

Socially conscious... **Environmentally** **entrenched...** **Culturally focused.**



Cargills (Ceylon) PLC
Annual Report 2015/16

Vision

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

Mission

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

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

by enhancing local and global markets.

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Socially conscious... **Environmentally** **entrenched...** **Culturally focused.**

Cargills comprehends that every link matters in strengthening and solidifying its chain of operations from farming and production to ensuring distribution is more efficient and that its products and services are widely accessible across the island.

By aligning your Company's reporting methodology with the GRI system to achieve the 'In Accordance Core' standard, Cargills embodies a greater role of responsibility in terms of environmental, social and economic focus now more than ever.

With a steadfast team, a strong leadership and a vision that takes in to account our responsibility towards society, environment and the nation at large, we have taken progressive steps on the right path to achieving greater sustainability, success and solidarity.



We build strong alliances with each farmer we work with to elevate the agriculture value chain pioneered by Cargills to the next level.



About this report

Scope and Boundaries

As the first comprehensive integrated report of Cargills (Ceylon) PLC this report covered the operations of Cargills (Ceylon) PLC and its subsidiaries as listed in the inner back cover of the compilation for the period from 1st April 2015 to 31st March 2016 which is the Group's annual reporting cycle. The date of the previous report was 31st March 2015.

Reporting Standards

The financial statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka in compliance with the requirements of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange and have been audited by M/s KPMG.

The report also adheres with the requirements of the Code of Best Practice on Corporate Governance issued jointly by the Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

For sustainability reporting we have adopted the Global Reporting Initiative GRI (G4) and contains Standard Disclosures from the GRI Sustainability Reporting Guidelines exceeding the "In Accordance Core Criteria".

Reporting Approach and Changes

We are of the view that the process of integrated reporting is a course of continuous improvement and hence is a journey that requires commitment from across tiers. This year Cargills has taken several steps in the right direction to encompass a more balanced insight into the Group's performance and prospects in relation to all material aspects

covering financial, social, environmental and governance pillars of reporting as per the G4 standards.

There are no restatements of information provided in previous reports. The changes to the report include the following:

- Coverage of material aspects as prescribed by the G4 guidelines of the Global Reporting Initiative (G4) covering the following:
 - a) General Standard Disclosures required for Core In Accordance standard
 - b) Specific Standard Disclosures
 - i. Economic Performance (G4-EC1, G4-EC8, G4-EC9)
 - ii. Environmental Performance (G4-EN3, G4-EN8, G4-EN11, G4-EN15, G4-EN22)
 - iii. Social Performance (G4-LA1, G4-LA6, G4-LA9, G4-LA11, G4-LA14, G4-SO1, G4-SO2, G4-PR3)
- Concise and graphical presentation of integrating details of our key lines of business and materiality aspects wherever suitable
- Focus on the interconnectivity of information for easy grasp of information

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 have 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.

Materiality

Based on the high priority placed on 'materiality' as per the GRI-4 guidelines Cargills uses stakeholder mapping and materiality matrix systems to zero-in on the material aspects for each stakeholder group. Accordingly the process of stakeholder identification and management along with the materiality test is elaborated in this report. In this our first report Cargills endeavours to ensure that the business strategy and the needs of our stakeholders are tracked and the alignment is verified. We have also made a clear and quantifiable disclosure on all material aspects identified in the scope of this report in correspondence with exceeding the 'In Accordance Core' standard of G4.

Information, Comments and Feedback

We welcome your comments, suggestions and queries regarding this Report.

To provide feedback please contact
Group Chief Financial Officer
Cargills (Ceylon) PLC
No. 40, York Street,
Colombo 1.

Email: ccl@cargillsceylon.com

Our Progress

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

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

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

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

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

In 2008 Cargills acquired Millers Limited consolidating its marketing and distribution operation.

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

In 2011, 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.



Financial Highlights

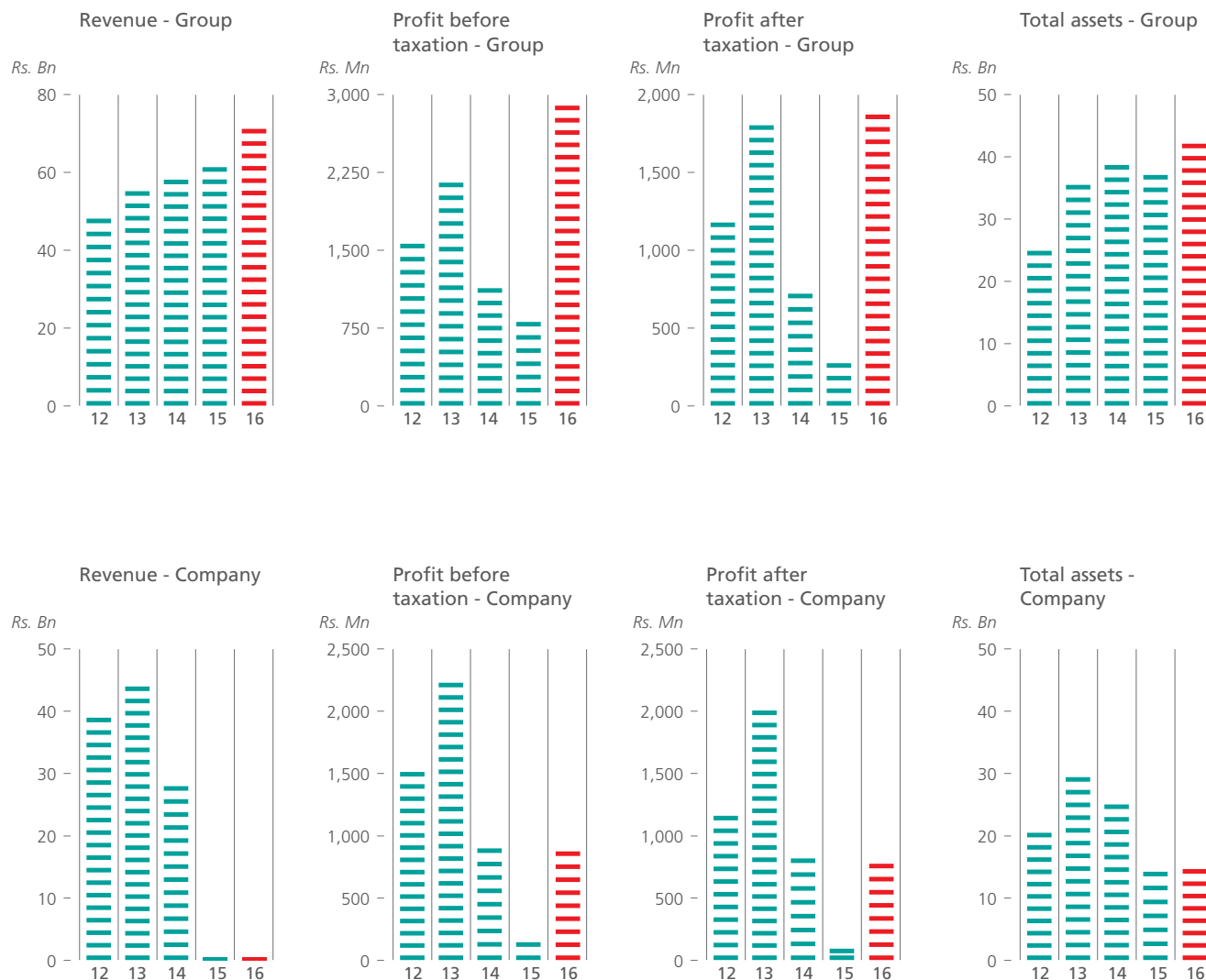
	Group			Company		
	2016 Rs.000	2015 Rs.000	Change %	2016 Rs.000	2015 Rs.000	Change %
Operations						
Continuing Operations						
Revenue	71,441,850	61,631,285	15.92	33,623	153,075	(78.03)
Profit from operations	3,463,013	1,571,788	120.32	1,011,476	538,171	87.95
Profit before taxation	2,886,008	804,653	258.66	879,017	144,274	509.27
Profit after taxation	1,690,581	247,217	583.84	779,182	72,343	977.07
Discontinuing Operations						
Profit from discontinued operation, net of tax	-	352,761	-	-	-	-
Financial Position						
Non-current assets	27,279,866	24,553,989	11.10	12,524,469	10,647,275	17.63
Current assets	14,931,269	12,864,433	16.07	2,199,256	3,653,914	(39.81)
Current liabilities	23,755,857	20,646,945	15.06	4,907,861	4,800,458	2.24
Non - current liabilities	3,950,460	3,892,330	1.49	411,094	367,282	11.93
Capital and reserves, Minority Interest and other equity	14,504,818	12,879,147	12.62	9,404,770	9,133,449	2.97
Per share data (Rs.)						
Earnings per share	7.25	2.57	181.85	3.48	0.32	977.07
Dividends per share	3.50	2.00	75.00	3.50	2.00	75.00
Net assets per share	63.04	55.99	12.59	41.99	40.77	2.97
Market assets per share	193.50	137.00	41.24	193.50	137.00	41.24
Cash Flow						
Net cash generated from/ (used in)						
- Operating activities	5,334,187	506,905		1,244,685	8,069,794	
- Investing activities	(3,418,140)	2,889,824		(892,307)	1,639,216	
- Financing activities	(694,501)	(4,147,052)		674,288	(11,013,583)	

Group Revenue


 Rs. **71,442** Mn

Group Operating Profit


 Rs. **3,463** Mn



Group Profit Before Tax


Rs. 2,886 Mn

Group Profit After Tax


Rs. 1,691 Mn

Our Businesses

Retail

Cargills Food City is Sri Lanka's largest modern retailer. Its pioneer venture into modern trade in 1983 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 in two formats as 'Cargills Food City' supermarkets and 'Cargills Food City Express' convenience stores. Cargills Food City has been rated the 10th most valuable brand in Sri Lanka as per the Brand Finance Index ratings of 2016 with a AA+ rating and is the only Retailer ranked in the top ten of national brands.

