2013	Growth %
Revenue	45,288	44,220	2.42
EBIT	1,927	1,689	14.11
Interest	1,102	1,099	0.22
PBT	1,078	1,699	(36.54)
PAT	808	1,477	(45.28)
CAPEX	1,879	2,848	(34.00)

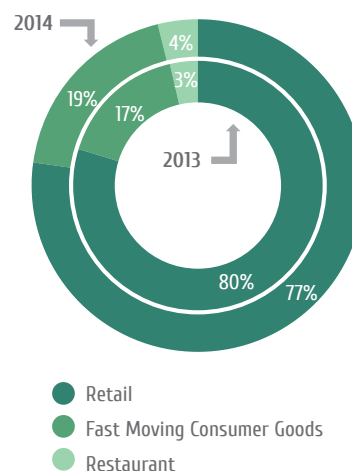
### Retail Restructure

With a view to streamline the focus of the Group, and empower operational teams to direct their energies towards a building their businesses, the Board of CCPLC resolved to restructure the Group to better segment the operations, with separate management teams where necessary. Having received shareholder approval at an Extraordinary General Meeting convened on September 20, 2013 the restructuring exercise has been completed wherein the retail operations of CCPLC was transferred into its fully-owned subsidiary, Cargills Foods Company (Private) Limited (CFC), thereby making CCPLC purely an investment holding company, with all operations carried out by its subsidiary companies.

### Retail Segment EBIT & REVENUE



### Group Revenue Mix



**Cargills Food City has made concerted efforts to realign its operational strategies with the fiscal environment, which is expected to result in transaction growth and increased savings for customers in the new financial year.**

# MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

## FMCG

2013/14 proved to be a challenging year for the overall FMCG Industry with volume growths seeing continuous negative trend as per the Nielsen Company data. The Food and Beverage sector sees a monthly average turnover value growth of 1%, below the 4% recorded in 2012 while it is also reported that there is a clear shift towards large or small pack sizes as consumers pursue value-for-money. The low consumer spending attributed to the slowdown in the Agriculture sector combined with Construction sector growth not resulting in short term consumer benefits is also demonstrated in the sector. The personal care and lifestyle category is reportedly the only exception as per Nielsen Company data but is likely showing higher growth over a relatively smaller base.

## 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. The diversification of the cheese segment has been implemented with the introduction of new production lines.

**The Company is presently the second largest private - sector milk collector in the country with the average daily collection standing at approximately 82,000 litres.**

Accordingly the dairy capacity expansion project which commenced in 2011/12 has now been completed at a total capital expenditure of Rs. 1.3 Bn.

Our dairy sector is presently enjoying the dividends of the consumer shift from imported powdered milk to local fresh milk which is encouraging for the entire dairy sector. However the trend also presents a substantial constraint in supply. The sub-sector continues to be short of supply particularly in the UHT milk category. This challenge requires a long term action plan and a collaborative effort from the private and public sector to increase animal productivity, build farmer capacities, enhance feed and feed quality while developing the infrastructure to meet the increasing demand. Cargills having made substantial investments in adding capacity to its dairy sector is now focused on building the supply side towards sustainable growth.

The Company is presently the second largest private-sector milk collector in the country with the average daily collection standing at approximately 82,000 litres. Our network comprises over 15,000 farmers from the Central region of Sri Lanka who directly supply to the Company through 330 collection centres connected to 15 chilling centres spread across the Gampaha district, the Coconut triangle and the Central Province. In the year concluded our total payments to small holder farmers totalled Rs. 1,473 Mn. In the year concluded the Group added a new Northern sector dairy hub in Chavakachcheri in partnership with GlZ and Tetrapack and collection from the region is now averaging 1,400 litres per day.

The Kotmale Yoghurt and the newly introduced 'Yoguard' are enjoying tremendous success. The distinct quality and flavour associated with 'Kotmale' brands has resonated across the dairy category to establish itself as the Sri Lankan dairy brand with the widest consumer appeal. The popular pasteurized and UHT milk categories continue to report strong growth while the Kotmale cheese wedges product is of superior quality and further strengthens the brand's position in the cheese category. Meanwhile Magic Sri Lanka's leading dairy ice cream brand expanded its product portfolio during the year introducing the now popular 'Rainbow', 'Magic Sundae' and the cup variant of 'Faluda Magic' a firm favourite in the category.

In the year ahead the Group foresees further investments in strengthening the raw material supply and storage capacities of the sub-sector towards building a more sustainable supply chain while further capitalizing on the synergies of the sector through continued consolidation as part of the Corporate restructuring agenda.

## Meats

Our meats products enjoyed a steady growth despite tighter margins due to increased competition at the lower end of the market where bulk trading is proliferating at the cost of quality and hygiene. However 'Goldi' and 'Sams' continue to hold strong positions both the in grocery and modern trade with the increased awareness on food safety and quality which are key attributes of our Brands. An outbreak of foot and mouth disease in key supply areas led to a shortage of beef and pork during the year which proved a

In the year ahead the Group foresees further investments in strengthening the raw material supply and storage capacities of the sub-sector towards building a more sustainable supply chain while further capitalizing on the synergies of the sector through continued consolidation as part of the Corporate restructuring agenda.

major constraint while regulatory changes in our main export market India also led to a decline in an otherwise dynamic sub-sector. The demand from resorts in Maldives is also growing while the Seychelles market was penetrated in the year. Exports under own brand 'Goldi Finest' has also commenced.

#### Agrifoods

Our range of Kist nectars, cordials, jams and sauces reported a solid performance with Kist nectar in particular enhancing its leadership in the category. During the year the smaller SKU was launched for jam with the introduction of 'Jam batta' which is gaining ground in the grocery trade in line with the demand for smaller pack sizes. Kist Sauces remains the superior product in the market and is now modifying its packaging in line with the demands of the institutional markets where the range is much sort after. Kist Knuckles water is also enjoying steady growth for its exclusive quality attributed to its water source located in the pristine Knuckles mountain range.

In the year concluded Kist established a primary processing facility in Kilinochchi as part of the Northern Horticulture Alliance Project and 70 persons, majority war-affected

widows as well as physically challenged persons were given employment opportunities at the facility. The plant carries out the primary processing of fruit and vegetables required for the production of Kist brands.

Further the Kist manufacturing facility in Dehiattakandiya, Ampara which has the capacity to produce healthy snacks using local legumes was commissioned during the year. A major goal of the Project is to raise productivity, profitability and stability of minor highland crops such as finger millet (korraikan), green gram, maize, soybean, groundnut etc. Partnered by the CORE project under USAID the venture provides input support, knowledge and know-how to over 500 farmers while establishing strong buyback arrangements. Product development and testing is now underway at the facility.

#### Confectionaries

The 'Kist' biscuits range has now overcome all operational challenges and is consistently delivering a high quality product that is on par with competition in terms of taste. 'Kist' Chocolate cream and wafers in particular have been well received by the market while the 'Teasty', 'Shorties' and the savoury product 'Bytes' has increased penetration and remains most sort after for their convenient size and great taste. Volume growth continues to be a challenge for this brand in a category dominated by large scale competitors and driven by heavy marketing and promotions spend.

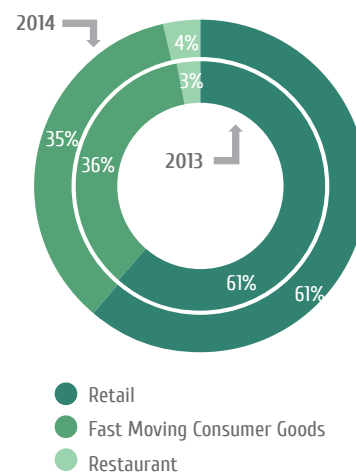
#### Soft Alcohol

In the year concluded the Soft Alcohol operation, market conditions and future prospects in the industry were subject to a comprehensive review as part of the overall corporate agenda of restructure and consolidation. Accordingly post 2013/14, Cargills entered into a Sale and Purchase Agreement with Lion Brewery (Ceylon) PLC and Pearl Springs (Private) Limited, a wholly owned subsidiary of LION to dispose of the shareholding, including Trademarks of Millers Brewery Limited for a consideration of Rs 5.15 Bn subject to due diligence and settlement of all liabilities.

#### FMCG Segment EBIT & REVENUE



#### Group Total Assets



'Goldi' and 'Sams' continue to hold strong positions both the in grocery and modern trade with the increased awareness on food safety and quality which are key attributes of our Brands.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTD.

## Performance

The FMCG sector reported a satisfactory performance. However the dairy sector was unable to meet full consumer demand stemming from the increased shift from imported powdered milk to local fresh milk and milk products. The drought that prevailed during the year further strained supply and as a result the dairy sub-sector performed below its full potential. The FMCG sector also continued to grapple with the below-par performance of the confectionaries and the soft alcohol businesses. However the adverse impact on profitability stemming from the soft alcohol sub-sector is set to be substantially eased in the new financial year.

FMCG			
Rs. Mn	2013/2014	2012/2013	Growth %
Revenue	10,878	9,204	18.19
EBIT	242	383	(36.88)
Interest	247	126	96.75
PBT	13	258	(94.76)
PAT	(182)	14	(1,422.57)
CAPEX	1,019	1,600	(36.33)

## Restaurants

The Restaurants sector is on an upward trajectory with the Central Bank reporting a 22.3% growth in the Hotels and Restaurants sector of the economy in 2013. Meanwhile a 29.5% growth is evident in private consumption expenditure in the Hotels, Cafes and Restaurants segment in 2013. The sector continues to benefit from the continued growth in the tourist arrivals that stood at 1.27 million in the 2013 calendar year. The number

of branded franchises, stand-alone casual and fine dining restaurants in the Colombo city has increased steadily over the year presenting stiff competition to all players.

## KFC

During the year the KFC chain added 4 new restaurants to its fold taking the total count to 27. New Restaurants in Jaffna, Kurunegala and Kottawa are performing up to expectation attracting an increasing semi-urban client base while the outlet at the Race Course Grand Stand with its unique character and ambience has strong urban appeal.

KFC performance experienced a downturn during the year owing to lower than expected volumes and tighter margins as competition has mushroomed over the past few quarters. Increased promotions are shifting demand to 'take-out' and the KFC operation is focused on turning-around its 'delivery' business while increasing 'dine-in' footfall is also a key priority for the sector. While continuing to offer value-for-money meals KFC is now driving its unique-selling-point of 'freshly prepared' signature KFC chicken which is unparalleled in the market.

**KFC performance experienced a downturn during the year owing to lower than expected volumes and tighter margins as competition has mushroomed over the past few quarters.**

## TGI Fridays

TGI Friday's opened its flagship Restaurant for business during the second half of the concluded financial year. Located at one of the oldest buildings in Fort dating back to 1896 the TGI Fridays Restaurant is adjacent to the historic Dutch Hospital at No 23, Canal Row, Colombo - Fort. The 191 seat Restaurant stylishly refurbished by Cargills brims with old-world architectural charm with a very contemporary finish adding much energy and colour to the already transformed Dutch Hospital Precinct.

The American franchise experienced some teething challenges in its operation and supply chain which have been duly addressed and rectified. The offering was also aligned to cater to the local expectation while remaining true to its signature taste and core dishes. The overall product is now well accepted in the market and is highly patronized by both local and foreign clientele for its authentic 'Friday-Feel' and delectable range of food and beverages coupled with a superior service and ambience.

## Performance

RESTAURANT			
Rs. Mn	2013/2014	2012/2013	Growth %
Revenue	2,157	1,955	10.32
EBIT	42	190	(77.94)
Interest	3	4	(8.49)
PBT	39	186	(79.26)
PAT	23	139	(83.07)
CAPEX	437	385	13.42

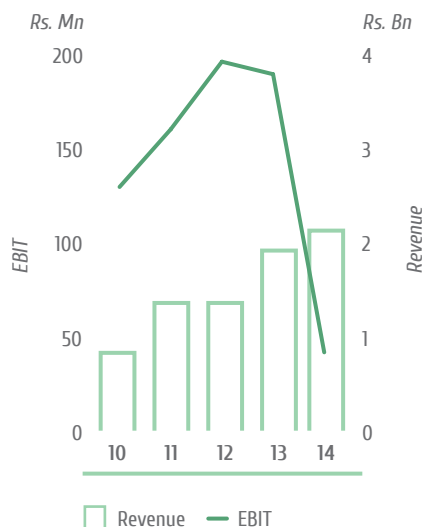


## Cargills Square

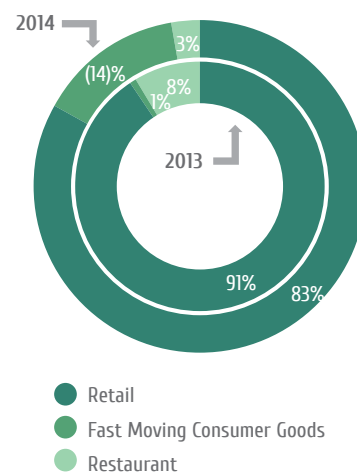
In the period concluded the landmark mall project in Jaffna was opened for operations as 'Cargills Square.' The 74,000 sqft mini-mall comprising a cineplex with 3 screens including a 3 D cinema, food court, a Cargills Food City Supermarket, KFC and a range of shops is set to transform the evolving landscape of the region. The mall sets the tone for the Group's interests in the property development sector which stems from a formidable collection of strategically located real estate in key cities. Plans are in motion to use the retail, mall management and property development synergies within the Group and the parent company to unlock this value.

The mall sets the tone for the Group's interests in the property development sector which stems from a formidable collection of strategically located real estate in key cities.

### Restaurant Segment EBIT & REVENUE



### Group Profit After Tax









# CORPORATE GOVERNANCE

**T** 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
<b>7.10.1 Non-Executive Directors</b>		
(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)	There were no changes during the year
<b>7.10.2 Independent Directors</b>		
(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 are determined to be independent
(b) The board shall require each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	Complied 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.
<b>7.10.3 Disclosures Relating to Directors</b>		
(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.



Corporate Governance Rule	Compliance Status	Details
(b) In the event a director does not qualify as 'independent' against any of the criteria set out below but if the board, taking account 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 01 on page 33.
(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 pages 14 and 15.
(d) Upon appointment of a new director to its board, the Entity shall forthwith provide to the exchange a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemized in paragraphs (a), (b) and (c) above.	(N/A)	There were no changes during the year

#### 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.

# CORPORATE GOVERNANCE CONTD.

Corporate Governance Rule	Compliance Status	Details
<p><b>(c) Disclosures</b></p> <p>The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.</p> <p>The term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received in consideration of employment with the Listed Entity (excluding statutory entitlements such as Employees Provident Fund and Employees Trust Fund).</p>	Complied with	<p>Please refer inner back cover for the names of directors of the remuneration committee.</p> <p>Please refer the remuneration committee report on page 37 for a statement of the remuneration policy.</p> <p>Please refer Note 06 to the financial statements for the aggregate remuneration paid to the directors.</p>
<b>7.10.6 Audit Committee</b>		
A Listed Entity shall have an audit committee in conformity with the following:		
<p><b>(a) Composition</b></p> <p>The audit committee shall comprise of;</p> <p>(i) a minimum of two independent non-executive directors (in instances where a Entity has only two directors on its board); or</p> <p>(ii) non-executive directors a majority of whom shall be independent, whichever shall be higher.</p>	Complied with	The audit committee comprises 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 36.
The Chairman or one member of the committee should be a member of a recognized professional accounting body.	Complied with	The Chairman of the committee is a member of ICASL and CIMA (UK).

Corporate Governance Rule	Compliance Status	Details
<b>(b) Functions</b>		
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.	Complied with	Please refer audit committee report on page 36.
(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.	Complied with	
(ii) 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.	Complied with	
(iv) Assessment of the independence and performance of the Entity's external auditors.	Complied with	
(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	
<hr/>		
<b>(c) Disclosures</b>		
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 36.
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 36.