Cargills Foodcity footprint has reached 297 stores covering all 24 districts of Sri Lanka.



Processed Meats

Cargill's entered into food manufacturing through the acquisition of the 'Goldi' meats facility in 1993. Today the range consists of 'Goldi' and 'Sams' catering to mass market demand and the 'Finest' 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. In 2014 'Goldi' secured the certification for the SLS standard.





Our Businesses contd.

Dairy

Magic is the leading dairy ice cream in Sri Lanka having commenced operations in 2002 after the acquisition of an international ice cream facility. Cargills Quality Dairies which produces Magic ice cream and UHT and yoghurt products for its sister brand 'Kotmale' is the only dairy product manufacturing company in Sri Lanka to be accredited with all three ISO certifications; ISO 9001: 2000 Quality Management System certification, ISO 22000: 2005 Food Safety Management System certification and ISO 14001: 2004 Environment Management System certification. Cargills Magic was the first to introduce fresh fruits and local flavours to its portfolio of ice creams creating a new trend in the overall ice cream industry. Through its innovation driven focus Magic has expanded its market share exponentially and is now the fastest growing ice cream brand in Sri Lanka. The 'Heavenly' range is the premium segment of the Magic offering.



Kotmale is Sri Lanka's most widely consumed dairy brand renowned for its quality and freshness. The Brand is synonymous with locally produced milk and cheese and has won mass appeal for its delicious range of dairy ice cream, UHT and pasteurized milk, yoghurt and yoghurt drinks. Established in 1967 as Lambretta (Ceylon) Ltd, its beginnings are traced back to the cool surroundings of Bogahawatte, Patana (Upper Kotmale). Kotmale Holdings PLC was acquired by the Cargills Group in 2010.





Our Businesses contd.

Agrifoods

Kist is one of the most trusted brand names in Sri Lanka which entered into the Cargills fold in 2003 through the acquisition of an international processing facility. The brand is 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 and fresh juices to the market. Today the nutritious and delicious Kist nectar range has revolutionised the industry and is popular for its genuine fruity taste. The Brand has made further extensions.



Confectionery

Originally a regional biscuit facility, the company was acquired in 2010 and renamed Cargills Quality Confectionaries (Private) Limited. The Company is engaged in the manufacturing, distribution and marketing of biscuits and confectionaries under the Brand name 'Kist'. The factory located at the Nalanda Industrial Estate in Matale presently manufactures soft & hard dough biscuits & wafers.





Our Businesses contd.

Marketing and Distribution

The Company's marketing and distribution arm Millers is one of the oldest 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, Meadowlea, Belle, Alpelle etc., and is also the mass market distributor for its own brands Classic Mackerel and Milca Cheese.



Restaurants

Cargills secured the KFC franchise in 1996 and today KFC Sri Lanka is the largest and most popular international restaurant chain in the country with 27 outlets islandwide. 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 the 'TGI Fridays' franchise for Sri Lanka in 2012 and opened its flagship Restaurant in October 2013. TGI Fridays is a globally celebrated 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.







Cargills believes the role of women is critically important to developing the full potential of Sri Lanka's agriculture and food security.



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 2016.

Reporting Standards

This year's Report has been prepared in conformance with the Global Reporting Initiative G4 standard. G4 aligns with other reporting standards including the OECD Guidelines for Multinational Enterprises, the United Nations Global Compact Principles, and the UN Guiding Principles on Business and Human Rights. I am confident that this first step in the right direction would provide you with a greater insight into the many nuances of our diverse Group of Companies that are grounded on the principles of creating sustainable value for our many direct and indirect stakeholders spread across Sri Lanka and beyond.

Economic Overview

While the developments in the global economy present mixed opportunities to the island the overall pressure from the global economic situation is relatively of lesser concern to the economy which is grappling with low growth, high levels of debt, a yawning budget deficit and balance of payment deficit.

Against this back drop the Sri Lankan consumer environment took a turn for the positive in the year concluded buoyed by the changes evident in the policy environment. While consistency in policy was a cause for initial concern the overall thrust towards an enabling business environment that encourages and endorses private sector led growth is a boost to business. The long term development policy of the government is still being detailed out but the broad push towards a more organised, structured and sustainable economy augurs well for the future.

Management Focus

The resilience of Cargills was tested thoroughly in previous financial years to such an extent that the very fundamentals that drove our success were challenged. However the Management's realignment with our core strengths; the entrepreneurship vision focused on regional community development as the conduit of growth and the constant quest to exceed consumer expectation through innovation of businesses, processes, products and services, saw the Group reinvigorated in 2015/16. The strong focus on the ultimate potential of our Group and reinforcement of our ethos of reaching out to the needs of consumers and partners across Sri Lanka kept all businesses on course. Our unique style of social-centric enterprise that is the true character of Cargills is now being embodied into new systems and processes.

Retail

Sri Lanka's modern retail industry is still at a nascent stage compared to the developments in the Asia Pacific markets. However the industry is also at a juncture wherein consumers are waiting for the Industry to take the initiative in setting new standards. The clear upward movement of consumers in terms of income and lifestyle is evident in the push towards health and nutrition, and the role that can be played by modern retail integrated with local agriculture is tremendous.

"The strong focus on the ultimate potential of our Group and reinforcement of our ethos of reaching out to the needs of consumers and partners across Sri Lanka kept all businesses on course."

Cargills is already well positioned to drive this advantage and would be looking to enhance its fresh offering at an elevated standard wherein the offering resonates with the improvement in lifestyle for consumers. As the pioneer of market-oriented demand-driven agriculture value-chain in Sri Lanka, Cargills Food City would now be establishing stronger alliances with rural communities to take the stage of primary value-addition to the source. Already this has been initiated with the field-level collection and sorting coupled with the primary processing facility in Kilinochchi. The time is now right to take this thrust to the next-level and the Company is pleased to note that its vision is well-aligned with the orientation of the agriculture policy makers.

Our store expansion plan would look to pick up pace in the coming year with a focus on enhancing the retail experience while continuing to bring the advantages of price we afford to our customers through the volumes we source and move and the efficiency built into the supply chain. Our drive to offer the modern trade experience beyond metropolitan areas continues contributing substantially to the development of the regional landscape and economies.

FMCG

The FMCG sector is enjoying substantial volume growth justifying the considerable investments made towards capacity expansions and supply chain development that has resulted in a strong portfolio of national brands now contributing 18% towards Group turnover.

The successive increases in farm gate prices of fresh milk have made local dairy farmers uncompetitive against the cheaper imported milk powder. Milk powder is an essential nutrition component in the diet of a majority of Sri Lankans and the Company appreciates the necessity to maintain lower prices in view of health and nutrition-intake concerns. However the context is counterproductive to the effective expansion of local dairy production due to the prohibitive pricing that stems from the high raw material and processing costs. Your Company is focused on driving the value-added range while developing medium to long term strategies to make fresh milk consumption affordable for the masses.

Investments are ongoing to enhance our cheese and ice cream product portfolio while strengthening the smallholder dairy farmer value chain and storage capacities of the dairy sub-sector towards building a more sustainable supply chain. A project is underway in partnership with IFAD, NaDep and the Presidential Secretariat wherein over 2,700 farmers are being developed through a range of technical inputs and equipment as well as infrastructure support. The financial support provided is a mix of loans and grants targeting small and medium sized dairy farmers and this is being channeled through Cargills Bank.

“As the pioneer of market-oriented demand-driven agriculture value-chain in Sri Lanka, Cargills Food City would now be establishing stronger alliances with rural communities to take the stage of primary value-addition to the source. ”

Chairman's Review **contd.**

Steps taken to stabilise raw material supply and price in the processed meats businesses has been achieved through a Group procurement system put in place for the FMCG sector. We are evolving our product range in line with the emerging health concerns in Sri Lanka and would be looking to place greater emphasis on this aspect in the year ahead. Meanwhile the operational restructure that was undertaken at the meats production facility has yielded the desired efficiency and studies are now underway to review opportunities for further productivity.

Our range of Kist nectars, cordials, jams, sauces and bottled water reported a solid growth with Kist nectar and Kist sauces in particular enhancing category leadership. During the year the brand continued to strengthen its leadership with strategic enhancements made to the product portfolio. Steps have been taken to re-formulate the Nectar recipe with reduced sugar contents while the rest of the Kist range is being re-engineered to meet the increasing demand for healthier yet delicious consumption choices.

The Group's agency-lines business is now stabilising with the Company aggressively seeking out new agency lines with a view to grow its product portfolio and thereby penetration into the trade.

The confectionaries business is on a positive trend and investments are being made in automation and capacity expansion. The management is confident of turning around the business in the new financial year through a heavy emphasis on a select positioning.

Restaurants

The Restaurants sector is on a steady upward trajectory boosted by the turnaround achieved by KFC under the new and restructured leadership. The focus on remaining true to its core recipe while repositioning the restaurants' service and quality standards in-line with a global experience has brought KFC back to the position of leadership in the QSR industry in Sri Lanka. Employee motivation has proven to be the secret recipe behind KFC Sri Lanka's success having been recognised as the best performing franchise in the Indian Sub-Continent in 2015. TGI Fridays, the American Franchise, is yet to turn-around but is moving in the right direction in terms of transaction growth and ticket average. In the year ahead greater emphasis would be placed on bringing the restaurant to break-even status.

Banking

Your Company's strategic investment into Banking and Finance is making steady progress with eleven full-fledged branches now operational. In the year ahead the Bank would focus on enhancing its deposit base and lending portfolio across corporate, SME and personal-banking customers with a detailed focus synergising the strengths of Cargills and driving an innovation led approach to engaging customers. In terms of the capital structure of the Bank a rights issue was made towards meeting the Tier 1 capital requirement. Shortfalls in taking up the rights issue are to be met through the intervention of promoters both Cargills and CT Holdings as authorised by the regulator.

"The Bank would focus on enhancing its deposit base and lending portfolio across corporate, SME and personal-banking customers with a detailed focus synergising the strengths of Cargills and driving an innovation led approach to engaging customers. "

Cargills Square Grand Opening and Investments in Northern Sri Lanka

Cargills Square-Jaffna the first luxury family entertainment mall in Northern Sri Lanka and Cargills Bank-Jaffna, Regional Headquarters- North was ceremonially declared open by H.E. the President, Hon. Maithripala Sirisena in December 2015. The complex undoubtedly transforms the Jaffna landscape and is an icon of a new era of peace and prosperity for its people. Since 2009 Cargills has invested over Rs. 1.3 Bn in the Northern Province including the establishment of Cargills Food City outlets in Manipay, Kannathidi Road- Jaffna, Vavuniya, Nellyyadi, Chunnakkam, Mulaitivu and Kilinochchi. Cargills has also set up collection centres in Jaffna and a primary processing unit in Kilinochchi to collect agricultural produce from farmers in the area and have so far brought over 2,000 dairy and vegetable farmers into the network across the North. The Cargills regional investment drive has a direct focus on engaging local communities and improving livelihoods in economically meaningful and socially responsible ways and our investments in the North demonstrates that commitment.



Cargills Square-Jaffna ceremonially declared open by H.E. the President, Hon. Maithripala Sirisena in December 2015.

Cargills Sarubima

In 1999 when Cargills began to reach out directly to our partners in the farmer communities the impact we would be able to create was never envisaged. Nevertheless we pursued on a course never taken to build a business model that transformed the local fruit and vegetable supply chain to a value chain.

In the year concluded Cargills expanded the scope of Cargills Sarubima to contribute back for every kilogram and litre of fresh produce sourced from our rural communities. Accordingly to date Rs. 47.3 Mn has been collected to create value and opportunity for rural farmer-communities island wide. This year the Cargills Sarubima awards envisage doubling the number of education scholarships granted to students from agriculture communities whilst continuing to drive a culture of sustainable agriculture practices among our farmer partners.

“The Cargills regional investment drive has a direct focus on engaging local communities and improving livelihoods in economically meaningful and socially responsible ways and our investments in the North demonstrates that commitment. ”

Chairman's Review **contd.**

Responding to disaster from our hearts

The flood disaster that shook Sri Lanka post the financial year under review was certainly a cause for deep heart ache. Many of our employees were badly impacted by the disaster and fortunate to suffer only material damages. While taking immediate steps to meet the needs of our own staff, emergency response teams from across disciplines were dispatched to all flood affected areas carrying dry food items for immediate consumption. Over a period of 48 hours assistance worth in excess of Rs. 12 Mn was dispatched with the support of volunteers from across the Group. I take this opportunity to admire the courage and commitment of our employees in overcoming environmental challenges to reach those victims who needed our support the most.

Performance

In fiscal 2015/16 Cargills delivered a turnover of Rs. 71.4 Bn which is a 16 percent growth over 2014/15. Operating profit for the year end was Rs. 3.4 Bn, a 120% growth versus Rs. 1.5 Bn recorded the previous financial year. Net Profit as at 31st March 2016 was Rs. 1.7 Bn, a strong performance compared to Rs. 600 Mn Net Profit reported in 2014/15.

I am pleased to note the quarter on quarter improvement in results across all businesses and attributes the trend to a focused and disciplined management driving process and systems efficiency across business units at every level of operation. Conducive policy environment and resulting buoyancy in consumption has also contributed to this growth.

The Retail business made a strong turnaround in the latter part of the financial year. The leadership of the business is driving stringent standards on front-end and back-end deliverables covering price, service, quality and availability which continue to move the operation in the right direction. The segment operating profit was Rs. 1.7 Bn for the year on a turnover of Rs. 56.1 Bn. The FMCG Sector has continued its robust momentum with gross turnover reaching Rs. 17.6 Bn delivering a segment profit for the period ended of Rs. 1.6 Bn. The double-digit growth of the dairy and agriculture processing sub-sectors is holding the manufacturing business in good stead. Investments have been made towards enhancing capacities of several key product lines to ensure the companies remain in line with the growing consumer demand for our popular national brands. The Restaurants business is maintaining a steady upwards trend with topline reaching Rs. 2.8 Bn for the year and segment profit at Rs. 124.8 Mn.

A dividend of Rs. 1.25 per share was paid on 13th January 2016 as interim dividend and a dividend of Rs. 2.25 per share will be proposed at the forthcoming annual general meeting. Your Company continues to maintain a consistent dividend policy and expects to enhance its ROE in the forthcoming year.

“Cargills would continue to invest in value chains across the Group focused on regional community development as the building block of growth while looking to exceeded consumer and shareholder expectation.”

Future

In a fast evolving environment Cargills is increasingly concerned about our approach to business. Our work to advance environmental sustainability in terms of minimising our environmental footprint and working towards a more sustainable use of natural resources, support for rural economic empowerment, and offering healthier food choices for our customers are further demonstrated by our commitment to report our actions and results. We continue to look for more ways to lead and have an even greater impact on the communities that we serve. The performance of the year concluded is indicative of the future course of the Cargills Group. On the strength of the positive business environment Cargills would continue to invest in value chains across the Group, focused on regional community development as the building block of growth while looking to exceeded consumer and shareholder expectation.

Acknowledgement

In conclusion I take this opportunity to commend our employees who have grown to 8,738 across 370 locations islandwide. Their abilities and skills are 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, our principals, suppliers and financial institutions for their continued support. I also wish to acknowledge our shareholders whose support holds us in good stead to remain on course in what is set to be an iconic journey of sustainable value creation.

(Signed.)

Louis Page

Chairman

9th June 2016

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 is the Chairman of the CT Holdings Group Of Companies. He has also held a number of Board and Senior Management positions at the highest level in overseas Public Companies and Public Institutions.

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 28 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 30 years of managerial experience in the hospitality and retail sector.

Prabhu 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 currently the Managing Director / Chief Financial Officer of Cargills Bank Ltd.

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 45 years' experience in both public practice and in the private sector. He serves on the boards of a number of other listed and non-listed companies where in some companies he also serves as Chairman/ Member of the Audit Committee and Member of the Remuneration Committee. Mr. Edirisinghe is the Chairman of the company's Audit Committee and a member of the company's Remuneration Committee.

Sanjeev Gardiner

**Director*

Mr. Sanjeev Gardiner 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.

Sunil Mendis**Director*

Desamanya Sunil Mendis was formerly the Chairman of Hayleys Group, and a 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.

Anthony A Page***Director*

Mr. Anthony Page counts over 45 years of management experience in a diverse array of businesses. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka. He served on the Boards of the Colombo Stock Exchange and several public listed and non-listed Companies. Mr. Page also served as a Council Member of the Employers Federation of Ceylon.

Joseph Page***Director*

Mr. Joseph C. Page is the Deputy Chairman/Managing Director of C T Land Development PLC. He is also a Director of C T Properties Limited and Managing Director of Ceylon Theatres (Pvt.) Ltd. Prior to joining C T Land Development PLC, he was Executive Director of Millers Limited. He has over 30 years of management experience in the private sector.