# CORPORATE GOVERNANCE CONTD.

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 pages 112 and 113.
(iv) The public holding percentage.	Complied with	Please refer Investor relations supplement on page 113.
(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 57.
(vi) Information pertaining to material foreseeable risk factors of the Entity.	Complied with	Please refer report on Risk management on page 34 and 35
(vii) Details of material issues pertaining to employees and industrial relations of the Entity.	N/A	No material issues pertaining to employees and industrial relations
(viii) Extents, locations, valuations and the number of buildings of the Entity's land holding and investment properties.	Complied with	Please refer page 111 for Group real estate portfolio
(ix) Number of shares representing the Entity's stated capital.	Complied with	Please refer page 112 for 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 112 for Investor relations supplement





# CORPORATE GOVERNANCE CONTD.

Corporate Governance Rule	Compliance Status	Details
<p>(ix) <b>a. Employee Share Option Schemes</b>  The following information shall be disclosed in the Annual Report of the Listed Entity in respect of each ESOS:</p> <ul style="list-style-type: none"> <li>• The number of options granted to each category of Employees during the financial year.</li> <li>• Total number of options vested but not exercised by each category of Employees during the financial year.</li> <li>• Total number of options exercised by each category of Employees and the total number of shares arising therefrom during the financial year.</li> <li>• Options cancelled during the financial year and the reasons for such cancellation.</li> <li>• The exercise price.</li> <li>• 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.</li> </ul> <p><b>b. Employee Share Purchase Schemes</b>  The following information shall be disclosed in the Annual Report of the Listed Entity in respect of each ESPS:</p> <ul style="list-style-type: none"> <li>• The total number of shares issued under the ESPS during the financial year.</li> <li>• The number of shares issued to each category of Employees during the financial year.</li> <li>• The price at which the shares were issued to the Employees.</li> <li>• 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.</li> </ul>	N/A	N/A
<p>(ix) 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.</p>	Complied with	Please refer pages from 26 to 29 for the disclosures in terms of Section 7.10.

Corporate Governance Rule	Compliance Status	Details
<p>(ix) 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.</p> <p>Details of investments in a Related Party and/or amounts due from a Related Party to be set out separately.</p> <p>The details shall include, as a minimum:</p> <ul style="list-style-type: none"> <li>(a) The date of transaction;</li> <li>(b) The name of the Related Party;</li> <li>(c) The relationship between the Entity and the Related Party;</li> <li>(d) The amount of the transaction and terms of the transaction;</li> <li>(e) The rationale for entering into the transaction.</li> </ul>	Complied with	Please refer Note 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.

# RISK MANAGEMENT

## Introduction

**R**isk 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 centralized 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 scrutinized 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 the 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 endeavor 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 organizations 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 favorable 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 centralized 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, group focus on building up long term relationships with suppliers and enter into contracts with them to maintain the price stability.

# AUDIT COMMITTEE REPORT

**T**he 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

A.T.P.Edirisinghe FCMA, FCA – Chairman  
Independent

Mr. Sunil Mendis – Independent

Mr. E. A. D Perera – Independent

The procedure in place is for the Group Financial Controller (GFC) attends all meetings when scheduled and for the Managing Director attends 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 the year-end and Quarterly financial statements and recommended their adoption to the Board. 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 statutes including corporate governance rules and that the presentation of such financial statements are consistent with those of the previous quarter or year as the case may be, and further states any departures from financial reporting, statutory requirements and Group policies, (if any). Quarterly Compliance Certificates are also obtained from the Finance, Legal, and Secretarial divisions of the Company on a standardized 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 reviewed covering (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 minimize the impact of such risks, (b) the internal audit plan and monitoring the performance of the internal audit department and adherence to the internal audit plan and (c) the internal audit reports and monitoring follow up action by the management. 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 2015.

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

6 August 2014

# REMUNERATION COMMITTEE REPORT

**T** 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.

**Sunil Mendis**  
*Chairman – Remuneration Committee*

6 August 2014



**Winning the day  
with our own  
country's fresh milk**



**Celebrate World Milk Day 2014  
with Kotmale**



**Our Country, Our Milk**



**Rs. 30/- upwards**

**A QUALITY Cargills PRODUCT**







# SUSTAINABILITY REPORT

## Our approach to Sustainability

### **F** Management Commitment and Approach

From our inception as a wholesale and retail business in 1844 and throughout our evolution to emerge as a strong player in Sri Lanka's Food and Beverage industry we remain grounded in a culture of trust and respect, this remains the standard by which we do business. We operate with integrity and accountability. We are committed to serving consumers in a responsible way; reducing our environmental impact; and improving the communities where we live and work. We are passionate about our goal to be a leader in nourishing people and operating responsibly across the agricultural, food, industrial and financial markets we serve.

### Nourishing people

The breadth and scope of our business gives us an unparalleled view – and with that broad perspective comes responsibility. We are committed to nourishing our growing population while protecting the environment. We continue to find new ways to help farmers produce more food more sustainably 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 talents and conviction of our employees, we can help meet the challenge of ensuring all people have access to safe, nutritious and affordable food.

### Operating responsibly

We focus on meeting today's needs without impairing the world's capacity to serve future generations. Our responsibility 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 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.

### Following our Guiding Principles

Adhering to high standards of business conduct has been important to Cargills since our founding. We are governed by a Code of Conduct, which is grounded by a strong set of values and ethics that are passed down through more than a century and a half of business and community engagement.

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, Cargill will grow profitably and grow responsibly to meet the needs of a diverse, expanding and interconnected world.

### 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 institutionalized manner.

Refer Risk Management Report – Pages 34 and 35.

### Report parameters

#### Reporting period

The content of this report falls within the period 1 April 2013 to 31 March 2014.

#### Date of previous report

31 March 2013

#### Reporting cycle

We adopt an annual reporting cycle

#### Report scope and boundary

Process for defining report content

The Audited Accounts were prepared in accordance with the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards and have been audited by 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 recognize 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 organizations
- Local community members and leaders
- The media
- Suppliers, independent producers, and other business partners
- Wholly-owned subsidiaries and joint ventures
- Multicultural organizations, academia, and industry associations

## 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 minimizing 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 minimizing 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 utilization 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.

**We are committed to nourishing our growing population while protecting the environment. We continue to find new ways to help farmers produce more food more sustainably 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 talents and conviction of our employees, we can help meet the challenge of ensuring all people have access to safe, nutritious and affordable food.**



# SUSTAINABILITY REPORT CONTD.

## Environment Impact Assessment Summary

Focus Area	Deliverables for 2013/14	Comment on progress
Energy Management	<ul style="list-style-type: none"> <li>Improved the quality of fuel in order to improve the burning efficiency</li> <li>Development of infrastructure facility to minimize the process losses</li> <li>New facilities are setting up with LED bulbs</li> <li>Conserve Electrical Energy in cold rooms by adopting standard practices and online monitoring mechanism</li> <li>Conserve Electrical energy in Machinery</li> </ul>	<ul style="list-style-type: none"> <li>Carried out workshops for the staffs focusing optimization of energy consumption</li> <li>Set key performance indicator is reviewed monthly basis</li> <li>Appropriate on the job training and displaying of posters</li> <li>High energy consuming machines are always operated in its full load.</li> </ul>
Water Management	<ul style="list-style-type: none"> <li>Recover the water and reuse for better water management</li> <li>Further improvement of discharge water quality</li> <li>Operating with prime objective of sustainable usage of water</li> </ul>	<ul style="list-style-type: none"> <li>Set key performance indicators are reviewed monthly basis</li> <li>Constantly create awareness and promote responsible behavior on set objectives</li> <li>Departmental water consuming targets were given. Communication to respective department</li> <li>Monthly basis systematic method of audits for water distribution system for manufacturing facilities to identify leakage</li> <li>High water consuming points of every facility was identified and replaced with High speed and low volume water spraying nozzles</li> <li>Efficient use of treated waste water for gardening by using water system.</li> </ul>
Waste Management	<ul style="list-style-type: none"> <li>Waste separation programme implemented</li> <li>Jointly working with Holcim for non-recyclable waste as an energy source</li> <li>Recyclable material handle with CEA approved buyers</li> <li>Measures are taken to minimize the generation of waste from incoming material</li> <li>Minimizing the waste load to incinerator</li> </ul>	<ul style="list-style-type: none"> <li>Implemented</li> <li>In progress</li> <li>Awareness and training programme ongoing for better waste management</li> <li>By composting</li> <li>Use of plant residues as mulch around the forestry plants.</li> <li>Use of depredated plant materials as fertilizer through weathering mechanisms.</li> </ul>

## 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.

### 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.



### 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.



### Systematic Management Approach

In addition to governmental regulatory requirements, we have developed our own highly integrated policies, procedures, controls, and good manufacturing practices designed to ensure the safety and quality of our food products. Our system often extends beyond regulatory requirements to address such issues as facility sanitation, team member training, personal hygiene, product handling, food protection, foreign material prevention, product quality, storage, and transportation. All our manufacturing plants are accredited with ISO 9001:2000 for Quality Management, ISO 14001:2004 for Environment Management and ISO 22000: 2005 for Food Safety Management as well as SLS standards.

An audit of the Retail sector has been commenced with a view to comply with ISO 14001 and OHSAS 18001 standards over a period of one year from the completion of the said audit.

### 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.

### 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.

**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.**



# SUSTAINABILITY REPORT CONTD.

## 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.

## Responsibility to Our Team

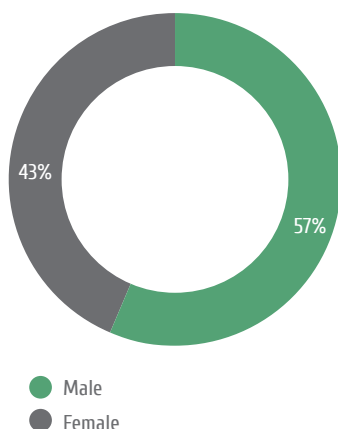
***Treating our team with dignity and respect and striving to create a safe work environment.***

### 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	4,716
Female	3,609
	8,325

## Employment Type – Gender



## Our Team Members

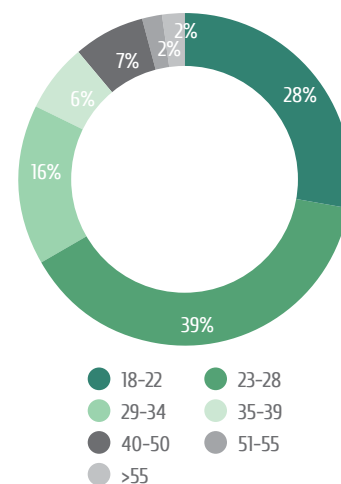
Cargills provides employment to 8,325 persons at March 31, 2014. We are committed to providing a good working environment and to retaining our Team Members through competitive wages, fair treatment, training, benefits, and safe working conditions. We recognize that the nature of our industry and the 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	2,315
23-28	3,244
29-34	1,307
35-39	538
40-50	596
51-55	151
>55	174
Total	8,325

## Employment Age Analysis



### 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.

In the year concluded Cargills provided employment to 7 physically challenges persons as well as hundreds of war-affected widows from the Northern region. The widows were recruited by making an exception to the standard recruitment policy of the Company in terms of the age limit. The move was made in view of our responsibility as a leading corporate to create livelihood opportunities where it is needed the most while not compromising on the commercial priorities of the businesses.

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.

### Company policy on Recruitment, Selection & Placement

It is the company policy to recruit candidates as per the man power requirements derived through a focused and organized 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.

### Health and Safety of Our Team

#### 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. In the year concluded training on Occupational Health & Safety modules was carried out as part of the regular and continuous Training curriculum and calendar.

#### Policy on Health & Safety

The management recognizes 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:

- The provision and maintenance of machinery, equipment and work system to be safe and healthy.
- Arrangements for ensuring safety and eliminating risks to safety and health in connection with use, handling, storage and transport of articles and substances.
- The provisions of such information, training and supervision to ensure the health and safety at work of employees and others.
- The control of the place of work maintaining it in a safe condition.
- The provision of a safe means of access and egress from the place of work.
- Taking measures in preventing all health and safety hazards at work for all.
- Ensuring health and safety instructions are strictly adhered to by all employees



# SUSTAINABILITY REPORT CONTD.

## Training and Development

Our Nonprofit 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 Organizational 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 is 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 five-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.

### 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 utilizes these online learning opportunities to empower youth in rural areas using ICT as a tool for development.

In the year concluded the following initiatives were rolled out or strengthened as part of our commitment to the Training and Development Policy of the Group.

- A structured training grid was developed for the Food Manufacturing sector towards establishing a better focus training and development programme towards advanced career progression
- RTT (Retention Through Training) programme initiated for all sectors
- Skills development programmes were moved to regional locations for better participation
- Potential Cargills Food City Managers programme was launched
- Potential Employee Development programmes 1,2 and 3 rolled out
- Management Training Through Job Rotation implemented for Junior Executives
- Special Management Trainee Programme initiated for Retail sector
- Three Months orientation programme for Management Trainees
- E-Catalogue rolled out for the Retail Sector in English, Sinhala and Tamil
- Mind-set programme initiated for the Manufacturing sector
- Customer Mania programmes taken to the regions

**Cargills supports our employees to help build vibrant and stable communities where we live and 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.

### 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.



**Our business conduct is governed by a commitment to transparency and good governance.**

All Business Units engage in localized philanthropic activities on a volunteer basis specially targeting the Vesak and Poson periods. Accordingly 'Dansel', 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.

As part of the employee volunteerism agenda of the Group, Team Cargills volunteered to assist victims of inclement weather during the year. In coordination with the regional offices of the National Disaster Management Centre and Divisional Secretariats, Cargills Food City outlet team members volunteered to distribute free ration packs among victims of the worst affected areas in the island. The ration packs were distributed in Kadawatha, Mahara, Gongitota, Appugewatta, Pinnameda, Wattala, Kelaniya, Wedikanda, Biyagama, Pattiwila, Bandarawatta, Mawarmandiya, Kaluthara, Agalawatta, Mathugama, Beruwala, Walallawita, Panadura, Madurawala, Bandaragama, Millaniya, Horana, and Palindanuwara.

### Responsible to our Community

#### 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 unionized. Further open door policy is encouraged. There are two unions under which three companies have been unionized.

### 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 organization 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.



# SUSTAINABILITY REPORT CONTD.

## 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.

## 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.

## 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 organizations 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.

During the year Cargills initiated the commencement of the 'Save our Soil' project in partnership with the Minister of Agriculture and the Department of Agriculture. The project which was ceremonially launched in the new financial year aims to protect Sri Lanka's Soil and Water resources and enhance Agriculture Productivity through the prudent use of Agriculture Inputs. This would be achieved through an aggressive awareness drive that

is aimed at educating the farming community on the correct application of fertilizer based on the findings of a soil test facilitated by Cargills and Agriculture officials. Soil sustainability awareness programmes and soil testing is now in progress islandwide covering all Cargills collection regions.

## 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 2012-13, 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.



- In the year concluded the Kilinochchi Processing plant, a state of the art fruit and vegetable processing plant was commissioned with an investment of Rs 170 Mn. Over 150 new employment opportunities would be created through the plant with preference given to war effected widows between the ages of 20 and 45 while 300 farmers have been mobilized for supply and an agriculture extension programme is now underway. New crop varieties including Passion fruit, 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.
- During the year Mango farmers in the Northern region were given mechanical improved fruit pluckers for the methodical plucking of mangoes which are otherwise subject to damage resulting in substantial post-harvest spoilage and waste. In addition an agriculture expert from Australia carried out training on pruning of mango trees towards achieving an optimum yield from each tree.
- 04 farmer societies in and around Kilinochchi were provided with advanced treacle boiling equipment through Palmyrah Development Board to strengthen traditional livelihoods

#### Dairy farmer Development

Cargills has long understood that its position as a strong dairy company with winning Brands is directly linked with its engagement with Sri Lanka's dairy farmers and their development. The Company whilst providing them a stable market and standard price through a cooperative style farmer society system has also taken steps to empower them with technical inputs and assistance. Animal health and hygiene is critical in maintaining our stringent quality standards. Our technical team therefore becomes an integral link in not only imparting knowledge, skills and know-how but also in forging a strong bond between the farmer and the company. The resulting increase in productivity and quality has had a direct impact on the national dairy industry. In the year concluded Cargills launched a special welfare scheme for all dairy societies which provides financial benefits to farmers and their families during times of need, at the birth of a child, a wedding, funeral or when a child enters school or qualifies for higher education etc.



#### 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, Boralanda and Jaffna and Cargills has taken steps to match funds collected in the pool.

**Boralanda:** In the year concluded Rs 1.2 million worth of scholarships and other benefits to the Boralanda farmer community as part of the Cargills Farmer Community Development Fund established in Wangiyakumbura in the Uva province. Accordingly, Scholarships were awarded to students who have passed Grade 5 Scholarship exams while a further 68 students from families facing economic challenges were also granted learning material. In addition a resting hut and chairs was donated to the Farmer Society while agricultural equipment was distributed among farmers. On the request of the community water tanks were donated towards 5 schools in the region while material was also provided towards the development of community road network. Cargills Food City also provided HNB Farmer Insurance schemes for 100 farmers free of charge.

**Ruwalwala:** During the year more than Rs 1 Mn in benefits was disbursed among the farmer community in Ruwalwala, Monaragala as part of the Cargills Farmer Community Development Fund established in the region. Accordingly 9 Scholarships were awarded to students who have passed Grade 5 Scholarship exams while 3 students who qualified to enter University received laptops for their higher education.

**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.**

# SUSTAINABILITY REPORT CONTD.

Financial scholarships were also awarded among 9 students pursuing Advanced Level and Ordinary Level education. On the request of the Community a bus stop was constructed for the village while Season Tickets for a year were paid for several students travelling to schools using public transport. 40 students also received learning material. In addition agriculture equipment was also provided to 80 farmers while 110 farmers received HNB Farmer Insurance schemes.

**Thanamalwila:** During the year Rs 1.9 million worth of benefits was awarded to the farmer community 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 437 farmers free of charge. The scheme entitles farmers to death, accidental death, disability and permanent disability covers as well as hospitalization benefits.

## Investing in our Future

### Children

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, marginalized by poverty or impacted by other trauma to restore their ability to hope and dream.



Cargills together with One Trust partnered the Galle Children's Festival Outreach Event organized by the Serendipity Trust. The event was the first in a series of workshops that would roll out during the course of 2014 as 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.

Held at Olcott Vidyalaya, Galle the line-up included a diverse range of workshops and activities conducted by a selection of professionals from British Council, Japan International Corporation Agency (JICA), Yathra Creations, Mind Adventures Theatre Company and Serendipity Trust. The activities include theatre, art, craft, team-building games, personality development as well as English and life skills.

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': The event was organized by the Seva Vanitha 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.

Today One Trust has expanded its vision to heal the spirits and hearts of children affected by war, marginalized by poverty or impacted by other trauma to restore their ability to hope and dream.

- 'Stride': The third 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.

## Youth

Enhancing Youth Skills' is one of our core business principles and it has now become an integral part of both our commercial and sustainability agenda. Our commitment towards the development of youth is a long term one and is a sustained effort. It is in this light that we have as a Group put our strength behind Youth Development through Sports by supporting a variety of sports and sporting events.

Cargills is excited to support the Carlton Super International Rugby 7's which is aimed at elevating the standard of the sport in Sri Lanka. Cargills is the proud owner of the strong 'Northern Gladiators' franchise. The Carlton Super 7s International Rugby tournament initiated by the 'TharunyataHetak' youth organization together with its sports wing Carlton elevates the standard of the Rugby sport in Sri Lanka and enables local rugby players to gain exposure to international standards.



Cargills is also the main sponsor of the Ceylonese Rugby and Football Club popularly known as CR & FC and is in exclusive five year partnership with the Kandy Sports Club. Both clubs are frontrunners in the Sri Lankan Rugby Club arena.



In the year ended Cargills also became the National Partner of Sri Lanka Football through a long-term partnership with the Football Federation of Sri Lanka (FFSL). Through our relationship with the Football Federation of Sri Lanka Cargills would strive to build a new generation of outstanding Football players. The resources made available by this partnership expect to improve the economic condition of national footballers and strengthen their resolve in the future.

**Enhancing Youth Skills' is one of our core business principles and it has now become an integral part of both our commercial and sustainability agenda.**

## 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. 13.5 Bn









## FINANCIAL REPORTS

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Crystal Clear Mountain Water

# knuckles

Water

Bottled at source

A QUALITY **Cargills** PRODUCT



## Nectar

# Enjoy Life



A QUALITY **Cargills** PRODUCT



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

**T** 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 2014 which were approved by the Board of Directors on 6 August 2014.

## Review of the Year

The Chairman's statement 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' and 'TGIF' franchise restaurants in Sri Lanka
- (e) Operates a Hotel in the hill-country.
- (f) Operates a chain of photo processing outlets.

## Financial Statements

The audited financial statements comprising the Statements of Comprehensive Income, Statements of Financial Position, Statements of changes in equity, Statements of cash flow and notes to the financial statements of the Company and the Group for the financial year ended 31 March 2014 given on pages from 60 to 108 form an integral part of the Annual Report of the Board.

## Auditors' Report

The auditors' report is set out on page 59.

## Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on the pages from 66 to 75.

## Results and Dividends

For the year ended 31 March	2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	2013 Rs. '000
Profit for the year after taxation amounted to	649,560	1,629,756	823,004	2,021,560
After deducting the amount attributable to non controlling interest of	(6,967)	(17,238)	-	-
The profit attributable to shareholders was	642,593	1,612,518	823,004	2,021,560
To which profit brought forward from previous year is added	4,388,827	3,226,403	2,746,665	1,173,105
Adjustment resulted in increase of subsidiary share holdings	(84,764)	(2,094)	-	-
Other comprehensive income	49,892	-	(55,478)	-
Transfer to general reserve	-	-	-	-
Leaving an amount available to the Company for appropriation of	4,996,548	4,836,827	3,514,191	3,194,665

## From which your directors have made appropriation as follows:

Dividend paid for the year ended 31 March 2013				
Final Rs. 1.30 per share applicable to Financial Year 2011/12	-	291,200	-	291,200
Interim 70 Cents per share for Financial Year 2012/13	-	156,800	-	156,800
Dividend paid for the year ended 31 March 2014				
Final Rs. 1.30 per share applicable to Financial Year 2012/13	291,200	-	291,200	-
Interim 70 Cents per share for Financial Year 2013/14	156,800	-	156,800	-
Leaving an unappropriated balance to be carried forward of	4,548,548	4,388,827	3,066,191	2,746,665

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

An interim dividend of 70 cents per share (Rs. 156.8 Mn) was paid on 06 January 2014 for the year ended 31 March 2014. A final dividend of Rs 1.30 per share (Rs. 291.2 Mn) is proposed for the year ended 31 March 2014. This will be reflected in the subsequent year's financial statements. (refer note 9 to the financial statements on page 80)

## Reserves

After the above mentioned appropriations, the total reserves of the Group stands at Rs 12,133 Mn (2013 – Rs. 11,801 Mn), while the total reserves of the Company stand at Rs 9,393 Mn. (2013 – Rs. 9,075 Mn).

## Stated Capital

Stated Capital of the company as at 31 March 2014 was Rs. 131 Mn. The detail of the stated capital is given in note 19 to the financial statements on page 90.

## Capital Expenditure

The Group's capital outlay on property, plant and equipment amounted to Rs. 3,335 Mn (2013 – Rs. 3,540 Mn) while the capital outlay of the Company on property, plant and equipment amounted to Rs. 794.5 Mn (2013 – Rs. 1,554.6 Mn). Details are given in note 10 to the financial statements on pages 81 and 82.

The movement of property, plant and equipment during the year is given in note 10 to the financial statements on pages 81 and 82.

## Investment Property

The carrying value of land and building classified as investment property of the Company and the Group as at 31st March 2014 amounted to Rs. 4,633 Mn and Rs. 3,350 Mn respectively. Details of investment property held by the Group and the company are disclosed in Note 11 to the Financial Statements.

## 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 81 and 82. 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 111 in the financial statements.

## Shareholdings

The Company is a subsidiary of C T Holdings PLC and there were 1,945 registered shareholders as at 31 March 2014 (2013-2,004).

An analysis of shareholdings according to the size of holding and the names of the 20 largest shareholders is given on pages 112 and 113.

## Directorate

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

Messrs A. T. P. Edirisinghe and S. E. C. Gardiner retire by rotation in terms of the Company's Articles of Association and being eligible offer themselves for re-election.

Messrs. Jayantha Dhanapala and Sunil Mendis too are due to retire in terms of Section 210 (2) (b) of the Companies Act No. 7 of 2007 having attained the age of seventy five years and seventy years respectively, and offer themselves 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 102 to the consolidated financial statements.

## Directors' Interests in Contracts

Directors' interests in transactions of the company are disclosed in note 34.2 to the financial statements on page 103 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 2014	As at 31 March 2013
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	276,157	5,084,950
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 1.2 Mn 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 authorized to determine the remuneration of the Auditors and the fee paid to the Auditors are disclosed in note 6 to the financial statements on page 77. 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 102.

## 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 message describes the future developments of the group.

## Environmental Protection

After making adequate enquiries from the management, the directors are satisfied that the company and its subsidiaries operate in a manner that minimizes 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*

6 August 2014

# Statement of Directors' Responsibilities

**T**he 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 statements of comprehensive income, statements of other comprehensive income, cash flows statement and statement of changes in equity for the year together with the accounting policies and explanatory notes. The responsibility of the auditors with regard to these financial statements, which differ from that of the Directors, is set out in the Auditors' report on page 59.

Considering the present financial position of the Company and of 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 (SLFRSs/LKASs) which came into effect for the financial periods commencing after 1st January 2012, which have been 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 of 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 are required to provide the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary to carry out their responsibilities. The responsibility of the Independent Auditors in relation to the financial statements is set out in the Independent Auditors' Report.

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*

6 August 2014

# Independent Auditors' Report



**KPMG**  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
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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 2014, 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 60 to 108 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 2014 and the financial statements give a true and fair view of the financial position of the Company as at 31 March 2014, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

### Opinion - 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 2014, 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.

*(Signed)*

CHARTERED ACCOUNTANTS  
6 August 2014  
Colombo

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

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne ACA	S.T.D.L. Perera FCA
G.A.U. Karunaratne ACA	R.M.D.B. Rajapakse ACA	Ms. B.K.D.T.N. Rodrigo ACA

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

# Statement of Comprehensive Income

For the year ended 31 March	Note	Group		Company	
		2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Revenue	2	58,322,854	55,378,917	28,146,131	44,258,443
Cost of sales	3	(51,804,965)	(49,689,762)	(26,710,042)	(41,678,246)
<b>Gross profit</b>		<b>6,517,889</b>	<b>5,689,155</b>	<b>1,436,089</b>	<b>2,580,197</b>
Other income	4	1,184,248	934,767	1,736,753	1,406,827
Distribution expenses		(2,163,339)	(1,623,229)	(156,758)	(327,833)
Administrative expenses		(2,570,242)	(2,342,280)	(980,397)	(1,433,781)
Other expenses		(757,714)	(396,533)	(456,979)	(70,675)
<b>Results from operating activities</b>		<b>2,210,842</b>	<b>2,261,880</b>	<b>1,578,708</b>	<b>2,154,735</b>
Net finance cost	5	(1,351,960)	(1,228,343)	(1,095,759)	(1,034,676)
Changes in fair value of investment property	11	304,906	1,123,148	421,606	1,123,148
Share of loss of equity accounted investee	13.5	(33,578)	(13,851)	-	-
<b>Profit before taxation</b>	6	<b>1,130,210</b>	<b>2,142,834</b>	<b>904,555</b>	<b>2,243,207</b>
Income tax expense	7	(480,650)	(513,078)	(81,551)	(221,647)
<b>Profit for the year</b>		<b>649,560</b>	<b>1,629,756</b>	<b>823,004</b>	<b>2,021,560</b>
<b>Other comprehensive income</b>					
Revaluation of property plant and equipment		-	3,556,295	-	2,332,136
Net gain/(loss) on available-for-sale investments	13.4	(2,210)	2,044	(2,190)	2,088
Actuarial loss on employee benefits	26	(76,018)	-	(77,053)	-
Equity-accounted investee - share of other comprehensive income	13.5	278,540	-	-	-
Tax on other comprehensive income		21,403	(164,975)	21,575	(92,424)
<b>Other comprehensive income for the year, net of tax</b>		<b>221,715</b>	<b>3,393,364</b>	<b>(57,668)</b>	<b>2,241,800</b>
<b>Total comprehensive income for the year</b>		<b>871,275</b>	<b>5,023,120</b>	<b>765,336</b>	<b>4,263,360</b>
<b>Profit attributable to:</b>					
Equity shareholders of the parent		642,593	1,612,518	823,004	2,021,560
Non controlling interest		6,967	17,238	-	-
<b>Profit for the year</b>		<b>649,560</b>	<b>1,629,756</b>	<b>823,004</b>	<b>2,021,560</b>
<b>Total comprehensive income attributable to:</b>					
Equity shareholders of the parent		864,418	4,999,653	765,336	4,263,360
Non controlling interest		6,857	23,467	-	-
<b>Total comprehensive income for the year</b>		<b>871,275</b>	<b>5,023,120</b>	<b>765,336</b>	<b>4,263,360</b>
Earnings per share basic/diluted (Rs.)	8	2.87	7.20	3.67	9.02
Dividend per share (Rs.)	9	2.00	2.00	2.00	2.00
Dividend paid per share (Rs.)		2.00	2.00	2.00	2.00

The figures in brackets indicate deductions.

The accounting policies and notes from pages 66 to 108 form an integral part of these financial statements.



# Statement of Financial Position

As at 31 March	Note	2014 Rs. '000	Group 2013 Rs. '000	2014 Rs. '000	Company 2013 Rs. '000
<b>ASSETS</b>					
<b>Non - current assets</b>					
Property, plant and equipment	10	22,120,791	20,637,567	3,314,204	11,435,893
Investment property	11	3,350,095	2,650,500	4,633,250	2,650,500
Intangible assets	12	1,707,992	1,664,682	-	-
Investments in subsidiaries	13.1	-	-	3,678,553	3,678,553
Investment in associates	13.2	367,573	89,768	216,075	216,075
Other long term investments	13.3	660,000	660,000	660,000	660,000
Prepayment on leasehold land and building	14	26,250	27,125	-	-
Deferred tax assets	15	349,202	251,040	-	-
		28,581,903	25,980,682	12,502,082	18,641,021
<b>Current assets</b>					
Inventories	16	6,117,432	4,962,511	16,143	3,501,509
Trade and other receivables	17	3,348,618	2,540,255	629,604	884,944
Amount due from related companies	18	157,449	837,750	5,525,064	5,765,110
Other financial assets	13.4	537,420	362,180	33,904	36,094
Cash and cash equivalents	21	602,057	887,482	99,398	771,555
Assets held for sale	22	-	-	6,380,352	-
		10,762,976	9,590,178	12,684,465	10,959,212
<b>Total assets</b>		39,344,879	35,570,860	25,186,547	29,600,233
<b>EQUITY</b>					
Stated capital	19	130,723	130,723	130,723	130,723
Reserves	20	7,584,345	7,412,412	6,326,623	6,328,813
Retained earnings		4,548,548	4,388,827	3,066,191	2,746,665
<b>Total equity attributable to equity holders of the company</b>		12,263,616	11,931,962	9,523,537	9,206,201
Non controlling interest		45,946	107,247	-	-
<b>Total equity</b>		12,309,562	12,039,209	9,523,537	9,206,201
<b>LIABILITIES</b>					
<b>Non - current liabilities</b>					
Borrowings	23	1,289,319	1,850,163	1,201,400	1,700,400
Deferred tax liability	24	1,129,706	877,565	553,812	493,836
Deferred income	25	106,134	58,372	-	-
Employee benefits	26	416,222	285,152	305,732	246,615
		2,941,381	3,071,252	2,060,944	2,440,851
<b>Current liabilities</b>					
Trade and other payables	27	8,103,540	7,851,157	510,026	6,150,956
Current tax liability		465,706	284,784	-	64,943
Amount due to related companies	18	20,429	27,985	979,455	699,541
Dividends payable	28	22,956	19,997	22,587	19,809
Borrowings	23	15,481,305	12,276,476	12,089,998	11,017,932
		24,093,936	20,460,399	13,602,066	17,953,181
<b>Total liabilities</b>		27,035,317	23,531,651	15,663,010	20,394,032
<b>Total equity and liabilities</b>		39,344,879	35,570,860	25,186,547	29,600,233

The accounting policies and notes from pages 66 to 108 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