Errol Perera**Director*

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

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



We work directly with thousands of farmers providing them knowledge and resources to help them succeed.



Management Discussion and Analysis



Retail Industry

The Central Bank Annual Report 2015 reported that the value added in Wholesale and Retail trade activities grew by 4.7% in 2015 compared to a 4.5% growth in 2014. According to the Bank domestic trade activities had been supported by increases in agriculture production and manufacturing output. Private consumption expenditure (PCE) on Food and Non Alcoholic Beverages was 26.8% of total PCE with a growth of 13.6% compared to a 6.2% growth the previous year. Food inflation moving from 3.8% to 4.9% is partly attributed for this jump.

Bumper harvest in paddy and a substantial growth in vegetable production saw the agriculture sector recording a 5.5% growth this year. The Livestock sector reports an increase of 8.1% according to the Agriculture production index tracked by the Central Bank while the fisheries segment sees a decline, dropping by 2.8% from 2014. Vegetable production reached 1.87 million metric tonnes during the year registering a 2.2% growth. Meanwhile production of fruit picked

up substantially during the year with a 15.6% increase. Sri Lanka exported 33 mn kg of fruit during the year while 45 mn kg of fresh fruits were imported for consumption. Post-harvest waste in the domestic industry continues to remain at 35-40% according to the Central Bank.

The fisheries industry saw a decline during the year led by a drop in inland fishing due to high-water levels in reservoirs. However shrimp farming and aquaculture continues to enjoy a steady growth. Marine fish production declined by 1.4% at 452,890 MT and as a result retail prices remained at elevated levels throughout the year. In the meantime import of canned fish increased substantially in the year by 150% to over 49,000 MT due to the reduction of the Special Commodity Levy (SCL).

Meanwhile the Nielsen Company in its Annual Review 2015 Sri Lanka reported a boom in consumerism resulting in a substantial increase in household appliance ownership and vehicle purchases. Increasing refrigerator and vehicle purchases indicates greater opportunity for cold chain products and larger shopping baskets. Nielsen also

noted a volume driven growth in Fast Moving Consumer Goods (FMCG) with an 8% volume growth recorded in the 4th quarter of 2015. An 11% growth in the premium segment of the packaged FMCG sector was seen during the year while growth on mid-tier spends was 6%.

Retail Operation Overview

The Retail operations of the Group are executed through Cargills Foods Company (Pvt) Ltd (CFC) wherein IFC holds an equity stake of 8%. The Company has a focused management structure headed by its Chief Executive Officer. The business has a dedicated operation for the sourcing of fresh produce from small holder farmers which cover 13 collection points for sourcing fruit, vegetables and seafood. The system includes two central processing units and a 24 hour distribution operation maintaining cold-chain across the value-chain. The dry goods warehouse is a separate operation while direct store deliveries are also carried out by selected suppliers. As at March 31, 2016 297 Cargills Food City outlets are operational across all 25 districts of Sri Lanka.

The past year has been a period of transition for CFC wherein we made strategic investments to position the company for sustainable growth. Management took bold steps focused on improving customer service by enhancing staff welfare through increased wages, training and benefits for our teams, investing in technology and expanding into e-commerce. The management also pushed teams to hasten the pace of change coupling young blood in leadership with the trusted experience of decades of pioneering modern retail.

Accessibility, Convenience and Beyond

Cargills Food City has taken steps to establish a store in Mannar which would stamp CFC's footprint across all 25 districts of the Country. During the year the Company also partnered with 'Kapruka' to open up the online channel to its loyal consumer base through a limited range of dry grocery items with scope for expansion in due course. The channel has enjoyed a good response in particular from customers based overseas looking to provide the daily needs of their loved-ones at affordable prices. CFC has also tied-up with Cargills Bank to provide customers the convenience of accessing inward remittances from any branch while also enjoying attractive discounts on their shopping.

CFC remains focused on delivering value to customers across income levels in all markets. We have seen healthy same-store-sales during the year fuelled by investments in price leadership, private brands and fresh offering.

Closer to our Customers

CFC has spearheaded the transformation of Modern Retail in Sri Lanka and has led the movement of

consumers towards seeking out better shopping experiences focused on quality, price reliability and food safety. In a day and age in which technology and information has changed customer expectations, our work starts and ends with customers. From being perceived as the domain of the affluent, customers today seek out CFC to make their lives simpler and more meaningful even as they enjoy savings on their daily essentials.

Our value-for-money promise is long established and provides instant reassurance to customers that be it on fresh food, own-label or branded products, they will save more at Cargills Food City. However adapting to a customer's evolving wants and needs is an ever increasing challenge, and CFC is investing heavily on systems and processes that make on-shelf-availability the second-nature of the business. We are also doing more with data analytics to enhance our assortment according to consumer needs by region and market. The results would be self-evident in more compelling and relevant merchandise across stores.

Moving closer to our customers also means moving closer to our front-end teams. We are focused on creating winning moments with our colleagues at our stores and exceeding their expectations through personal engagement and a value proposition designed to save them their time and our customer's money. Our investments in motivation and training provides platforms for growth across all tiers where the growth of career prospects for our team members can be as far as they wish to take it.

"CFC has spearheaded the transformation of Modern Retail in Sri Lanka and has led the movement of consumers towards seeking out better shopping experiences focused on quality, price reliability and food safety."



Revenue - Retail Sector

Rs. **55,875** Mn

Management Discussion and Analysis contd.



Supply Chain and Logistics

During the year CFC invested in enhancing its warehousing capacities and efficiencies, complementing the efforts to ensure on-time product availability. We are partnering a reputed logistics service provider to move goods faster and in a more viable manner. The strong emphasis on back-end efficiency by the management team has seen the desired results across our supply chain and would ensure greater savings for our customers in time to come.

Freshness and Quality endorsed by our Farmers

Increasingly we see our customers shifting their shopping focus towards health and wellness. In line with this we have enhanced our focus on fresh produce to provide greater access to a wider variety of fresh produce. As we continue to improve store operations, enhancing the quality of our fresh offering is a key focus. We're emphasizing the basics – with better processes at every step of the supply chain – from the farm to table while also expanding our assortment including organic food.

Our fresh produce range is championed by our strong base of small farmers that provide consumers the most reliable benchmark of quality and freshness. Sourcing and moving 100,000 kg of fruit and vegetables within a day, CFC needs no further endorsement of freshness than its deep-rooted relationship with Sri Lankan farmers spanning more than one and a half decades.

CFC's seafood range has gained tremendous acceptance among consumers with the segment seeing double-digit growth over the last year. We are focused on providing consumers with quality, affordable nutrition options that also harness local industries wherein seafood can play a greater role across regions and markets.

Foundation for Growth

In the year concluded the foundation was set to restructure the Group's systems and processes with a strong focus on driving efficiency and relieving pressure on front-end teams.

Accordingly partnerships have been formed to streamline the retail logistics and warehousing operation with

expertise infused into the setup to navigate this course.

The process of readying the IT system for the next phase of growth is already underway. International experience and expertise has also been brought in to strengthen our sourcing and category management strategies with view to ensure availability, price and choice to consumers.

Meanwhile front-end operations have been strengthened with a core leadership structure that has regional retailing experience as well as the local insight. Steps taken to enhance front-end team welfare with a comprehensive package that includes the provision of two meals, accommodation, living, uniform maintenance and grooming expenses have enhanced motivation levels.

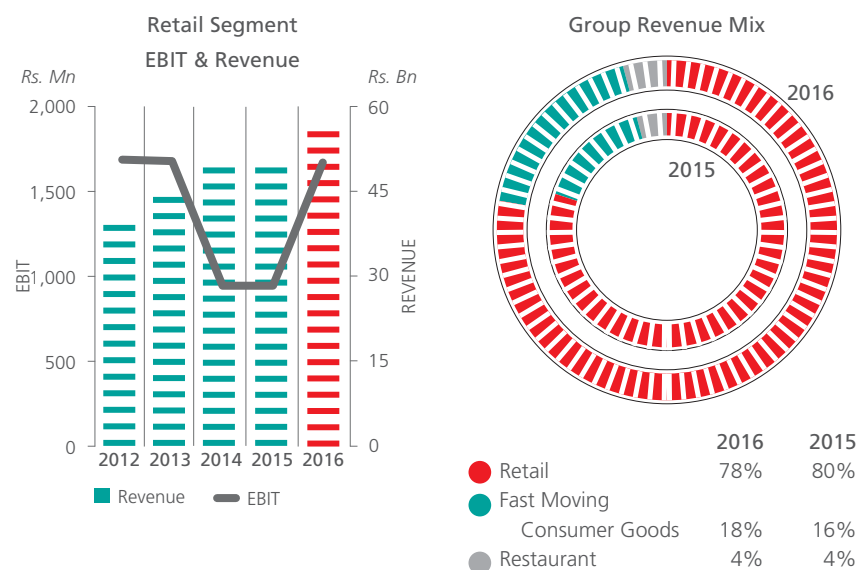
As the leader in modern retail in Sri Lanka the standards we set move well-beyond the front-end look and feel towards ensuring the sustainability of our business and the livelihoods we directly and indirectly generate through it.