6 August 2014

Colombo

# Statement of Changes in Equity

Group	Attributable to equity holders of parent						Total	Non controlling interest	Total
	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			
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
Other comprehensive income									
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
<b>Total comprehensive income</b>	-	-	3,385,091	-	2,044	1,612,518	4,999,653	23,467	5,023,120
Transactions with owners of the company, 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)
<b>Balance as at 31 March 2013</b>	<b>130,723</b>	<b>7,928</b>	<b>6,933,525</b>	<b>485,500</b>	<b>(14,541)</b>	<b>4,388,827</b>	<b>11,931,962</b>	<b>107,247</b>	<b>12,039,209</b>
Balance as at 1 April 2013	130,723	7,928	6,933,525	485,500	(14,541)	4,388,827	11,931,962	107,247	12,039,209
Total comprehensive income									
Net profit for the year	-	-	-	-	-	642,593	642,593	6,967	649,560
Other comprehensive income	-	-	278,540	-	(2,210)	(54,505)	221,825	(110)	221,715
<b>Total comprehensive income</b>	-	-	278,540	-	(2,210)	588,088	864,418	6,857	871,275
Transactions with owners of the company, recognised directly in equity									
Adjustment resulted in increase of subsidiary shareholding	-	-	-	-	-	(84,764)	(84,764)	(68,158)	(152,922)
Transfer on dilution of interest in associate	-	-	(104,397)	-	-	104,397	-	-	-
Dividends	-	-	-	-	-	(448,000)	(448,000)	-	(448,000)
<b>Balance as at 31 March 2014</b>	<b>130,723</b>	<b>7,928</b>	<b>7,107,668</b>	<b>485,500</b>	<b>(16,751)</b>	<b>4,548,548</b>	<b>12,263,616</b>	<b>45,946</b>	<b>12,309,562</b>

Company	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
Balance as at 1 April 2012	130,723	3,618,106	485,500	(16,593)	1,173,105	5,390,841
<b>Total comprehensive income</b>						
Net profit for the year	-	-	-	-	2,021,560	2,021,560
Other comprehensive income	-	2,239,712	-	2,088	-	2,241,800
<b>Total comprehensive income</b>	-	2,239,712	-	2,088	2,021,560	4,263,360
<b>Transactions with owners of the company, recognised directly in equity</b>						
Dividends	-	-	-	-	(448,000)	(448,000)
<b>Balance as at 31 March 2013</b>	<b>130,723</b>	<b>5,857,818</b>	<b>485,500</b>	<b>(14,505)</b>	<b>2,746,665</b>	<b>9,206,201</b>
Balance as at 1 April 2013	130,723	5,857,818	485,500	(14,505)	2,746,665	9,206,201
<b>Total comprehensive income</b>						
Net profit for the year	-	-	-	-	823,004	823,004
Other comprehensive income	-	-	-	(2,190)	(55,478)	(57,668)
<b>Total comprehensive income</b>	-	-	-	(2,190)	767,526	765,336
<b>Transactions with owners of the company, recognised directly in equity</b>						
Dividends	-	-	-	-	(448,000)	(448,000)
<b>Balance as at 31 March 2014</b>	<b>130,723</b>	<b>5,857,818</b>	<b>485,500</b>	<b>(16,695)</b>	<b>3,066,191</b>	<b>9,523,537</b>

The figures in brackets indicate deductions.

The accounting policies and notes from pages 66 to 108 form an integral part of these financial statements.

# Statement of Cash Flow

For the year ended 31 March	Note	Group		Company	
		2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
<b>Cash flows from operating activities</b>					
Profit before taxation		1,130,210	2,142,834	904,555	2,243,207
<b>Adjustments for:</b>					
Depreciation	10	1,674,980	1,331,017	850,294	725,207
Employee benefits	26	77,002	57,076	55,448	50,792
Changes in fair value of investment property	11	(304,906)	(1,123,148)	(421,606)	(1,123,148)
Amortisation of intangible assets	12	15,271	11,586	-	-
Amortisation of prepayment on leasehold land and building	14	875	875	-	-
Gain on dilution of investment in associate		(32,843)	-	-	-
Profit/(loss) on sale of property, plant and equipment	4	(5,113)	(33,238)	(3,617)	(11,471)
Impairment of property, plant and equipment	10	3,200	-	-	-
Impairment of intangible assets	12	-	102,528	-	-
Amortisation of deferred income	25	(5,434)	(1,184)	-	-
Share of associate results	13.5	33,578	13,851	-	-
Provision for / (reversal of provision for) inventories	16	(9,613)	(10,599)	(1,284)	(2,275)
Provision for / (reversal of provision for) doubtful debtors	17	(30,450)	19,767	(6,754)	628
Net finance costs	5	1,351,960	1,228,343	1,095,759	1,034,676
Dividend income	4	(672)	(374)	(450,131)	(448,493)
<b>Operating profit before working capital changes</b>		<b>3,898,045</b>	<b>3,739,334</b>	<b>2,022,664</b>	<b>2,469,123</b>
<b>Changes in working capital</b>					
- (Increase) / decrease in inventories		(1,145,310)	9,954	3,486,650	(29,416)
- (Increase) / decrease in trade and other receivables		(649,497)	234,642	390,505	503,839
- (Increase) / decrease in related company receivables		680,301	(676,862)	633,837	(2,809,564)
- Increase / (decrease) in trade and other payables		252,383	988,644	(5,640,929)	971,572
- Increase / (decrease) in related company payables		(7,556)	(1,791,279)	733,417	(1,710,512)
<b>Cash generated from operations</b>		<b>3,028,366</b>	<b>2,504,433</b>	<b>1,626,144</b>	<b>(604,958)</b>
Taxes paid		(252,760)	(375,848)	(193,355)	(259,306)
Interest paid		(1,766,238)	(1,285,164)	(1,501,873)	(1,265,279)
Gratuity paid	26	(21,950)	(22,128)	(17,714)	(20,773)
<b>Net cash generated from / (used in) operating activities</b>		<b>987,418</b>	<b>821,293</b>	<b>(86,798)</b>	<b>(2,150,316)</b>



For the year ended 31 March	Note	Group		Company	
		2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
<b>Cash flows from investing activities</b>					
Addition to property, plant and equipment	10	(3,111,183)	(4,446,063)	(269,509)	(1,691,573)
Addition to investment property	11	(558,689)	(1,293,352)	(854,097)	(1,293,352)
Investment in new share issues of subsidiaries	13	-	-	-	(5,000)
Addition to intangible assets	12	(58,581)	(47,692)	-	-
Acquisition of non controlling interest in subsidiaries		(152,922)	(4,228)	-	-
Addition to other long term investments		-	(660,000)	-	(660,000)
Addition to other financial assets		(177,449)	(220,571)	-	-
Disposal of property, plant and equipment		118,892	63,376	3,617	11,471
Receipt of grant	25	53,196	33,898	-	-
Finance income	5.1	414,278	56,821	406,114	230,603
Dividends received	4	672	374	672	374
<b>Net cash generated from / (used in) investing activities</b>		<b>(3,471,786)</b>	<b>(6,517,437)</b>	<b>(713,203)</b>	<b>(3,407,477)</b>
<b>Cash flows from financing activities</b>					
Net proceeds from / (repayment of) long term borrowings	23.1	(402,029)	1,863,299	(299,600)	2,000,000
Net proceeds from / (repayment of) short term borrowings		5,499,810	4,501,295	3,314,810	4,225,250
Dividends paid		(445,041)	(448,818)	(445,222)	(448,815)
<b>Net cash generated from / (used in) financing activities</b>		<b>4,652,740</b>	<b>5,915,776</b>	<b>2,569,988</b>	<b>5,776,435</b>
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>2,168,372</b>	<b>219,632</b>	<b>1,769,987</b>	<b>218,642</b>
<b>Movement in cash and cash equivalents</b>					
At the beginning of the year		(3,756,501)	(3,976,133)	(2,991,587)	(3,210,229)
Movement during the year		2,168,372	219,632	1,769,987	218,642
<b>At the end of the year</b>	21	<b>(1,588,129)</b>	<b>(3,756,501)</b>	<b>(1,221,600)</b>	<b>(2,991,587)</b>

The figures in brackets indicate deductions.

The accounting policies and notes from pages 66 to 108 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 2014 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' and 'TGIF' restaurants under franchise agreements
- 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 the Sri Lanka Accounting Standards (SLFRS) as laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007.

The consolidated financial statements were authorised for issue by the Board of Directors on 6 August 2014.

### 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 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
- Land & Buildings are measured at fair value

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 Rupee, 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 on going 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 7.1 - 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.

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.

##### 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 of 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 unrealised income and expenses arising from inter group transactions are eliminated in preparing the consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### 1.3.1.5 Non-Controlling Interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either: at fair value; or at 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.

Acquisition of non-controlling interests is 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 no control, generally accompanying a shareholding of between 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of 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 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 the 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.

# Notes to the Financial Statements contd.

## 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 Group'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 & equipment

#### 1.5.1.1 Recognition and Measurement

The cost of an item of property, plant and equipment comprises 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 increase 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 reserves in the statement of changes in equity, any excess and all other decreases are charged to the income statement. Revaluation of property, plant and equipment is undertaken by professionally qualified independent valuers.

#### 1.5.1.2 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.

#### 1.5.1.3 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.

#### 1.5.1.4 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:

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
Refundable 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.



#### 1.5.1.5 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.

#### 1.5.1.6 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.

#### 1.5.1.7 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 attributable to the assets will flow to the entity and cost of the asset can be measured reliably and carried at cost less accumulated amortisation and accumulated impairment losses.

#### 1.5.2.1 Software

Acquired computer software licenses 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 programs 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 infinite useful lives are carried at cost less accumulated impairment losses. The useful life of brand name is reviewed in each year to determine whether events and circumstances continue to support an infinite useful life assessment. If they do not, the change in the useful life assessment from infinite to finite shall be accounted for as a change in an accounting estimate in accordance with LKAS 08.

# Notes to the Financial Statements contd.

## 1.5.2.4 Franchisee fee

Franchisee fee is shown at historical cost. Franchisee fee has a finite useful life and is 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, quoted and unquoted equity instruments and derivative financial instruments.

#### 1.5.3.1.2 Derecognition

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

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

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. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. 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 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.

#### **1.5.3.4 Available-for-sale financial investments**

Available-for-sale financial investments include investment in equity shares. 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, financial guarantee contracts, 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 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 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.

# Notes to the Financial Statements *contd.*

## 1.5.4.2.3 *Derecognition*

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

## 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 realise 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 & Packing 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".

Any actuarial gains or losses arising are recognised immediately in other comprehensive income. This was previously recognised in the income statement.

The assumptions based on which the results of the actuarial valuation were 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 contributions to the defined contribution plans are recognised as an expense in the income statement 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 reporting 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 the assets.

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 within 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 been passed to the buyer, usually on delivery of the goods.

#### 1.6.3 Other income

Revenue from dividends 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 and the related selling expenses.

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 been 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 have 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 be recognised as an integral part of the total lease expense, over the lease term.

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 take 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.

# Notes to the Financial Statements contd.

## 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, unwinding of the discount on provisions, 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 be applied 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 Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale the assets are re measured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification and subsequent gains and losses on re measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

## 1.10 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'.

### **1.11 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.

### **1.12 Events occurring after the reporting period**

Events after the reporting period are those events favourable and unfavourable 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.

### **1.13 Commitments and contingencies**

Commitments and contingencies as at the reporting date, is disclosed in Notes 30 and 31 to the Financial Statements.

### **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 these financial statements.

The extent of the impact of the above standards to the financial statements has not been determined as at 31 March 2014. None of these are expected to have a significant effect on the Consolidated Financial Statements of the Group.

SLFRS 9 – Financial instruments

SLFRS 10 – Consolidated financial statements

SLFRS 12 – Disclosure of interest in other entities

SLFRS 13 – Fair value measurement

# Notes to the Financial Statements contd.

## 2. REVENUE

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Gross revenue	63,699,931	57,763,590	30,258,080	45,393,159
Revenue related taxes	(5,377,077)	(2,384,673)	(2,111,949)	(1,134,716)
Net revenue	58,322,854	55,378,917	28,146,131	44,258,443

The Group primarily has three business segments namely, Retail, FMCG and Restaurant and segmental information are disclosed in note 29. The Group generates revenue exclusively from Sri Lanka, hence no secondary segments are identified.

## 3. COST OF SALES

Cost of sales of the Company and Group includes direct operating cost.

## 4. OTHER INCOME

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Dividend income	672	374	450,131	448,493
Rental income	101,587	13,560	518,834	24,527
Profit on sale of property, plant and equipment	5,113	33,238	3,617	11,471
Management fee	-	-	261,857	-
Merchandising income	996,400	876,918	502,314	922,336
Foreign exchange gain	8,774	6,786	-	-
Commission Income	3,333	-	-	-
Amortisation of deferred income				
- Capital grant	3,252	623	-	-
- Revenue grant	2,182	561	-	-
Sundry income	30,092	2,707	-	-
Gain on dilution of investment in associate	32,843	-	-	-
	1,184,248	934,767	1,736,753	1,406,827

## 5. NET FINANCE COST

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
<b>5.1 Finance income</b>				
Loan interest	414,278	56,821	406,114	230,603
	414,278	56,821	406,114	230,603



	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
<b>5.2 Finance expense on;</b>				
- Short term loans	1,144,923	702,219	979,540	812,496
- Bank overdrafts	360,110	444,556	288,712	334,345
- Other loans and bank charges	255,630	136,902	233,413	118,112
- Staff security deposits	5,575	326	208	326
- Forward contract fair valuation	-	1,161	-	-
	1,766,238	1,285,164	1,501,873	1,265,279
	1,351,960	1,228,343	1,095,759	1,034,676

Borrowing costs capitalised by the Group and the Company on qualifying assets during the financial year amounted to Rs. 236 Mn and (2013 - Rs. 176 Mn) and Rs. 57 Mn and (2013 - Rs. 46 Mn) respectively. Borrowing costs capitalisation rate used is 12.41%.

## 6. PROFIT BEFORE TAXATION

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

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Staff costs (note 6.1)	3,475,620	3,014,790	1,289,875	1,981,709
Auditors' remuneration				
- Audit	5,820	5,289	410	1,018
- Non audit services	1,693	576	1,413	248
Depreciation on property, plant and equipment (note 10)	1,674,980	1,331,017	850,294	725,207
Amortisation/impairment of intangible assets (note 12)	15,271	114,114	-	-
Foreign exchange gain (note 4)	(8,774)	(6,786)	-	-
(Reversal) / provision for inventories	(9,613)	(10,599)	(1,284)	(2,275)
Directors' emoluments	143,561	134,120	90,092	122,880
<b>6.1 Staff costs</b>				
Salaries, wages and other costs	3,108,206	2,707,745	1,121,357	1,759,229
Pension costs - retirement benefit obligation (note 26)	77,002	57,077	55,448	50,792
Defined contribution plan cost- EPF and ETF	290,412	249,968	113,070	171,688
	3,475,620	3,014,790	1,289,875	1,981,709
Number of employees as at 31 March	8,325	7,832	5,227	5,718

# Notes to the Financial Statements contd.

## 7. INCOME TAX EXPENSE

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Current income tax				
Current tax charge (note 7.1)	263,233	346,601	-	202,980
Irrecoverable ESC	-	688	-	-
Dividend tax	51,346	52,685	-	-
(Over) / under provision of current tax of previous years	(9,311)	(17,395)	-	(17,395)
Deferred income tax (note 7.2)	175,382	130,499	81,551	36,062
	480,650	513,078	81,551	221,647

- (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.

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, provisions have been made for income tax at the normal rate for the financial years ended 31 March 2012, 31 March 2013 and 31 March 2014 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. 1.33 Mn (2013 - Rs. 31.93 Mn) and Rs. 45.1 Mn (2013 - Rs. 15.59 Mn) respectively.
- (c) During the year, the Company has paid Rs. 128.41 Mn as balance tax payment for the years of assessments 2010/11, 2011/12 and 2012/13 as a result of settlement reached with Department of Inland Revenue.