Financial Performance

The Retail business, previously challenged by inconsistency in fiscal policy that dampened the overall consumer environment, made a strong turnaround in the latter part of the financial year. Accordingly the sector registered a turnover growth of 13.2% over last year to reach Rs 55.9 Bn as at March 31st 2016. EBIT achieved a growth of 80% at Rs 1.7 Bn reflecting the strong measures taken to enhance productivity and efficiency in the overall retail operation. The leadership of the business is driving stringent standards on front-end and back-end deliverables covering price, service, quality and availability which continue to move the operation in the right direction. The segment profit after tax was Rs 770.6 Mn compared to Rs 46 Mn in 2014/15.

Retail

	2015/16 Rs. Mn	2014/15 Rs. Mn	Growth %
Revenue	55,875	49,351	13.2
EBIT	1,681	934	80.0
Interest	401	703	43.0
PBT	1,296	290	346.9
PAT	771	46	1,576.1
CAPEX	1,725	1,319	30.8



Sourcing and moving 100,000 kg of fruit and vegetables within a day, CFC needs no further endorsement of freshness than its deep-rooted relationship with Sri Lankan farmers spanning more than one and a half decades.

Management Discussion and Analysis contd.



FMCG

Industry

2015/16 was another breakthrough year for the FMCG industry with volume growth contributing towards the industry growth during the year. Nielsen retail audit data indicates an 8% volume growth in the industry in particular during the latter half of the calendar year compared to the same period in 2014 while inflationary growth in food remained in-check at 4.9% according to the Central Bank despite a growth over last year.

The Central Bank reports that the manufacturing sector of the economy grew in value added terms by 4.7% spurred by a 5.6% growth in the manufacture of food, beverages and tobacco products. The food products sub-sector the largest sub-sector in the Factory Industry Production Index (FIPI) compiled by the Central Bank demonstrated a positive performance for the most part of 2015. The annual growth reported was 4.9% compared to the 2.8% observed in 2014. The growth in the sector was mainly attributed to increased output in dairy products and prepared meals and dishes.

The increasing trend in total national milk production continued in 2015. Production increased by 12.1% to 374 million litres in 2015 compared to a growth of 1.4% the year before. The growth is attributed to the growing demand for raw milk from large producers with increased capacities of milk factories. The Central Bank reports that large producers increased demand by 1.5% in the year to 219 million litres. Meanwhile Import expenditure on dairy products declined by 26.1 per cent in 2015, mainly due to the decline recorded in the expenditure on milk powder imports, owing to the significant reduction in the average imported price of milk powder, despite the large increase in the import volume according to the Central Bank.

FMCG Operation

The FMCG segment of the Group led by dedicated Operational Heads holds 8 production units and 1 primary processing facility along with 22 collection centres for the sourcing of fresh milk. The Group's FMCG Brands are largely distributed within Sri Lanka with limited exports to India, Maldives and the Middle East.

Dairy

The Dairy sub-sector led by 'Magic' and 'Kotmale' brands are enjoying robust growth despite the successive increases in farm gate prices of fresh milk, a move that has made local dairy farmers uncompetitive against the cheaper imported milk powder. Nevertheless, the sub-sector is reaping the results of a focused drive to enhance operational efficiency which has boosted performance.

The Company is presently the second largest private-sector milk collector in the country with the average daily collection standing at over 100,000 litres. Magic and Kotmale combined source fresh milk from 15,000 small holders, majority organized into farmer societies in Central, North Western, Northern and Western regions of the Country. They are connected to an integrated supply chain through 22 chilling centres that reach 330 collection points islandwide. In the year concluded, our total collection reached 36.8 Mn litres with direct revenue generation to small holder farmers totalling Rs 2.6 Bn. Meanwhile the farm gate price of fresh milk was revised upwards in August 2015. The arbitrary

increases to the farm gate price of milk without addressing quality and productivity lapses among smallholder farmers, poses a substantial challenge to the local processing industry which must compete with cheaper imported milk powder. In response, the Company has initiated a partnership with IFAD and the Presidential Secretariat in line with the national policy of taking Sri Lanka towards self-sufficiency in milk. The integrated programme engages 2,700 small and medium dairy farmers towards doubling their production and enhancing quality by maximising animal health and hygiene, introducing systematic feeding process, machinery for milking, developing handling and cold storage etc. We are also investing towards enhancing the sector's sourcing capacity with the installation of primary processing machinery towards milk storage during gluts.

In the year concluded steps were taken to invest in a milk processing operation in the Northern Province building on the Cargills outgrower model of bringing value-addition closer to sourcing locations towards enhancing quality and efficiency. Accordingly Kotmale pasteurised milk for the Northern Province would be manufactured in Kilinochchi utilising fresh milk from the region.

Magic 'Heavenly' range expanded its portfolio in 2015/16 to include 1 litre packs in response to the tremendous demand from consumers for larger portions of this exquisite collection. Investments are also in progress to expand the exciting impulse category under 'Magic' with an all-new collection of stick variants that are on par with global ice cream trends. In line with the above investments the infrastructure of the production plants have been strengthened by expanding the effluent

treatment plant at a zero-discharge standard.

The distinct quality and flavour associated with 'Kotmale' brands has resonated in its latest drinking yogurt range which is now available in 4 variants. The product has enjoyed tremendous success within a short span of time and steps are being taken to further enhance the Kotmale offering in the cultured milk segment. Meanwhile investments were made to enhance the capacity of the cheese plant in view of the ever increasing demand for the popular wedges range. Kotmale curd was also re-launched during the year and is seeing a growing consumer demand due to its unique taste and consistent quality.

Agrifoods

Our range of "Kist" nectars, cordials, jams, sauces and "Knuckles" bottled water reported a solid performance with Kist nectar and Kist Sauces in particular enhancing leadership in their respective categories. All key categories reported double-digit growth during the year resonating the brand's strong equity among consumers across income tiers.

During the year capacity of the Nectar line was expanded and further automation of the Kist Knuckles plant was initiated while adding bottling capacity at the Katulooya Estate located on the Knuckles range in Thawalantenna.

Kist Sauces remains the superior product in the market and has now further enhanced market share with the convenient squeezable bottle that appeals to both on-premise and take-home consumption. The squeezable packaging saw a rehash in the year while the sub brand for spices was also introduced

The Dairy sub-sector is reaping the results of a focused drive to enhance operational efficiency which has boosted performance.



Revenue - FMCG

Rs. **12,755**Mn

Management Discussion and Analysis contd.



to the market. Meanwhile the effluent treatment plant was expanded in line with capacity growth during the year. Steps were also taken to upgrade the finished goods stores with an advanced racking system.

The Kilinochchi primary processing plant is contributing tremendously to the Kist backward integration model. The sub-sector currently sources around 1800 MT of fruit from small farmers across Sri Lanka.

In the year concluded Kist in collaboration with USAID mobilised 250 farmers from Mahavilachchiya, Anuradhapura and Kilinochchi wherein each farmer is supported to cultivate ½ acre of land with passion fruit. Kist has entered into a buy-back agreement with the participating farmers with a minimum price pre-agreed yet offering higher prices as market fluctuates. We also provide extension services to the farmers to enhance product quality and productivity. SOLID under USAID facilitates technical training and assists with selected inputs such as micro irrigation systems and water pumps

to manage water as well as other equipment required for passion fruit cultivation.

Meats

The operational and management structure of the processed meats business was revised during the year towards focusing on higher efficiencies in the business. The challenges faced in sourcing quality raw material consistently have been addressed through the centralised procurement system that has been put in place for the FMCG business. Meanwhile a sustainable sourcing model engaging small farmers has been introduced along with a credit arrangement for them which would further stabilise the supply chain.

During the year the facility which has already secured ISO certification for Quality, Food Safety and Environment Management System also gained the SLS certification. This served as a further boost to the brand equity of 'Goldi' and 'Sams'. The sub-sector experienced some setbacks due to adverse publicity and negative opinions regarding the

consumption of processed meats. Aware of its responsibilities towards public health and nutrition Cargills has always taken steps to voluntarily enhance the nutrition standards of its products while adhering to all approved food regulations applicable locally and globally.

Confectioneries

The Confectioneries business reached stable ground having further enhanced quality and taste through expertise on the production floor backed by management efficiency. The newly re-launched cream cracker is well accepted in the market while the steady demand for wafers meant that the line reached capacity during the year. Investments are planned to add capacity to the wafers line while utilisation of the biscuits line is now at optimum levels. With the business reaching capacity steps have been taken to further rationalise its range towards a select positioning. The Company is cognizant of the challenges faced by this business but is confident of carving a niche for itself in the industry.