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

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Profit before taxation	1,130,210	2,142,834	904,555	2,243,207
Aggregate disallowed expenses	2,115,728	1,843,007	986,088	868,400
Aggregate allowable expenses	(1,696,153)	(2,003,823)	(1,090,674)	(855,352)
Aggregate other income	(1,463,419)	(1,256,955)	(880,354)	(1,583,113)
Adjusted business profit	86,366	725,063	(80,385)	673,142
Tax losses incurred	986,952	637,804	80,385	-
Taxable income from other sources	53,197	61,914	-	-
Adjusted profit (a)	1,126,515	1,424,781	-	673,142
Tax losses brought forward	1,828,231	1,290,088	-	-
Tax losses added	986,952	637,804	80,385	-
Tax losses utilised (b)	(183,809)	(99,661)	-	-
Adjustment on finalisation of liability	23,762	-	-	-
Tax losses carried forward	2,655,134	1,828,231	80,385	-
Qualifying payment relief (c)	(16,129)	-	-	-
Taxable income (a+b+c)	926,577	1,325,120	-	673,142
Income tax @ 28% (2013 - @28%)	239,816	271,851	-	154,645
Income tax @ 12% (2013 - @12%)	1,980	18,460	-	-
Income tax @ 10% (2013 - @10%)	-	7,955	-	-
Income tax @ 40% (2013 - @40%)	21,437	48,335	-	48,335
Current tax charge	263,233	346,601	-	202,980
<b>7.2 Deferred income tax</b>				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	233,433	228,848	76,529	44,467
Provisions	14,858	5,427	-	-
Employee benefits	(19,391)	(10,028)	5,022	(8,405)
Benefit arising from tax losses	(36,823)	(87,776)	-	-
Deferred income	(13,373)	(9,294)	-	-
Increase / (decrease) in future tax rate	(3,322)	3,322	-	-
Deferred tax charge / (release)	175,382	130,499	81,551	36,062

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.

# Notes to the Financial Statements contd.

## 7. INCOME TAX EXPENSE (CONTD.)

**7.3** Temporary differences associated with Cargills Quality Confectionaries (Private) Limited, Millers Brewery Limited, Dawson Office Complex (Private) Limited, Kotmale Holdings PLC, and Kotmale Milk Foods Limited, subsidiary companies for which deferred tax assets have not been recognized, and are disclosed as follows.

	Temporary difference Rs. '000	2014 Tax effect on temporary difference Rs. '000	Temporary difference Rs. '000	2013 Tax effect on temporary difference Rs. '000
Deductible temporary differences	291,557	81,636	226,434	63,402
Tax losses	783,229	219,304	895,929	250,860
	1,074,786	300,940	1,122,363	314,262

No deferred tax is recognised with respect to the above temporary differences since it is probable that the companies mentioned will not generate sufficient taxable profits in the near future, against which deferred taxation can be recognised in accordance with LKAS 12 - "Income taxes"

## 8. EARNINGS PER SHARE

	Group		Company	
	2014	2013	2014	2013
Profit attributable to equity shareholders of the parent (Rs. '000)	642,593	1,612,518	823,004	2,021,560
Weighted average number of ordinary shares	224,000,000	224,000,000	224,000,000	224,000,000
Basic earnings per share (Rs.)	2.87	7.20	3.67	9.02

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of Cargills (Ceylon) PLC 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.

## 9. DIVIDEND PER SHARE

		Group 2014 Rs. '000	2013 Rs. '000		Company 2014 Rs. '000	2013 Rs. '000
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 6 January 2014 for the year ended 31 March 2014. A final dividend of 1.30 Rupee per share is proposed for the year ended 31 March 2014. The Final dividend proposed on 6 August 2014 has not been recognised as at the reporting date in compliance with LKAS 10 - "Events after the Reporting period".



## 10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Freehold building	Expenditure incurred on leasehold building	Plant, machinery and others	Motor vehicles	Total 2014	Total 2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Group</b>							
<b>Cost / revaluation</b>							
As at 1 April	8,162,101	2,048,686	3,175,739	10,294,565	733,644	24,414,735	17,639,692
Additions	68,440	308,364	892,626	1,905,365	160,504	3,335,299	3,540,035
Revaluation	-	-	-	-	-	-	3,556,295
Transfers	121,000	43,000	-	-	-	164,000	(234,000)
Disposals	-	-	-	(228,335)	(15,716)	(244,051)	(87,287)
Impairment	-	-	-	(2,481)	-	(2,481)	-
<b>As at 31 March</b>	<b>8,351,541</b>	<b>2,400,050</b>	<b>4,068,365</b>	<b>11,969,114</b>	<b>878,432</b>	<b>27,667,502</b>	<b>24,414,735</b>
<b>Depreciation / Impairment</b>							
As at 1 April	-	360,951	1,443,130	4,833,921	440,767	7,078,769	5,804,901
Charge for the year	-	69,933	392,660	1,094,793	117,594	1,674,980	1,331,017
Disposals	-	-	-	(116,559)	(13,713)	(130,272)	(57,149)
Impairment	-	-	-	719	-	719	-
<b>As at 31 March</b>	<b>-</b>	<b>430,884</b>	<b>1,835,790</b>	<b>5,812,874</b>	<b>544,648</b>	<b>8,624,196</b>	<b>7,078,769</b>
<b>Carrying value</b>	<b>8,351,541</b>	<b>1,969,166</b>	<b>2,232,575</b>	<b>6,156,240</b>	<b>333,784</b>	<b>19,043,306</b>	<b>17,335,966</b>
Capital work in progress	-	-	-	-	-	3,077,485	3,301,601
<b>Carrying value as at 31 March</b>	<b>8,351,541</b>	<b>1,969,166</b>	<b>2,232,575</b>	<b>6,156,240</b>	<b>333,784</b>	<b>22,120,791</b>	<b>20,637,567</b>

# Notes to the Financial Statements contd.

## 10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	Freehold land	Freehold building	Expenditure incurred on leasehold building	Plant, machinery and others	Motor vehicles	Total 2014	Total 2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Company</b>							
<b>Cost / revaluation</b>							
As at 1 April	5,957,300	845,429	1,779,686	4,861,501	236,171	13,680,087	10,049,419
Additions	68,440	-	157,531	568,512	-	794,483	1,554,613
Revaluation	-	-	-	-	-	-	2,332,136
Disposals	-	-	-	-	(14,222)	(14,222)	(22,081)
Transfer to investment property	(652,300)	(59,076)	-	-	-	(711,376)	(234,000)
Transfer to assets held for sale	(2,889,000)	(344,691)	(1,937,217)	(5,275,524)	(90,080)	(10,536,512)	-
<b>As at 31 March</b>	<b>2,484,440</b>	<b>441,662</b>	<b>-</b>	<b>154,489</b>	<b>131,869</b>	<b>3,212,460</b>	<b>13,680,087</b>
<b>Depreciation / Impairment</b>							
As at 1 April	-	52,879	899,167	2,443,177	161,139	3,556,362	2,853,236
Charge for the year	-	15,298	269,977	531,946	33,073	850,294	725,207
Disposals	-	-	-	-	(9,511)	(9,511)	(22,081)
Transfer to investment property	-	(4,329)	-	-	-	(4,329)	-
Transfer to assets held for sale	-	(37,706)	(1,169,144)	(2,870,468)	(78,842)	(4,156,160)	-
<b>As at 31 March</b>	<b>-</b>	<b>26,142</b>	<b>-</b>	<b>104,655</b>	<b>105,859</b>	<b>236,656</b>	<b>3,556,362</b>
Carrying value	2,484,440	415,520	-	49,834	26,010	2,975,804	10,123,725
Capital work in progress	-	-	-	-	-	338,400	1,312,168
<b>Carrying value as at 31 March</b>	<b>2,484,440</b>	<b>415,520</b>	<b>-</b>	<b>49,834</b>	<b>26,010</b>	<b>3,314,204</b>	<b>11,435,893</b>

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

Free hold lands and buildings owned by the Group are revalued once in three years by an independent professional valuer. The latest revaluation was carried out and accounted for as at 31 March 2013.

Those revaluations had 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 the nature of use, Freehold land at Nittambuwa, was reclassified as Investment Property. This property was revalued as at 31 March 2014 by Messrs. Mr. T Weeratne (FIV), an independent professional valuer. The Property was valued at its open market value/ fair value.

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	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
<b>Group</b>				
Cost	1,738,444	1,586,675	1,244,805	924,391
Accumulated depreciation	-	-	(330,482)	(308,664)
<b>Net book value</b>	<b>1,738,444</b>	<b>1,586,675</b>	<b>914,323</b>	<b>615,727</b>
<b>Company</b>				
Cost	85,081	546,849	24,446	280,020
Accumulated depreciation	-	-	(7,909)	(36,936)
<b>Net book value</b>	<b>85,081</b>	<b>546,849</b>	<b>16,537</b>	<b>243,084</b>

Depreciation to the value of Rs. 1,302.3 Mn (2013 - Rs. 980.47 Mn) and Rs. 372.7 Mn (2013 - Rs. 350.63 Mn) has been charged respectively to the cost of goods sold and distribution, administration and other expenses of the Group. Depreciation to the value of Rs. 393.3 Mn (2013 - Rs. 654.5 Mn) and Rs. 456.9 Mn (2013 - Rs. 70.7 Mn) has been charged respectively to the cost of goods sold and distribution and other expenses of the company.

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

Fully depreciated assets of the Group as at the year end is Rs. 3,298 Mn (2013 - 2,363 Mn) and that of the company is Rs. 1,409 Mn (2013 - Rs. 1,097 Mn).

## 11. INVESTMENT PROPERTY

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
As at 1st April	2,650,500	-	2,650,500	-
Additions	558,689	1,293,352	854,097	1,293,352
Reclassification from/(to) PPE	(164,000)	234,000	707,047	234,000
Changes in fair value during the year	304,906	1,123,148	421,606	1,123,148
	<b>3,350,095</b>	<b>2,650,500</b>	<b>4,633,250</b>	<b>2,650,500</b>

In accordance with LKAS 40, fair value of the below Investment Properties were ascertained as at 31 March 2014 by Mr. T Weeratne (FIV), an independent professional valuer using Open Market Value method.

Location	Method of valuation	Land extent	2014 Valuation Rs '000	2013 Valuation Rs '000
Canal Row - Colombo 01	Open market value	15 Perches	306,000	234,000
Vauxhall street	Open market value	1.5 Acres	2,168,850	1,906,000
Braybrook place	Open market value	78.2 Perches	612,800	510,500
Nittambuwa	Open market value	112 Perches	88,700	-
Cargills Square - Jaffna	Open market value	Leashold	795,600	-
Staple Street - Colombo 02	Open market value	81.5 Perches	750,000	-

# Notes to the Financial Statements contd.

## 12. INTANGIBLE ASSETS

Group	Goodwill		Franchisee fee		Software		Brand name		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Gross value</b>										
As at 1 April	396,571	396,571	118,633	81,306	26,394	16,029	1,331,865	1,331,865	1,873,463	1,825,771
Additions	-	-	52,473	37,327	6,108	10,365	-	-	58,581	47,692
As at 31 March	396,571	396,571	171,106	118,633	32,502	26,394	1,331,865	1,331,865	1,932,044	1,873,463
<b>Amortisation/Impairment</b>										
As at 1 April	138,978	36,450	55,634	46,951	14,169	11,266	-	-	208,781	94,667
Amortisation for the year	-	-	9,689	8,683	5,582	2,903	-	-	15,271	11,586
Impairment	-	102,528	-	-	-	-	-	-	-	102,528
As at 31 March	138,978	138,978	65,323	55,634	19,751	14,169	-	-	224,052	208,781
<b>Net book value as at 31 March</b>	<b>257,593</b>	<b>257,593</b>	<b>105,783</b>	<b>62,999</b>	<b>12,751</b>	<b>12,225</b>	<b>1,331,865</b>	<b>1,331,865</b>	<b>1,707,992</b>	<b>1,664,682</b>

Goodwill as at the reporting date has been tested for impairment and found no impairment in carrying value.

Brand name has been tested for impairment and found no impairment during the year. Management is in the view that the brand name has an infinite useful life and accordingly no amortisation is charged. 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'.

Amortisation of intangible assets of Rs. 10.71 Mn (2013 - 9.43 Mn) have been included in cost of goods sold and Rs. 4.56 Mn (2013 - 2.16 Mn) in administrative expenses.

## 13. INVESTMENTS

	No of Shares	Holding	Group		Company	
			2014	2013	2014	2013
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>13.1 Investments in subsidiaries</b>						
<b>Unquoted:</b>						
Cargills Foods Company (Private) Limited	47,500,002	100%	-	-	475,000	475,000
Cargills Quality Foods Limited	4,860,291	100%	-	-	1,193,453	1,193,453
Millers Brewery Limited	20,000,002	100%	-	-	2,010,000	2,010,000
Dawson Office Complex (Private) Limited	1,001	100%	-	-	100	100
			-	-	3,678,553	3,678,553
<b>13.2 Investment in associate</b>						
<b>Unquoted:</b>						
C T Properties Limited	21,500,000	15.63%	367,573	89,768	216,075	216,075
			367,573	89,768	216,075	216,075

			Group		Company	
	No of Shares	Holding	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
13.3 Other long term investments						
Cargills Bank Limited	66,000,000	15%	660,000	660,000	660,000	660,000
			660,000	660,000	660,000	660,000
13.4 Other financial assets						
13.4.1 Available for sale financial instruments						
Other Quoted equity investments						
Lanka IOC PLC	200,000		4,080	3,880	4,080	3,880
Sierra Cables PLC	49,500		107	163	21	33
Aitken Spence PLC	267,500		31,993	30,094	31,993	30,094
			36,180	34,136	36,094	34,006
Increase/(Decrease) in fair value of investments			(2,210)	2,044	(2,190)	2,088
			33,970	36,180	33,904	36,094
13.4.2 Other non equity investments						
Call deposits			425,000	250,000	-	-
Re-purchase agreements			78,450	76,000	-	-
			503,450	326,000	-	-
			537,420	362,180	33,904	36,094

The market value of quoted short term investments as at 31 March 2014, as quoted by the Colombo Stock Exchange amounted to Rs. 33.97 Mn (2013 - Rs. 36.18 Mn)

Cargills Quality Foods Limited, Cargills Foods Company (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 for CQF.

Kotmale Holdings PLC is a subsidiary of Cargills Quality Foods Limited (CQF) in which CQF has 94.07% stake and the financial statements of the said subsidiary has been consolidated.

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

During the year, Cargills Quality Foods Limited, a wholly owned subsidiary of the Company, acquired 2,766,158 ordinary shares of the subsidiary Kotmale Holdings PLC at a purchase consideration of Rs. 152.9 Mn and the value of net assets acquired was Rs. 68.2 Mn and resulting excess payment of Rs. 84.8 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 94.07% from 85.26%.



# Notes to the Financial Statements contd.

## 13.5 Investment in associates

	2014 Rs. '000	Group 2013 Rs. '000
As at 1 April	89,768	103,619
Gain on dilution of investment in associate	32,843	-
Share of loss incurred	(33,578)	(13,851)
Share of OCI	278,540	-
As at 31 March	367,573	89,768

## 13.6 Summarised financial information of associates

	2014 Rs. '000	Group 2013 Rs. '000
Group share of;		
Revenue	27,713	74,327
Operating expenses	(27,327)	(36,309)
Finance expenses	(33,964)	(51,138)
Income tax expense	-	(731)
Loss for the year	(33,578)	(13,851)
Group share of;		
Total assets	316,015	238,740
Total liabilities	(155,785)	(356,315)
Net assets	160,230	(117,575)
Goodwill	207,343	207,343
	367,573	89,768

The Shareholding of the Company in C T Properties Ltd (CTPL) has reduced to 15.63% as at 31st March 2014. Nevertheless, CTPL is accounted as an Associate of the Company based on the nature of the controlling interest of the Company in CTPL.

## 14. PREPAYMENT ON LEASEHOLD LAND AND BUILDING

	2014 Rs. '000	Group 2013 Rs. '000
Gross value		
As at 31 March	35,000	35,000
Amortisation		
As at 1 April	7,000	6,125
Amortisation for the year	875	875
As at 31 March	7,875	7,000
Balance as at 31 March	27,125	28,000
Current portion of the prepayment	875	875
Non- current portion of the prepayment	26,250	27,125
	27,125	28,000

## 15. DEFERRED TAX ASSETS

	Group	
	2014 Rs. '000	2013 Rs. '000
As at 1 April	251,040	167,971
On revaluation surplus of building	-	(23,278)
Release / (charge) for the year	98,162	106,347
As at 31 March	349,202	251,040
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	(17,828)	(53,201)
- Temporary difference of revaluation surplus of building	(11,592)	(14,308)
- Temporary difference on provisions	25,435	28,536
- Temporary difference of employee benefits	22,696	8,430
- Temporary difference on deferred income	29,717	16,344
- Temporary difference of carry forward tax losses	300,774	265,239
	349,202	251,040
Reversal/(origination) of deferred tax		
Total expense released/(charged) to income statement	100,244	106,347
Total expense released/(charged) to OCI	(2,082)	(23,278)
	98,162	83,069

Deferred tax assets of Rs. 274.8 Mn, Rs. 52.2 Mn, Rs. 1.0 Mn, 18.2 Mn and Rs. 2.8 Mn respectively arising from the subsidiaries Millers Brewery Limited, Cargills Agrifoods Limited, Cargills Distributors (Private) Limited, Cargills Foods Company (Private) Limited and Cargills Foods Services (Private) Limited have been recognised.

## 16. INVENTORIES

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Raw and packing materials	911,710	739,242	-	-
Work in progress	46,244	47,364	-	-
Finished goods	394,109	274,671	-	-
Merchandising stock for sale	4,522,373	3,680,010	16,143	3,404,256
Food and beverages - restaurant operations	72,317	66,990	-	-
Consumables	109,599	127,257	-	65,350
	6,056,352	4,935,534	16,143	3,469,606
Provision for obsolete inventories	(53,843)	(63,456)	-	(1,284)
	6,002,509	4,872,078	16,143	3,468,322
Goods in transit	114,923	90,433	-	33,187
	6,117,432	4,962,511	16,143	3,501,509

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

# Notes to the Financial Statements contd.

## 17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Trade receivables	1,604,072	1,317,498	36,180	130,707
Provision for bad and doubtful debts	(109,268)	(139,718)	-	(6,754)
	1,494,804	1,177,780	36,180	123,953
Prepayments and deposits	1,222,387	812,385	358,493	568,610
Other receivables	246,271	288,238	34,542	103,842
Loans and advances (note 17.1)	20,047	15,134	19,320	14,192
Tax recoverable (note 17.2)	365,109	246,718	181,069	74,347
	3,348,618	2,540,255	629,604	884,944

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

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

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
As at 1 April	15,134	10,775	14,192	9,740
Loans granted	38,860	39,411	34,498	36,122
	53,994	50,186	48,690	45,862
Repayments	(33,947)	(35,052)	(29,370)	(31,670)
As at 31 March	20,047	15,134	19,320	14,192

### 17.2 Tax recoverable

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

## 18. AMOUNTS DUE FROM/DUE TO RELATED COMPANIES

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
<b>Amounts due from subsidiaries</b>				
Cargills Quality Foods Limited	-	-	2,039,996	2,553,726
Dawson Office Complex (Private) Limited	-	-	259,884	260,417
Millers Brewery Limited	-	-	3,003,251	2,111,365
Millers Limited	-	-	18,015	180
Kotmale Dairy Products Limited	-	-	47,982	3,950
	-	-	5,369,128	4,929,638
<b>Amounts due from holding company</b>				
C T Holdings PLC	18,199	18,138	17,454	17,465
<b>Amounts due from other related companies</b>				
Cargills Bank Limited	29,219	729,457	29,180	729,457
Ceylon Hotels Corporation PLC	89	247	-	-
Ceylon Printers PLC	1	7	-	-
Ceylon Theatres (Private) Limited	9,573	505	9,464	391
C T Land Development PLC	5,519	438	5,519	438
C T Properties Limited	85,563	77,980	85,563	77,971
CT Real Estate (Private) Limited	8,756	7,250	8,756	7,250
Galle Face Hotel Company Limited	-	81	-	-
Kandy Hotels Company (1938) PLC	530	1,147	-	-
Lanka Floortiles PLC	-	2,500	-	2,500
	139,250	819,612	138,482	818,007
<b>Total amount due from related companies</b>	<b>157,449</b>	<b>837,750</b>	<b>5,525,064</b>	<b>5,765,110</b>
<b>Amounts due to subsidiaries</b>				
Cargills Agrifoods Limited	-	-	-	58,122
Cargills Distributors (Private) Limited	-	-	-	10,496
Cargills Quality Confectioneries (Private) Limited	-	-	-	25,503
Cargills Foods Company (Private) Limited	-	-	929,455	517,551
Cargills Quality Dairies (Private) Limited	-	-	-	51,447
Cargills Frozen Products Limited	-	-	50,000	-
CPC (Lanka) Limited	-	-	-	12,877
	-	-	979,455	675,996
<b>Amounts due to other related companies</b>				
CT Land Development Limited	104	-	-	-
Dialog Axiata PLC	20,325	23,294	-	23,294
Lanka Ceramics PLC	-	146	-	251
Unidil Packaging (Private) Limited	-	4,545	-	-
	20,429	27,985	-	23,545
<b>Total amount due to related companies</b>	<b>20,429</b>	<b>27,985</b>	<b>979,455</b>	<b>699,541</b>

# Notes to the Financial Statements contd.

## 19. STATED CAPITAL

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Issued and fully paid : 224,000,000 Ordinary shares	130,723	130,723	130,723	130,723

## 20. RESERVES

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Capital reserves				
Revaluation reserve	7,107,668	6,933,525	5,857,818	5,857,818
Capital reserve	7,928	7,928	-	-
	7,115,596	6,941,453	5,857,818	5,857,818
Revenue reserve				
General reserve	485,500	485,500	485,500	485,500
Available for sale reserves	(16,751)	(14,541)	(16,695)	(14,505)
	7,584,345	7,412,412	6,326,623	6,328,813

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 financial assets.

## 21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Cash at bank and in hand	602,057	887,482	99,398	771,555
For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise the following:				
Cash and bank balances	602,057	887,482	99,398	771,555
Bank overdraft	(2,190,186)	(4,643,983)	(1,320,998)	(3,763,142)
	(1,588,129)	(3,756,501)	(1,221,600)	(2,991,587)



## 22. ASSETS HELD FOR SALE

The Company has initiated the restructuring process in 2013/14 to transfer its retail operations to one of its wholly owned subsidiary, Cargills Foods Company (Private) Limited (CFC). The details pertaining to restructuring is illustrated under note no. 32. In accordance with the Sri Lanka Financial Reporting Standard (SLFRS 5) the property plant and equipment associated with the Retail operations which remained with the Company have been disclosed as Assets held for sale. These assets except for free hold land and building were transferred to CFC on 31 May 2014.

	Freehold land	Freehold building	Expenditure incurred on leasehold building and others	Plant, machinery and others	Motor vehicles	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost / revaluation	2,889,000	344,691	1,937,217	5,275,524	90,080	10,536,512
Accumulated Depreciation	-	(37,706)	(1,169,144)	(2,870,468)	(78,842)	(4,156,160)
Carrying Value	2,889,000	306,985	768,073	2,405,056	11,238	6,380,352

## 23. BORROWINGS

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
<b>Current</b>				
Current portion of long term loan	556,119	397,303	499,000	299,600
Short term loans	12,735,000	7,235,190	10,270,000	6,955,190
Bank overdraft	2,190,186	4,643,983	1,320,998	3,763,142
	15,481,305	12,276,476	12,089,998	11,017,932
<b>Non-current</b>				
Bank borrowings (note 23.1)	1,289,319	1,850,163	1,201,400	1,700,400
	1,289,319	1,850,163	1,201,400	1,700,400
<b>Total borrowings</b>	<b>16,770,624</b>	<b>14,126,638</b>	<b>13,291,398</b>	<b>12,718,332</b>
<b>23.1 Non current</b>				
As at 1 April	2,247,466	384,167	2,000,000	-
Loans received	-	2,000,000	-	2,000,000
Repayments	(402,029)	(136,701)	(299,600)	-
As at 31 March	1,845,438	2,247,466	1,700,400	2,000,000
Falling due within one year	(556,119)	(397,303)	(499,000)	(299,600)
	1,289,319	1,850,163	1,201,400	1,700,400
Repayment during 1-2 years	558,397	555,697	501,700	499,000
Repayment during 2-5 years	730,922	1,294,466	699,700	1,201,400
	1,289,319	1,850,163	1,201,400	1,700,400

# Notes to the Financial Statements contd.

## 23. BORROWINGS (CONTD.)

23.2 Details of all loans outstanding together with the related securities offered as at the reporting date are set out below:

Institution and facility	Principal amount Rs. '000	Repayment terms & interest rate	Security offered
<b>Cargills (Ceylon) PLC</b>			
<b>Bank overdrafts</b>			
BOC	115,000	Average interest rate of 11.09%	Trading stock of 15 locations
Commercial Bank	100,000	Average interest rate of 11.79%	An agreement to mortgage land and building at Kandy for Rs. 100 Mn and Corporate guarantee from C T Holdings PLC for Rs. 50 Mn.
Deutsche Bank	500,000	Average interest rate of 11.48 %.	
HSBC	500,000	Average interest rate of 11.31 %.	
MCB	375,000	Average interest rate of 11.77 %.	
NTB	750,000	Average interest rate of 11.41 %.	
SCB	10,000	Average interest rate of 14.07%	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 12.24%	Stock Mortgage for Rs. 100 Mn and Cash margin of Rs. 2 Mn.
<b>Short term loans</b>			
Commercial Bank	1,600,000	Average interest rate of 11.09 %.	
HNB	4,000,000	Average interest rate of 11.35 %.	
HSBC	470,000	Average interest rate of 11.50 %.	
Sampath Bank	1,800,000	Average interest rate of 11.46 %.	Existing Hypothecation Bond for Rs. 100M over trading Stock and Book Debts of the company
SCB	2,040,000	Average interest rate of 11.59 %.	
Seylan Bank	1,000,000	Average interest rate of 10.25 %.	
<b>Long term loan</b>			
Commercial Bank	843,400	Average interest rate of 14.70%	
Habib Bank	428,500	5 years, The Loan is repayable in 48 monthly installments commencing from 13th Month of disbursement to 60th month.	Mortgage of debit & credit card receivables from the selected outlets.
State Bank of India	428,500		

Institution and facility	Principal amount Rs. '000	Repayment terms & interest rate	Security offered
<b>Cargills Quality Foods Limited</b>			
<b>Bank overdraft</b>			
Commercial Bank	75,000	Average interest rate of 11.79%.	
<b>Bank loan</b>			
Commercial Bank	300,000	71 monthly installments of Rs. 4.2 Mn per month , commencing from July 2007 and final installment of Rs. 1.8 Mn, at average interest rate of 13.61 % 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.
SCB	250,000	Average interest rate of 10.03%.	
National Development Bank PLC	300,000	Average interest rate of 8.90%.	
Sampath Bank	500,000	Average interest rate of 10.75%.	
<b>Cargills Quality Dairies (Private) Limited</b>			
<b>Bank overdraft</b>			
Seylan Bank	200,000	Average interest rate of 12.38 %.	
Commercial Bank	50,000	Average interest rate of 11.79 %.	
<b>Bank loan</b>			
SCB	250,000	Average interest rate of 10.03 %.	
National Development Bank PLC	250,000	Average interest rate of 8.90 %.	
<b>Cargills Agrifoods Limited</b>			
<b>Bank overdraft</b>			
Commercial Bank	100,000	Average interest rate of 11.79 %.	
<b>Bank loan</b>			
National Development Bank PLC	250,000	Average interest rate of 8.9 %.	
<b>Cargills Food Processors (Private) Limited</b>			
<b>Bank overdraft</b>			
Commercial Bank	100,000	Average interest rate of 11.79%	

# Notes to the Financial Statements contd.

## 23. BORROWINGS (CONTD.)

Institution and facility	Principal amount Rs. '000	Repayment terms & interest rate	Security offered
<b>Millers Limited</b>			
<b>Bank overdrafts</b>			
HSBC	200,000	Average interest rate of 10.46 %.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 200 Mn.
MCB	25,000	Average interest rate of 11.99 %.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 75 Mn.
SCB	250,000	Average interest rate of 14.18 %.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 250 Mn.
<b>Bank Loans</b>			
Commercial Bank	165,000	Average interest rate of 11.18 %.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 215 Mn.
HNB	175,000	Average interest rate of 11.08 %.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 335 Mn.
<b>Cargills Quality Confectioneries (Private) Limited</b>			
<b>Bank overdrafts</b>			
BOC	176,450	Average interest rate of 9.5 %.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 176.45 Mn.
BOC	47,540	Average interest rate of 9.5 %.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 47.54 Mn. Mortgage over leasehold right of the land, buildings and plant & machinery fixed in the premises.
Commercial Bank	25,000	Average interest rate of 11.79%	
<b>Bank Loans</b>			
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 7.67% 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 & 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.

Institution and facility	Principal amount Rs. '000	Repayment terms & interest rate	Security offered
<b>Kotmale Dairy Products (Private) Limited</b>			
<b>Bank overdraft</b>			
BOC	10,000	Average interest rate of 14.63 %.	Corporate guarantee from Kotmale Holdings PLC mortgage over stocks and book debts.
<b>Import loans</b>			
BOC	40,000	Average interest rate of 14.63 %.	Corporate guarantee from Kotmale Holdings PLC mortgage over stocks and book debts.
<b>Series of Loan on Import</b>			
BOC	40,000	Average interest rate of 14.63 %.	Corporate guarantee from Kotmale Holdings PLC mortgage over stocks and book debts.
<b>Bank loans</b>			
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.
<b>Kotmale Milk Products Limited</b>			
<b>Bank Overdraft</b>			
PABC	5,000	Average interest rate of 14.75 %.	Corporate guarantee from Kotmale Holdings PLC.
<b>Import Loan Facility</b>			
PABC	20,000	Average interest rate of 14.75 %.	Corporate guarantee from Kotmale Holdings PLC.
<b>Millers Brewery Limited</b>			
<b>Bank Overdraft</b>			
Commercial Bank	100,000	Average interest rate of 11.84 %.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 100 Mn.
<b>Bank Loans</b>			
SCB	250,000	Average interest rate of 11.59 %.	



# Notes to the Financial Statements contd.

## 24. DEFERRED TAX LIABILITY

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
As at 1 April	877,565	499,023	493,836	365,350
Directly charged to reserves	-	141,696	-	92,424
Charge / (release) for the year	252,141	236,846	59,976	36,062
As at 31 March	1,129,706	877,565	553,812	493,836
Deferred tax provision as at the year end is made up as follows.				
Deferred tax provision from				
- Temporary difference of property plant and equipment	1,033,153	764,347	477,055	400,526
- Temporary difference of revaluation surplus of building	214,351	211,635	162,362	162,362
- Temporary difference on carry forward tax losses	(5,997)	(4,709)	-	-
- Temporary difference on provisions	(10,783)	(22,540)	-	-
- Temporary difference of employee benefits	(101,018)	(74,490)	(85,605)	(69,052)
- Temporary difference of increase in future tax rates	-	3,322	-	-
	1,129,706	877,565	553,812	493,836
Reversal/(origination) of deferred tax				
Total expense charged / (released) to income statement	275,626	236,846	81,551	36,062
Total expense charged / (released) to OCI	(23,485)	141,696	(21,575)	92,424
	252,141	378,542	59,976	128,486

## 25. DEFERRED INCOME

	Group	
	2014 Rs. '000	2013 Rs. '000
Capital grant		
As at 1 April	58,372	25,658
Receipt during the year	51,014	33,337
Amortisation	(3,252)	(623)
As at 31 March	106,134	58,372
Revenue grant		
Receipt during the year	2,182	561
Amortisation	(2,182)	(561)
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. The two projects were completed and commenced their operation during the financial year under review.

Cargills Agrifoods Limited received Rs. 51.01 Mn as a capital grant in respect of a project undertaken at Kilinochchi during the financial year ended 31 March 2014.