Millers

The Group's trading and distribution operation that had been experiencing both internal and external challenges made a turnaround during the year concluded. The business underwent a restructure in order to optimise the available resources in the Group towards maximum efficiency. A Voluntary Retirement Scheme was offered to a selected segment of the team in order to streamline the logistics of the business towards a higher level of productivity. During the course of the year the Company also secured a range of new Brands while consolidating its longstanding relationships with global FMCG players thereby overcoming many of the supply constraints experienced in the previous year.

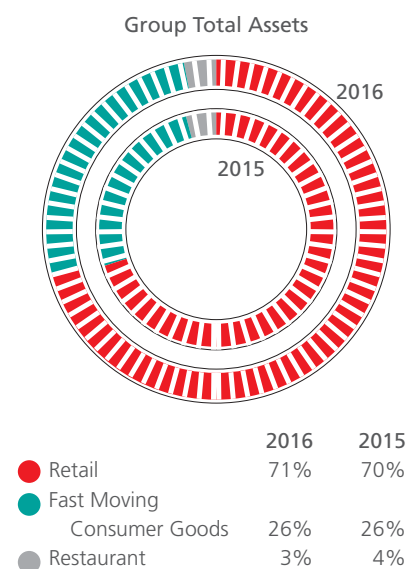
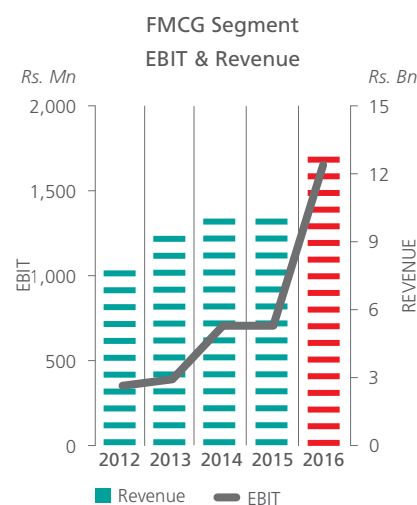
The exorbitant duties and cess charged on key categories such as confectioneries, biscuits, etc. is a deterrent to the growth of this business. These prohibitive duty structures influenced by an attitude of protectionism prevent healthy competition across growing categories. Cargills is of the view that policy of protectionism is no longer relevant in an open market economy and steps needs to be taken to empower consumers with choice, quality and price enabling local industries to truly enhance their standards and be competitive in the global market.

Financial Performance

The FMCG Sector has continued its growth momentum with turnover reaching Rs 12.7 Bn with a growth of 27.8% over 2014/15. The double-digit growth of the dairy and agriculture processing sub-sectors is holding the manufacturing business in good stead. Investments have been made towards enhancing capacities of several key product lines to ensure the companies remain in line with the growing consumer demand for our popular national brands and thereby continue the growth trajectory. Efficiencies garnered in the FMCG sector through process re-engineering, restructure of several businesses and reorganization of distribution is reflected at EBIT level with earnings before interest and tax reaching Rs 1.6 Bn compared to Rs 707.0 Mn in the previous year. Sector profitability reached a record high of Rs 857.7 Mn, a two and a half times growth compared to Rs 330.0 Mn recorded the year before.

FMCG

	2015/16 Rs. Mn	2014/15 Rs. Mn	Growth %
Revenue	12,755	9,979	27.8
EBIT	1,657	707	134.4
Interest	183	126	(45.2)
PBT	1,485	586	153.4
PAT	858	330	160.0
CAPEX	458	399	14.8



Management Discussion and Analysis contd.



Restaurants

Industry

The Central Bank reports that the Accommodation, food and beverage services sub-sector under the Services sector contracted by 1.4% in 2015 compared to a 4% growth in the previous year. However the room occupancy rate in graded hotel establishments approved by the Sri Lankan Tourism Development Authority increased to 74.5% while tourist arrivals also increased by 17.8% in the year. The decline in the output from this sector can be attributed to an increasing trend of home-stay tourism which impacts the formal food services market. The Restaurants industry is highly competitive and is continuing to expand in numerical terms. Globally recognised online restaurants guides list over 500 restaurants in Colombo alone indicating the level of supply in this segment.

KFC

The year concluded saw a phenomenal turn around in the KFC restaurant chain. The steps taken to operate the sector independently under a focused management and an aggressive drive to enhance quality and service coupled

with the heavy emphasis on team building and motivation has made the restaurant chain one of the best turnaround stories of 2015 in the Yum! global franchise operation.

The winning culture is now restored in the entire KFC operation that spans 27 restaurants islandwide under a dedicated COO for the sub sector along with a strong operational team and quality assurance system. Standardization of systems and processes while keeping people development at heart has been the winning formula of KFC Sri Lanka which was awarded the best franchise for the Indian Subcontinent for the year 2015.

This chain continued to innovate on its menu during the year while retaining alignment with KFC's core strength of freshly prepared chicken made to the secret recipe loved around the world. This has succeeded in attracting its genuine fans back into the restaurants more times a month resulting in a healthy growth in transaction and same store sales. The menu-mix is highly skewed towards hot and crispy chicken and the popular Zinger burger while the traditional rice favourites have

been revamped to meet the changing consumer tastes and demand.

Refurbishment of Nugegoda, Pelawatta, Kottawa and Hampden Lane during the year has given KFC a new store ambience attracting more dine-in tickets while the delivery push is also yielding the expected results. On average delivery sales now take up approximately 8% of store turnover with the ever increasing trend of eating out while at home.

TGI Fridays

TGI Friday's, the American franchise into its third year of operation continued to experience challenges in attracting the necessary footfall despite substantial improvements in menu, client experience and service. The overall product is now well accepted in the market and is highly patronised 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. However the Restaurant continues to pose a challenge to the otherwise healthy bottom-line performance of the Restaurant sub-sector. Steps are

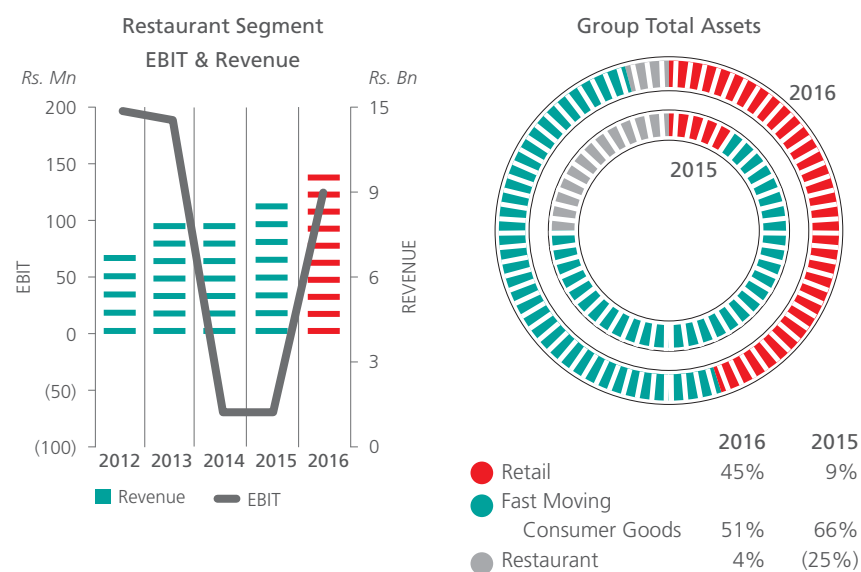
being taken to reach a wider audience through further changes to the menu while enhancing the value proposition to our clientele.

Financial Performance

The Restaurants business is maintaining a steady upwards trend with topline reaching Rs. 2.8 Bn for the year which is a 22% growth over last year. The focused efforts of the management team to review the systems and processes, build team motivation and enhance service have resulted in a marked efficiency and productivity improvement in the operation. EBIT has reached Rs. 125 Mn compared to a Rs. 69.0 Mn loss in 2014/15. Segment profit reached Rs. 62.3 Mn compared to the losses recorded in 2014/15.

Restaurants

	2015/16 Rs. Mn	2014/15 Rs. Mn	Growth %
Revenue	2,812	2,301	22.2
EBIT	125	(69)	281.2
Interest	20	2	(900.0)
PBT	105	(72)	245.8
PAT	62	(128)	148.4
CAPEX	82	140	(41.4)



Standardization of systems and processes while keeping people development at heart has been the winning formula of KFC Sri Lanka which was awarded the best franchise for the Indian Subcontinent for the year 2015.



Revenue - Restaurants

Rs. 2,812 Mn



Cargills emphasizes on the basics, with better processes and a closer engagement every step of the supply chain. A process of quality that is at the heart of everything we do.



Corporate Governance

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

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

Corporate Governance Rule	Compliance Status	Details
7.10.1 Non-Executive Directors		
a. The Board of Directors of a Listed Entity shall include at least, <ul style="list-style-type: none"> i. Two non-executive directors; or ii. Such number of non-executive director's equivalent to one third of the total number of directors whichever is higher. 	Complied with	Company has seven 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	
c. Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Complied with	
7.10.2 Independent Directors		
a. Where the constitution of the Board of Directors includes only two non-executive directors as mentioned above, both such non-executive directors shall be 'independent'. In all other instances two or 1/3 of non-executive directors appointed to the Board of Directors, whichever is higher shall be 'independent'	Complied with	Four of seven 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.
7.10.3 Disclosures Relating to Directors		
a. The board shall make a determination annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be 'independent.'	Complied with	
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	Four of seven 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 46.