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

## 26. EMPLOYEE BENEFITS

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
At the beginning of the year	285,152	250,204	246,615	216,596
Transfer to subsidiary	-	-	(55,669)	-
Income statement charge	77,002	57,076	55,448	50,792
Actuarial (gain)/loss	76,018	-	77,053	-
Contributions paid	(21,950)	(22,128)	(17,714)	(20,773)
At the end of the year	416,222	285,152	305,732	246,615
The amount recognised in the statement of financial position is as follows:				
Present value of unfunded obligation	416,222	285,152	305,732	246,615
Present value of funded obligation	-	-	-	-
Total present value of obligation	416,222	285,152	305,732	246,615
Fair value of plan assets	-	-	-	-
Recognised liability for defined benefit obligation	416,222	285,152	305,732	246,615
The movement in retirement benefit obligation over the year is as follows:				
At the beginning of the year	285,152	250,204	246,615	216,596
Transfer to subsidiary	-	-	(55,668)	-
Current service cost	45,635	36,910	34,442	32,620
Interest cost	31,367	27,518	21,004	23,826
Benefit paid	(21,950)	(22,128)	(17,714)	(20,773)
Actuarial (gain)/loss	76,018	(7,352)	77,053	(5,654)
Present value obligation as at the year end	416,222	285,152	305,732	246,615
The amount recognised in the income statement is as follows:				
Current service cost	45,635	36,910	34,442	32,620
Interest cost	31,367	27,518	21,006	23,826
Actuarial gain	-	(7,352)	-	(5,654)
	77,002	57,076	55,448	50,792
The amount recognised in other comprehensive income as follows:				
Actuarial loss	76,018	-	77,053	-

### Actuarial (gain)/loss

Actuarial (gain)/loss resulting from measurement of employee benefits is recognised in other comprehensive income from the financial year 2013/14. The comparatives have not been adjusted based on materiality.

This obligation is not externally funded.

# Notes to the Financial Statements contd.

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 2014. The principal assumptions used in the actuarial valuation were as follows:

	2014 %	2013 %
1. Discount rate (the rate of interest used to discount the future cash flows in order to determine the present value)	10.5	11
2. Future salary increase		
- Executives	7	10
- Staff	7	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.

## Sensitivity of assumptions used

If a one percentage point change in the assumed discount rate would have the following effects:

	2014			
	Discount rate	Group Rs.'000 Future salary increment rate	Discount rate	Company Rs.'000 Future salary increment rate
Increase in one percentage point	(21,974)	27,257	(15,263)	18,983
Decrease in one percentage point	24,955	(24,337)	17,362	(16,929)

## 27. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Trade payables	5,821,648	5,471,791	113,185	4,657,304
Other payables	1,075,083	1,184,955	379,867	781,742
Accrued expenses	1,206,809	1,194,411	16,974	711,910
	8,103,540	7,851,157	510,026	6,150,956

Other payable of the company includes NTB payable, ESC payable and SRL payable.

## 28. DIVIDENDS PAYABLES

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Unclaimed dividends	22,956	19,997	22,587	19,809

## 29. SEGMENTAL INFORMATION – THE PRIMARY SEGMENTS (BUSINESS SEGMENTS)

Segment results are as follows;

	Retail		Fast Moving Consumer Goods		Restaurant		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	49,204,233	44,258,443	15,860,096	14,364,406	2,156,555	1,954,824	67,220,884	60,577,673
Intra segment revenue	(3,901,369)	-	(345,330)	(1,219,536)	-	-	(4,246,699)	(1,219,536)
Inter segment revenue	(14,960)	(38,586)	(4,636,372)	(3,940,634)	-	-	(4,651,332)	(3,979,220)
	45,287,904	44,219,857	10,878,394	9,204,236	2,156,555	1,954,824	58,322,854	55,378,917
Segment operating profit	1,927,182	1,688,904	241,751	383,030	41,909	189,946	2,210,842	2,261,880
Net Finance cost	(1,101,748)	(1,099,277)	(246,967)	(125,520)	(3,245)	(3,546)	(1,351,960)	(1,228,343)
Change in fair value of investment property	286,206	1,123,148	18,700	-	-	-	304,906	1,123,148
Share of associate results	(33,578)	(13,851)	-	-	-	-	(33,578)	(13,851)
Profit before taxation	1,078,062	1,698,924	13,484	257,510	38,664	186,400	1,130,210	2,142,834
Income tax expense								
Current income tax	(228,161)	(185,585)	(95,987)	(169,535)	(1,980)	(27,460)	(326,128)	(382,580)
Deferred income tax	(41,586)	(36,062)	(99,735)	(74,196)	(13,202)	(20,240)	(154,522)	(130,498)
Profit for the year	808,315	1,477,277	(182,238)	13,779	23,482	138,700	649,560	1,629,756
Attributable to:								
Equity shareholders of the parent	808,315	1,477,277	(189,205)	(3,459)	23,482	138,700	642,593	1,612,518
Non controlling interest	-	-	6,967	17,238	-	-	6,967	17,238
	808,315	1,477,277	(182,238)	13,779	23,482	138,700	649,560	1,629,756
Segment assets								
Non current assets								
Property, plant and equipment	13,111,451	12,266,166	8,022,443	7,618,477	986,896	752,924	22,120,791	20,637,567
Investment Property	3,261,396	2,650,500	88,700	-	-	-	3,350,095	2,650,500
Intangible assets	257,593	236,437	1,335,238	1,357,744	115,161	70,501	1,707,992	1,664,682
Prepayments of leasehold buildings	-	-	26,250	27,125	-	-	26,250	27,125
Other long term investments	660,000	660,000	-	-	-	-	660,000	660,000
Investment in associates	367,573	89,768	-	-	-	-	367,573	89,768
Deferred tax assets	18,219	-	328,101	251,040	2,882	-	349,202	251,040
Total non current assets	17,676,234	15,902,871	9,800,732	9,254,386	1,104,939	823,425	28,581,903	25,980,682
Current assets								
Inventories	4,171,495	3,425,248	1,875,760	1,472,422	70,177	64,841	6,117,432	4,962,511
Trade and other receivables	1,719,202	1,741,542	1,666,140	1,502,095	120,725	134,368	3,506,067	3,378,005
Short term investments	33,900	36,094	503,486	326,042	34	44	537,420	362,180
Cash and cash equivalents	462,139	777,150	116,530	81,736	23,388	28,596	602,057	887,482
Total current assets	6,386,736	5,980,034	4,161,916	3,382,295	214,324	227,849	10,762,976	9,590,178
Total segmental assets	24,062,971	21,882,905	13,962,647	12,636,681	1,319,262	1,051,274	39,344,879	35,570,860

# Notes to the Financial Statements contd.

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

	Retail		Fast Moving Consumer Goods		Restaurant		Group	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Segment liabilities</b>								
<b>Non current liabilities</b>								
Borrowings	1,201,400	1,700,400	87,919	149,763	-	-	1,289,319	1,850,163
Deferred tax liability	553,813	493,836	527,652	351,571	48,241	32,158	1,129,706	877,565
Deferred income	-	-	106,134	58,372	-	-	106,134	58,372
Retirement benefit obligation	367,882	246,615	48,340	38,537	-	-	416,222	285,152
<b>Total non current liabilities</b>	<b>2,123,095</b>	<b>2,440,851</b>	<b>770,045</b>	<b>598,243</b>	<b>48,241</b>	<b>32,158</b>	<b>2,941,381</b>	<b>3,071,252</b>
<b>Current liabilities</b>								
Trade and other payables	6,518,539	6,262,598	1,659,280	1,577,795	434,812	343,530	8,612,631	8,183,923
Borrowings	12,342,135	11,045,431	3,090,730	1,169,058	48,440	61,987	15,481,305	12,276,476
<b>Total current liabilities</b>	<b>18,860,674</b>	<b>17,308,029</b>	<b>4,750,010</b>	<b>2,746,853</b>	<b>483,252</b>	<b>405,517</b>	<b>24,093,936</b>	<b>20,460,399</b>
<b>Total segmental liabilities</b>	<b>20,983,769</b>	<b>19,748,880</b>	<b>5,520,055</b>	<b>3,345,096</b>	<b>531,493</b>	<b>437,675</b>	<b>27,035,317</b>	<b>23,531,651</b>
<b>Other information</b>								
Capital expenditure	2,438,113	2,847,613	1,018,894	1,600,150	436,980	385,272	3,893,987	4,833,035
Depreciation	939,041	787,965	607,582	452,889	128,357	90,162	1,674,980	1,331,017

Segmental information - the secondary segments (geographical segments)

The Group does not distinguish its turnover into significant geographical segments.

## 30. COMMITMENTS

	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
<b>Capital commitment</b>				
Approved and contracted	425,670	952,018	-	751,756
<b>Financial commitments</b>				
Future payments of operating lease rentals:				
- within 1 year	634,953	493,238	37,900	411,079
- between 1 - 5 years	3,090,695	2,486,254	233,858	2,086,608
- more than 5 years	4,961,916	3,094,167	425,702	2,593,363
	<b>8,687,565</b>	<b>6,073,659</b>	<b>697,460</b>	<b>5,091,050</b>



### 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 Foods Comapny (Pvt) Limited - Rs. 190.9 Mn, Cargills Agrifoods Limited- Rs. 80.49 Mn, Cargills Quality Dairies (Private) Limited - Rs. 246.43 Mn, Cargills Quality Foods Limited - Rs. 16.56 Mn and Kotmale Dairy Products (Private) Limited - Rs. 27.95 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. 2.28 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 reporting date which would result in material liability.

There are no other material contingent liabilities as at the reporting date.

### 32. TRANSFER OF OPERATION WITHIN THE GROUP

As a part of the restructuring process, Yoghurt production and sales operations were transferred from Kotmale Dairy Products (Private) Limited to Cargills Quality Dairies (Private) Limited in June 2013 and UHT milk production and sales operations were transferred to Cargills Quality Dairies (Private) Limited from Kotmale Milk Products Limited in February 2013. The Royalty of 3% on the net sales is paid by Cargills Quality Dairies (Private) Limited for the sales of "Kotmale" branded products.

#### Restructure of Operations

The Board of Directors of the Company received shareholder approval at an Extraordinary General Meeting held on September 20, 2013, to restructure the business operations of the Company by transferring the retail operations to one of its wholly owned subsidiaries, Cargills Foods Company (Private) Limited (CFC).

Accordingly, the retail operations and the associated assets and liabilities, excluding property plant and equipment, were transferred to CFC during the Financial Year 2013/14. The relevant Property, Plant & Equipment, however, was transferred to CFC on 31st May 2014. The Company received rental income from CFC for the use of such Property, Plant & Equipment during the intervening period. These assets except for free hold land and building were transferred to CFC on 31 May 2014.

In accordance with the Sri Lanka Accounting Standard SLFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, the Property, Plant & Equipment associated with the Retail operations which remained with the Company have been disclosed as Assets held for sale in Note 22.

# Notes to the Financial Statements contd.

## **33. EVENTS AFTER THE REPORTING PERIOD**

On 30 May 2014, the Company together with its wholly owned subsidiary Millers Brewery Limited (MBL) entered into a sale and purchase agreement (SPA) with Lion Brewery (Ceylon) PLC (LION) and Pearl Springs (Private) Limited (PSPL- a wholly owned subsidiary of LION) to dispose of the shareholding including trademark of the Millers Brewery Limited for a consideration of Rs. 5.15 billion, subject to due diligence, settlement of all liabilities by MBL and other conditions precedent. No adjustment has been made to the financial statements of the Company at the reporting date, pending the completion of the due diligence and conditions precedent.

The Board of Directors have proposed a final dividend of 1.30 Rupee per share on 6 August 2014 (on the 224,000,000 shares now in issue) for the year ended 31 March 2014 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 reporting 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 34.3 to the financial statements.

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

### **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. 143.6 Mn (2013 - Rs. 134.1 Mn) to the directors as emoluments and Rs. nil (2013 - Rs. nil) as post employment benefits during the year. There are no other payments made to key management personnel apart from the disclosed amount.

### 34.2 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
<b>Group Companies</b>												
Cargills (Ceylon)PLC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cargills Agrifoods Limited			✓	✓	✓							
Cargills Distributors (Private) Limited			✓	✓								
Cargills Food Processors (Private) Limited			✓	✓	✓							
Cargills Food Services (Private) Limited			✓	✓	✓							
Cargills Frozen Product (Private) Limited			✓	✓								
Cargills Quality Confectioneries (Private) Limited			✓	✓								
Cargills Quality Dairies (Private) Limited			✓	✓	✓							
Cargills Quality Foods Limited		✓	✓	✓	✓							
Cargills Foods Company (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			✓		✓							
<b>Other Companies</b>												
Ceylon Printers PLC										✓		
Cargills Bank Limited	✓	✓			✓							
Ceylon Hotels Corporation PLC								✓				
Ceylon Printers PLC										✓		
Ceylon Theatres (Private) Limited		✓								✓	✓	
C T Capital Limited										✓		
C T Holdings PLC	✓	✓					✓		✓	✓	✓	
C T Properties Limited	✓	✓									✓	✓
Dialog Axiata PLC						✓						
Kandy Hotels Co. (1938) PLC								✓				

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

# Notes to the Financial Statements contd.

## 34. TRANSACTIONS WITH GROUP COMPANIES (CONTD.)

### 34.3 Transactions with related companies

Company	Sales Rs. '000	2014 Other income Rs. '000	Purchases Rs. '000	Other expenses Rs. '000	Sales Rs. '000	2013 Other income Rs. '000	Purchases Rs. '000	Other expenses Rs. '000
<b>Transactions with subsidiaries</b>								
Cargills Agrifoods Limited	-	-	-	-	-	-	496,170	12,993
Cargills Distributors (Private) Limited	-	-	91,212	-	-	-	238,049	4,571
Cargills Foods Company (Private) Limited	3,901,369	644,781	-	-	-	-	-	-
Cargills Food Processors (Private) Limited	-	-	-	27,336	-	12,494	-	-
Cargills Food Services (Private) Limited	-	6,000	-	1,246	-	-	-	-
Cargills Quality Confectioneries (Private) Limited	-	-	92,354	2,650	-	-	136,604	4,525
Cargills Quality Dairies (Private) Limited	-	11,385	586,502	3,806	-	-	868,877	2,735
Cargills Quality Foods Limited	-	11,385	234,896	6,766	-	-	437,989	4,654
CPC (Lanka) Limited	-	-	97,060	4,726	-	-	209,174	695
CPC Agrifoods Limited	-	11,385	255,504	12,346	-	-	-	-
Kotmale Dairy Products Limited	-	11,385	158,069	1,504	-	-	309,560	-
Millers Brewery Limited	-	11,385	465,371	-	-	-	731,674	-
Millers Limited	397	-	178,945	4,471	38,586	-	423,437	15,475
<b>Transactions with holding company</b>								
C T Holdings PLC	-	-	-	-	-	-	-	-
<b>Transactions with other related companies</b>								
Ceylon Theatres (Private) Limited	37	-	-	-	90	-	-	-
C T Land Development PLC	-	-	-	30,293	-	-	-	35,090
Dialog Axiata PLC	-	56,060	-	-	-	102,543	-	7,427
Galle Face Hotel Co. Limited	21	-	-	-	152	-	-	-
							2014 Rs. '000	2013 Rs. '000
<b>Net dividends received from subsidiary companies</b>								
Cargills Quality Foods Limited							448,605	448,119
Cargills Foods Company (Private) Limited							855	-

Group	2014				2013			
	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
<b>Transactions with other related companies</b>								
Ceylon Hotels Corporation PLC	358	-	-	-	540	-	-	-
Ceylon Printers PLC	15	-	-	-	45	-	-	936
Ceylon Theatres (Private) Limited	2,218	-	-	-	373	-	-	-
C T Land Development PLC	-	-	-	11,105	-	-	-	71,620
Dialog Axiata PLC	-	-	-	-	-	102,543	-	7,427
Galle Face Hotel Co. Limited	73	-	-	-	743	-	-	-
Kandy Hotels Co. (1938) PLC	2,366	-	-	-	2,133	-	-	-
United Hotels Co. Limited	-	-	-	-	331	-	-	-

#### Panadaria (Private) Limited

Mrs. R Page, wife of the Deputy Chairman/CEO is a Director of the above company with which the company and the group had the following transaction during the year and the amount outstanding as at 31 March 2014 was Rs. 4.36 Mn (2013 - Rs. 2.74 Mn).

- Purchases for re-sale in the ordinary course of business of Rs. 31.77 Mn (2013 - Rs. 28.79 Mn)
- Rental income of Rs. 1.56 Mn (2013 - 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 18 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.



# Notes to the Financial Statements contd.

## 35. FINANCIAL RISK MANAGEMENT (CONTD.)

### 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 reject 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 Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee

### 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;

#### Carrying value

As at March	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Trade receivables	1,494,804	1,177,780	36,180	123,953
Loans and advances	20,047	15,134	19,320	14,192
Amount due from related companies	157,449	837,750	5,525,064	5,765,110
Cash and cash equivalents	602,057	887,482	99,398	771,555
	2,274,357	2,918,146	5,679,962	6,674,810

#### 35.1.1 Trade receivables

As at March	Group		Company	
	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Past due 1 - 30 days	843,210	749,945	30,770	60,005
Past due 31 - 60 days	377,258	253,956	2,776	35,060
Past due 61 - 90 days	93,896	116,311	544	25,686
> 91 days	180,440	57,568	2,090	3,202
	1,494,804	1,177,780	36,180	123,953

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

#### 35.1.2 Loans and advances

Loans and advances represent loans given to permanent employees.

### 35.1.3 Amount due from related companies

The Group's amounts due from related companies mainly consist of receivables from other related companies and parent company. The Company's amounts due from related companies consist of receivables from all related companies.

### 35.1.3 Cash and cash equivalents

The Group and the Company held cash and cash equivalents of Rs. 602.0 Mn and Rs. 99.4 Mn at 31 March 2014 (2013 - Rs. 887.5 Mn and Rs. 771.5 Mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks, which are rated AAA (Ika) to A (Ika), based on Fitch Ratings.

### 35.1.4 Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At 31 March 2014, no guarantees were outstanding (2013: none).

## 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 2014

	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
<b>Group</b>							
<b>Financial instruments in non-current liabilities</b>							
Borrowings	-	558,397	532,622	198,300	-	-	1,289,319
<b>Financial instruments in current liabilities</b>							
Trade and other payables	8,103,540	-	-	-	-	-	8,103,540
Amounts due to related companies	20,429	-	-	-	-	-	20,429
Current portion of long term loan	556,119	-	-	-	-	-	556,119
Short term loan	12,735,000	-	-	-	-	-	12,735,000
Bank overdraft	2,190,186	-	-	-	-	-	2,190,186
	23,605,274	558,397	532,622	198,300	-	-	24,894,593
<b>Company</b>							
<b>Financial instruments in non-current liabilities</b>							
Borrowings	-	501,700	501,400	198,300	-	-	1,201,400
<b>Financial instruments in current liabilities</b>							
Trade and other payables	510,026	-	-	-	-	-	510,026
Amounts due to related companies	979,455	-	-	-	-	-	979,455
Current portion of long term loan	499,000	-	-	-	-	-	499,000
Short term loan	10,270,000	-	-	-	-	-	10,270,000
Bank overdraft	1,320,998	-	-	-	-	-	1,320,998
	13,579,479	501,700	501,400	198,300	-	-	14,780,879

# Notes to the Financial Statements contd.

## 35. FINANCIAL RISK MANAGEMENT (CONTD.)

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
<b>Group</b>							
<b>Financial instruments in non-current liabilities</b>							
Borrowings	-	556,119	558,397	537,347	198,300	-	1,850,163
<b>Financial instruments in current liabilities</b>							
Trade and other payables	7,851,157	-	-	-	-	-	7,851,157
Amounts due to related companies	27,985	-	-	-	-	-	27,985
Current portion of long term loan	397,303	-	-	-	-	-	397,303
Short term loan	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
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#### Financial instruments in current liabilities

Trade and other payables	6,150,956	-	-	-	-	-	6,150,956
Amounts due to related companies	699,541	-	-	-	-	-	699,541
Current portion of long term loan	299,600	-	-	-	-	-	299,600
Short term loan	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

## 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 adopt policy of ensuring borrowings are maintained at manageable level while optimizing 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 minimizing 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.

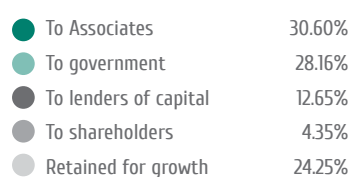
# Statement of Value Added

	2014		2013	
	%	Rs.'000	%	Rs.'000
<b>Creation of Value added</b>				
Gross revenue		63,699,931		57,763,590
Cost of good and service		(51,316,493)		(48,405,759)
Value added from operation		12,383,438		9,357,832
Dividend received		672		374
Other income		1,183,576		934,393
<b>Total value added</b>		<b>13,567,686</b>		<b>10,292,599</b>
<b>Distribution of value added</b>				
<b>To Associates</b>				
Salaries, wages and other related costs	25.62	3,475,620	29.29	3,014,790
Directors' fees and remuneration	1.06	143,561	1.30	134,120
	26.68	3,619,181	30.59	3,148,910
<b>To government</b>				
Government levies	39.63	5,377,077	23.17	2,384,673
Corporate taxes	3.54	480,650	4.98	513,078
	43.17	5,857,727	28.15	2,897,751
<b>To lenders of capital</b>				
Interest	13.02	1,766,238	12.49	1,285,164
Non controlling interest	0.05	6,967	0.16	17,238
	13.07	1,773,205	12.65	1,302,402
<b>To shareholders</b>				
Dividends	3.30	448,000	4.35	448,000
<b>Retained for growth</b>				
Depreciation	12.35	1,674,980	12.93	1,331,017
Retained earnings	1.43	194,593	11.32	1,164,518
	13.78	1,869,573	24.25	2,495,535
	100.00	13,567,686	100.00	10,292,599

Value addition for 2014



Value addition for 2013



# Five Year Financial Summary

Group	2010 Rs.'000	2011 Rs.'000	2012 Rs.'000	2013 Rs.'000	2014 Rs.'000
<b>Financial results</b>					
Revenue	30,874,797	37,128,661	48,256,413	55,378,917	58,322,854
Profit from operation	1,429,545	1,825,442	2,241,084	2,261,880	2,210,842
Profit before taxation	1,000,726	1,406,703	1,558,317	2,142,834	1,130,210
Profit after taxation	712,392	1,094,173	1,063,610	1,629,756	649,560
Non controlling interest	-	(5,623)	(14,263)	(17,238)	6,967
Profit attributable to equity shareholders of the parent	712,392	1,088,550	1,049,347	1,612,518	642,593
<b>Financial position</b>					
Stated capital	130,723	130,723	130,723	130,723	130,723
Reserves	6,010,432	6,621,750	7,251,680	11,801,239	12,132,893
Non controlling interest	-	89,723	85,914	107,247	45,946
<b>Capital and reserves</b>	<b>6,141,155</b>	<b>6,842,196</b>	<b>7,468,317</b>	<b>12,039,209</b>	<b>12,309,562</b>
<b>Current assets</b>	<b>4,697,601</b>	<b>5,741,704</b>	<b>8,675,827</b>	<b>9,590,178</b>	<b>10,762,976</b>
Current liabilities	(7,085,476)	(11,560,611)	(16,451,143)	(20,460,399)	(24,093,936)
Working capital	(2,387,875)	(5,818,907)	(7,775,316)	(10,870,221)	(13,330,960)
Non current assets	9,251,241	13,568,878	16,261,058	25,980,682	28,581,903
Non current liabilities	(722,211)	(907,775)	(1,017,425)	(3,071,252)	(2,941,381)
Non controlling interest	-	(89,723)	(85,914)	(107,247)	(45,946)
<b>Net assets</b>	<b>6,141,165</b>	<b>6,752,473</b>	<b>7,382,403</b>	<b>11,931,963</b>	<b>12,263,616</b>
<b>Key Indicators</b>					
Growth in turnover (%)	7.61	20.26	29.97	14.76	5.32
Growth in earnings (%)	42.63	52.80	(3.60)	53.67	(46.39)
Operating profit to turnover (%)	4.63	4.92	4.64	4.08	3.79
Earnings to turnover (%)	2.31	2.93	2.17	2.91	1.48
Return on total assets (%)	5.11	5.67	4.27	4.58	1.65
Growth in total assets (%)	44.39	38.44	29.14	42.64	10.61
Growth in capital and reserves (%)	187.95	11.42	9.15	61.20	2.25
Return on capital and reserves (%)	11.60	15.99	14.24	13.54	5.28
Return on investment (%)	17.22	16.86	14.86	16.71	5.34
Earnings per share (Rs.)	3.18	4.86	4.68	7.20	2.87
Dividends per share (Rs.)	1.10	1.50	2.00	2.00	2.00
Net assets per share (Rs.)	27.42	30.14	32.96	53.27	54.75
Dividends paid per share (Rs.)	0.80	1.30	1.70	2.00	2.00
Dividend pay out (%)	25.15	26.75	36.29	27.78	69.72
Dividends paid	179,200	291,200	380,800	448,000	448,000
Debt equity ratio (times)	1.27	1.82	2.34	1.95	2.20
Interest cover (times)	3.33	5.02	3.59	1.84	1.64
Current ratio (times)	0.66	0.50	0.53	0.47	0.45
Quick assets ratio (times)	0.23	0.19	0.23	0.23	0.19
Capital additions	602,720	1,408,938	2,510,633	3,540,035	3,335,299
Market capitalisation	15,792,000	51,139,200	38,976,000	34,003,200	30,576,000

(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 2014.



# Group Real Estate Portfolio

Location	Land extent	Building area (Sq ft)	Valuation/cost Rs '000	Year of valuation
<b>Cargills (Ceylon) PLC</b>				
Colombo 01	141 Perches	124,215	2,550,000	2013
Staple street - 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
Mattakuliya (III)	330 Perches	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
Mattakkuliya (I41)	1.8 Acres	44,469	457,750	2013
Vauxhall street	1.5 Acres	21,070	2,168,850	2014
Braybrook place	78 Perches	5,146	612,800	2014
Canal Raw, Colombo 01	15 Perches	12,300	306,000	2014
Cargills Square - Jaffna	Leasehold	98,525	795,600	2014
<b>Cargills Quality Foods Limited</b>				
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
<b>Cargills Agrifoods Limited</b>				
Katana	11.3 Acres	66,184	366,000	2013
<b>Millers Limited</b>				
Bandarawela	85 Perches	6,345	292,000	2013
Kelaniya	1.5 Acres	55,770	263,000	2013
Nittambuwa	112 Perches	-	88,700	2014
<b>CPC Lanka Limited</b>				
Katoolaya estate, Thawalantenne	4 Acres	695	5,000	2013
<b>Dawson Office Complex (Private) Limited</b>				
Colombo 02	94 Perches	-	655,000	2013
<b>Kotmale Dairy Products (Private) Limited</b>				
Mulleriyawa	1.7 Acres	28,862	100,000	2013
Bogahawatta	1.7 Acres	15,980	22,900	2013
<b>Millers Brewery Limited</b>				
Watareka	19.4 Acres	76,300	465,500	2013

# Investor Relations Supplement

## 1. General

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

## 2. Stock exchange listing

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

## 3. Distribution of shareholders

Size of	31 Mach 2014				31 Mach 2013			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 - 1,000	1,174	60.36	302,683	0.14	1,207	60.22	334,568	0.15
1,001 - 10,000	506	26.02	1,835,660	0.82	520	25.95	1,922,818	0.86
10,001 - 100,000	207	10.64	6,061,412	2.70	222	11.08	6,500,635	2.90
100,001 - 1,000,000	44	2.26	14,161,442	6.32	42	2.10	12,842,862	5.73
1,000,001 and over	14	0.72	201,638,803	90.02	13	0.65	202,399,117	90.36
	1,945	100.00	224,000,000	100.00	2,004	100.00	224,000,000	100.00

## 4. Analysis of shareholders

Group of	31 Mach 2014				31 Mach 2013			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Institutions	123	6.32	193,270,881	86.28	138	6.89	188,805,991	84.29
Individuals	1,822	93.68	30,729,119	13.72	1,866	93.11	35,194,009	15.71
Total	1,945	100.00	224,000,000	100.00	2,004	100.00	224,000,000	100.00
Residents	1,844	94.81	207,106,737	92.46	1,908	95.21	212,906,024	95.05
Non residents	101	5.19	16,893,263	7.54	96	4.79	11,093,976	4.95
Total	1,945	100.00	224,000,000	100.00	2,004	100.00	224,000,000	100.00

## 5. Group companies

During the year, Cargills Quality Foods Limited, a wholly owned subsidiary of the company, acquired 2,766,158 ordinary shares of the subsidiary Kotmale Holdings PLC at a purchase consideration of Rs. 152.9 Mn .

## 6. Share valuation

The market price per share recorded during the year ended 31 March	2014 Rs.	2013 Rs.
Highest	184.90	180.00
Lowest	125.00	125.00
Last traded price	136.50	151.80

## 7. Top 20 shareholders

The holdings of the top 20 shareholders

	31 March 2014		31 March 2013	
	Number of Shares	%	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	7,304,276	3.26
Odeon Holdings (Ceylon) Limited	4,622,920	2.06	4,622,920	2.06
Ceylon Guardian Investment Trust - A/C No.1	4,525,700	2.02	4,558,700	2.04
HSBC Intl Nom Ltd - SSBT-National Westminster Bank PLC	3,398,100	1.52	3,100,087	1.38
Ms. M M Page	3,359,603	1.50	2,724,604	1.22
BNY-CF Ruffer Investment Fund : CF Ruffer Pacific Fund	2,912,056	1.30	1,500,000	0.67
Mr. J C Page	1,705,500	0.76	1,705,500	0.76
HSBC Intl Nom Ltd - SSBT-Wasatch Frontier Emerging Small Countries Fund	1,500,000	0.67	-	-
HSBC Intl Nom Ltd-BBH-Prusik Asian Smaller Companies Funds Public Limited Company	1,438,822	0.64	-	-
HINL - JPMCB Butterfield Trust (Bermuda) Limited	1,297,500	0.58	1,297,500	0.58
Mellon Bank N.A. - Florida Retirement System	918,600	0.41	796,700	0.36
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
Banque Pictet & Cie SA	763,337	0.34	500,000	0.22
Sir Chittampalam A Gardiner Trust	563,040	0.25	563,040	0.25
HSBC Intl Nom Ltd - SSBT-Russell Institutional Funds Public Limited Company	560,000	0.25	420,000	0.19
National Savings Bank	543,800	0.24	543,800	0.24
<b>Total</b>	<b>209,089,834</b>	<b>93.34</b>	<b>203,313,707</b>	<b>90.77</b>

## 8. Public holding

The percentage of shares held by the public as at 31 March 2014 is 20.48% (2013 - 18.33%)

# Notice of Annual General Meeting

**N** Notice is hereby given that the sixty eighth Annual General Meeting of the Company will be held on Friday, 29 August 2014, 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 2014, with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Directors
  - (a) A. T. P. Edirisinghe, and
  - (b) S. E. C. Gardiner, who retire by rotation and offer themselves for re-election, and
  - (c) Jayantha Dhanapala, and
  - (d) Sunil Mendis, who retire in terms of Section 210 (2) (b) of the Companies Act No. 07 of 2007 having attained the age of seventy five and seventy years respectively and offer themselves for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 07 of 2007, and

## Ordinary Resolution (i)

"Resolved that Jayantha Dhanapala, a retiring Director, who has attained the age of seventy-five 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", and

## Ordinary Resolution (ii)

"Resolved that Sunil Mendis, a retiring Director, who has attained the age of seventy 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 2014/15.
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*

6 August 2014

## 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.

# Proxy Form

For use at the sixty eighth 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 eighth Annual General Meeting of the Company to be held on Friday, 29 August 2014 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)  
A T P Edirisinghe  
Jayantha Dhanapala

## 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 PLC  
Deutsche Bank  
DFCC Vardhana Bank  
Habib Bank Limited  
Hatton National Bank PLC  
HSBC  
MCB Bank Limited  
Nation Trust Bank  
National Development Bank PLC  
Pan Asia Bank  
Peoples 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 Foods Company (Private) Limited  
Cargills Frozen Product (Private) Limited  
Cargills Quality Confectionaries (Private) Limited  
Cargills Quality Dairies (Private) Limited  
Cargills Quality Foods Limited  
C P C Lanka Limited  
Dawson Office Complex (Private) Limited  
Kotmale Dairy Products (Private) Limited  
Kotmale Holdings PLC  
Kotmale Kiri (Private) Limited  
Kotmale Marketing (Private) Limited  
Kotmale Milk Foods Limited  
Kotmale Milk Products Limited  
Kotmale Products (Private) Limited  
Millers Brewery Limited  
Millers Limited

## Associate company

C T Properties Limited

# The Annual Report



Cargills (Ceylon) PLC  
**2013-2014**



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