Corporate Governance Rule	Compliance Status	Details
c. In addition to the disclosures relating to the Independence of a director set out above, the board shall publish in its annual report a brief resume of each director on its board which Includes information on the nature of his/her expertise in relevant functional areas.	Complied with	Please refer profile of directors on page 24 and 25.
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	N/A
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; <ul style="list-style-type: none"> i. a minimum of two independent non-executive directors (in instances where an Entity has only two directors of its board); or ii. non-executive directors a majority of whom shall be independent, whichever shall be higher. 	Complied with	The remuneration committee comprise two 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>c. Disclosures</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 48 for a statement of the remuneration policy.</p> <p>Please refer note 35.1 to the financial statements for the aggregate remuneration paid to the directors.</p>
7.10.6 Audit Committee		
<p>A Listed Entity shall have an audit committee in conformity with the following:</p> <p>a. Composition</p> <p>The audit committee shall comprise of;</p> <ol style="list-style-type: none"> a minimum of two independent non-executive directors (in instances where a Entity has only two directors on its board); or non-executive directors a majority of whom shall be independent, whichever shall be higher. <p>In a situation where both the parent company and the subsidiary are 'Listed Entities', the audit committee of the parent company may function as the audit committee of the subsidiary.</p> <p>However, if the parent company is not a Listed Entity, then the audit committee of the parent company is not permitted to act as the audit committee of the subsidiary. The subsidiary should have a separate audit committee.</p> <p>One non-executive director shall be appointed as Chairman of the committee by the Board of Directors.</p> <p>Unless otherwise determined by the audit committee, the Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend audit committee meetings.</p> <p>The Chairman or one member of the committee should be a member of a recognized professional accounting body.</p>	<p>Complied with</p> <p>Complied with</p> <p>N/A</p> <p>Complied with</p> <p>Complied with</p> <p>Complied with</p>	<p>The audit committee comprises three independent non-executive directors.</p> <p>Kotmale Holdings PLC is a subsidiary of the company and has its own audit committee.</p> <p>N/A</p> <p>Please refer inner back cover</p> <p>Please refer Audit committee report on page 46.</p> <p>The Chairman of the committee is a fellow of ICASL and CIMA (UK).</p>

[illegible]

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 1.5 to the financial statements.
iii. The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held.	Complied with	Please refer Investor relations supplement on page 149 and 150.
iv. The public holding percentage.	Complied with	Please refer Investor relations supplement on page 149.
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 81.
vi. Information pertaining to material foreseeable risk factors of the Entity.	Complied with	Please refer report on Risk management on page 50 to 57.
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 148 for Group real estate portfolio
xi. Number of shares representing the Entity's stated capital.	Complied with	Please refer page 149 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 149 for Investor relations supplement
xi. The following ratios and market price information. EQUITY		
1. Dividend per share	Complied with	Please refer page 147 for Five year summary
2. Dividend pay out		
3. Net asset value per share		
4. Market value per share		
5. Highest and lowest value recorded	Complied with	Please refer page 150 for Investor relations supplement.
6. Value as at the end of financial year.		

Corporate Governance Rule	Compliance Status	Details
DEBT (only if listed) 1. Interest rate of comparable government security 2. Debt/Equity ratio 3. Interest cover 4. Quick asset ratio 5. The market prices & yield during the year (ex interest) <ul style="list-style-type: none"> • Highest price • Lowest price • Last traded price 6. Any changes in credit rating (for the entity or any other instrument issued by the entity), if applicable	N/A	N/A
xii. Significant changes in the Entity's or its subsidiaries' fixed asset and the market value of land, if the value differs substantially from the book value.	Complied with	Investment Properties were revalued as at 31 March 2016. Please refer page 148 for Group real estate portfolio.
xiii. If during the year the Entity has raised funds either through a public issue, Right issue, and private placement; <ol style="list-style-type: none"> A statement as to the manner in which the proceeds of such issue has been utilized. If any shares or debentures have been issued, the number, class and consideration received and the reason for the issue; and, Any material change in the use of funds raised through an issue of securities. 	N/A	N/A
xiv. a. EMPLOYEE SHARE OPTION SCHEMES The following information shall be disclosed in the Annual Report of the Listed Entity in respect of each ESOS: <ul style="list-style-type: none"> • The number of options granted to each category of Employees during the financial year. • Total number of options vested but not exercised by each category of Employees during the financial year. • Total number of options exercised by each category of Employees and the total number of shares arising therefrom during the financial year. • Options cancelled during the financial year and the reasons for such cancellation. • The exercise price. • A Declaration by the directors of the Entity confirming that the Entity or any of its subsidiaries has not, directly or indirectly, provided funds for the ESOS. 	N/A	N/A

Corporate Governance contd.

Corporate Governance Rule	Compliance Status	Details
<p>b. EMPLOYEE SHARE PURCHASE SCHEMES</p> <p>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"> • The total number of shares issued under the ESPS during the financial year. • The number of shares issued to each category of Employees during the financial year. • The price at which the shares were issued to the Employees. • A Declaration by the directors of the Entity confirming that the Entity or any of its subsidiaries has not, directly or indirectly, provided funds for the ESPS. 	N/A	N/A
<p>xv. Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of section 7 of the Rules.</p>	Complied with	Please refer page 40 to 43 for the disclosures in terms of Section 7.10.
<p>xvi. Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.</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> <ol style="list-style-type: none"> a. The date of transaction; b. The name of the Related Party; c. The relationship between the Entity and the Related Party; d. The amount of the transaction and terms of the transaction; e. The rationale for entering into the transaction. 	Complied with	Please refer note 35.

Note 01:

Based on the declarations provided by the non executive directors, the Board has decided the following directors as independent:

Messrs. A T P Edirisinghe and Sunil Mendis

- who have served on the Company's Board for a period in excess of nine years and
- are also Directors of C T Holdings PLC which has a significant shareholding in the Company, and

Messrs. S E C Gardiner and E A D Perera

- who have served on the Company's Board for a period in excess of nine years

who, in spite of their service on the Company's Board for over nine years and / or being Director in another Company which has a significant shareholding in the Company, the Board has nevertheless determined to be independent considering their credentials and integrity.

Audit Committee Report

The Audit Committee is appointed by the Board of Directors of the Company and reports directly to the Board. The Audit Committee comprise three members who are non-executive Directors who are deemed independent. The Chairman of the Audit Committee is a Fellow 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 Chief Financial Officer (CFO) and Chief Risk Officer (CRO) to attend all meetings when scheduled and for the Managing Director to attend audit committee meetings as and when requested so to do by the Audit Committee. The Company Secretary acts as the Secretary to the Committee.

Meetings

The Audit Committee met once during the year. The meeting was also attended by the Managing Director of the Company, with the participation of Chief Financial Officer (CFO) and Chief Risk Officer (CRO). Besides this, procedure are in place to circulate the various documents stated hereunder and for clarification of matters raised by the members of the Audit Committee. Where necessary, approvals are given by circular resolutions.

Scope

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 CFO stating that the respective financial statements are in conformity with the applicable accounting standards, company law and other statutes including corporate governance rules and that the presentation of such financial statements are consistent with those of the previous quarter or year as the case may be, and further states any departures from financial reporting, statutory requirements and Group policies, (if any). Quarterly Compliance Certificates are also obtained from the Finance, Legal, and Secretarial divisions of the Company on a standardized exception reporting format perfected by the Audit Committee, stating any instances (where applicable) of, and reasons for, non-compliance, along with a Risk Management & Internal Audit Report submitted by the CRO.

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 statement of financial position and the related statements of profit or loss and other comprehensive 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 2017.

(Signed)

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

09th June 2016

Remuneration Committee Report

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

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

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

(Signed)

Sunil Mendis

Chairman – Remuneration Committee

09th June 2016

Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee was appointed by the Board of Directors of the Company on 29 July 2015 and reports directly to the Board. The Committee comprise three members who are non-executive Directors who are deemed independent. The Chairman is a Fellow of the Institute of Chartered Accountants of Sri Lanka. The composition of the members of the Related Party Transactions Review Committee satisfies the criteria as specified in the Standards on Corporate Governance for listed companies.

The Members of the Related Party Transactions Review Committee:

Name / Independence

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

Mr. Sunil Mendis - Independent

Mr. E. A. D Perera - Independent

The Company Secretary acts as the Secretary to the Committee.

Scope

The RPTRC was formed by the Board to assist the Board in reviewing all Related Party Transactions (RPT) carried out by the Company.

The mandate of the Committee includes inter-alia the assurance of the following:

- Developing and recommending for adoption by the Board of Directors of the Company and its listed subsidiaries, a RPT Policy consistent with that proposed by the CSE.
- Making immediate market disclosures on applicable RPT, as required by Section 9 of the Continuing Listing Requirements of the CSE.
- Making appropriate disclosures on RPT in the Annual Report, as required by Section 9 of the Continuing Listing Requirements of the CSE.

During 2015/16, a comprehensive RPT Policy was developed and disseminated among relevant stakeholders.

The Committee will schedule quarterly meetings to review and report to the Board, on matters involving RPT falling under its terms of Reference.

Meetings

The Related Party Transactions Review Committee (RPTRC) met once during the year. The meeting was also attended by the Managing Director of the Company, with the participation of Chief Financial Officer (CFO) and Chief Risk Officer (CRO).

The Committee adopted policies and procedures for (a) reviewing the Related Party Transactions at each quarterly meeting, (b) identifying & reporting on recurrent & non-recurrent transactions to be in line with the applicable CSE Rules.

The Committee noted that there were no changes to practices followed over the years and general Terms and Conditions applicable to all trading transactions and Lease Agreements entered into with Related Parties are similar to those entered into with non-related parties taking to account, if any, due consideration of factors such as trading volumes, the long term nature of the Leases and the extent of the area occupied, etc.

The Committee agreed that all transactions with Related Parties will hereafter be reviewed by it and supporting documents and/or justification of such terms will be called for. Its comments/observations will thereafter be communicated to the Board of Directors.

(Signed)

A.T. P. Edirisinghe FCMA, FCA,
Chairman – Related Party Transactions Review Committee

09th June 2016

Risk Management

Risk Management Overview

The Group remains committed to the objective of increasing shareholder value by developing and growing business that is consistent with its risk appetite. Risk management is a strategic priority within the Group and considered essential for delivering value for the business. Risk taking, in an appropriate manner, is thus a fundamental part of the Group's business activity and an essential component of its planning process.

The Group is seeking an appropriate balance in the business, and continue to build the risk management capabilities that will help the business to deliver the growth plans in a controlled environment. This is achieved by keeping risk management at the centre of the executive agenda and by building a culture in which risk management is embedded into the day to day management of the business.

The management acknowledges the fact that, the expansion drive of the Cargills Food City chain and investments in Restaurants and the FMCG sectors have increased the risk profile of the Group.

In this environment the management considers each 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.

Precautionary approach to Risk Management

The Group's approach to environmental challenges and risks is founded on the precautionary principles.

Our aim is to create value and benefits to all stakeholders by adopting a precautionary approach to sustainability and risk management. The Group treats and manages the sustainability related risks in the same manner as any other risks impacting our business.

The Group's precautionary risk management efforts focus on areas relating to plant design, product development, processes, material usage, waste disposal, energy usage, water consumption, etc. This integrated approach will ensure that regulations, best practices and appropriate risk mitigation strategies are in place to proactively protect the environment and human wellbeing rather than simply responding to problems as they occur.

Risk Management Framework

The Board has overall responsibility for risk management, the system of internal controls and for reviewing their effectiveness. Some of these responsibilities have been delegated to the Audit Committee.

The Group's approach to risk management is based on risk governance structures, risk management policies, risk identification, risk measurement, reporting, monitoring and continuous assessment.

The Group has an integrated risk management framework, through which it manages enterprise-wide risks, with the objective of maximising risk adjusted returns while remaining within risk appetite.

The Board of Directors, Audit Committee, Risk Management team and the Internal Audit Department lead the Risk Management process by guiding and supporting the managers and the employees in the Group.

Centralised corporate reporting unit is tasked to ensure the financial reporting and compliance risk are managed properly. The audit committee reviews all financial and related information that are reported and disseminated.

Similarly centralised legal department coordinates with all business sectors to ensure that the Group complies with applicable laws and regulations.

The roles and responsibilities of the key players of the Risk Management process are summarised below;

Roles and Responsibilities	
Board of Directors	Oversight role of monitoring entire Risk Management process with the support of the Audit Committee.
Audit Committee	a) Oversight function in respect of <ul style="list-style-type: none"> • Development of Risk Management Policy and Framework. • Establishing Governance and Risk Management Structure. • Determining the nature of key risks faced by the organization, Risk appetite and Risk tolerance levels. • Designing and Implementing effective Risk Management and Internal Control systems. • Reviewing the effectiveness of the Risk Management and Internal Control mechanism. • Compliance with regulations, policies, laws and with the organization's procedures and code of conduct. b) Reviewing the risk profile of major Investment proposals against the risk appetite and apprise the Board on the suitability of such business proposals. c) Reviewing the control and systems weaknesses highlighted by the external Auditors and apprising the Board of any significant deficiencies noticed.
Risk Management & Compliance Team	a) Developing Risk Management Policies and Framework. b) Carrying out comprehensive risk assessment across the organization. c) Implementation of appropriate risk mitigation strategies. d) Reporting on key risk exposures and the impact of the mitigation strategies on the exposure. e) Reviewing the effectiveness of the mitigation strategies and improve them where ever necessary. f) Monitoring and reporting on external compliance such as statutory, legal, employment and health and safety regulations.
Internal Audit Team	a) Developing and implementing effective systems of internal controls. b) Evaluating and providing assurance that risk management, control, and governance systems are functioning as intended. c) Reporting risk management issues and internal controls weaknesses identified, to the Audit Committee and Board of Directors. d) Monitoring and reporting on compliance related to company policies, procedures and code of conduct.

Risk Management contd.

Overview of key Risks Affecting the Business

Economic Risks	Risk Mitigation Actions
Competition and Consolidation	
Increased competition in the Retail, FMCG and Restaurant sectors compel us to be competitive always in terms of price, product range, quality and service to sustain the market share and leadership.	<ul style="list-style-type: none"> • Our products are priced competitively in the market to maintain the market leadership position while ensuring margins are maintained by controlling input cost. • Higher service standards are maintained by recruiting, training and coaching employees with right caliber. • To be ahead with our competitors, we focus continuously on innovation through research and development to cater to the changing customer preferences. • Our performance in terms of customer satisfaction, perception and experience are bench marked and measured against key competitors. • Clear strategies are implemented in terms of pricing, product range, quality and service according to the target market and the competitive environment.
Business Strategy	
Selection of a wrong business strategy or failure to implement the strategies effectively could impact the business performance.	<ul style="list-style-type: none"> • High priority is given for the formulation of strategic plan for each business sector under the guidance of the corporate office. • Strategies are scrutinized in detailed by the Board before being approved. • Strategies are communicated clearly to the employees at all levels. • Implementation of strategies is monitored regularly to ensure they are executed as planned. • Outcome of each strategy is critically reviewed against its objectives in order to assess its effectiveness.
Funding and Liquidity Risk	
Business could be impacted badly if we are unable to source adequate funds for ongoing business operations, the expansion projects and also for other investments.	<ul style="list-style-type: none"> • The Group finances its operations by a combination of retained earnings and via long term and short term borrowings. • Borrowings are controlled within the authorised capital structure and Weighted Average Cost of Capital is maintained at lowest level as possible. • The Group has established banking facilities with all major banks and financial institutions to obtain fund as and when required. • The Group owns land and buildings which can be offered as collateral for future funding requirements if necessary.

Economic Risks	Risk Mitigation Actions
Interest Rate Risk	
<p>Steep upward movement in the interest rate could have severe impact to the financial performance of the Group.</p>	<ul style="list-style-type: none"> • The Group operations are funded by mixture of fixed interest rate bearing long term loans and short term loans with floating interest rates. • Centralised treasury function enables pooling of funds and negotiating better rates. • Interest rates movements are monitored by the treasury and appropriate steps are taken to mitigate the financial impact due to the interest rate fluctuations.
Credit Risk	
<p>The Group's FMCG sector in particular is exposed to high credit risk by the nature of the business. There would be adverse impacts on the liquidity position as a result of payment delays and non-payment by debtors.</p>	<ul style="list-style-type: none"> • Stringent customer evaluation processes are in place in order to ensure credit worthiness of the customers before granting credit facilities. • The credit given to all our distributors are covered by Bank Guarantees. • We minimise the credit risk through the rigorous process of credit management. • The Group has effective follow up and collection processes and strictly adheres to business specific credit policies. • All export sales are covered by credit insurance.
Foreign Exchange Rate Risk	
<p>Steep upward movement in the foreign exchange rates would have adverse impact on raw material prices with respect to our FMCG sector , prices of the imported products sold by our retail chain and costs of capital equipment imported</p>	<ul style="list-style-type: none"> • The Group's consumption of imported raw materials is considerably low; hence the exposure to Forex risk is limited. • Foreign exchange rates are monitored by our import division and necessary steps are taken to minimise the adverse impacts.
Commodity Price Risk	
<p>Upward movement and fluctuations in the commodity prices could affect the prices of raw material as well as the products sold through our retail chain</p>	<ul style="list-style-type: none"> • Commodity prices are monitored by our procurement division and necessary steps are taken, including forward booking of the prices to mitigate the risk.

Risk Management contd.

Economic Risks	Risk Mitigation Actions
Inventory and Supply Chain Risk	
<ul style="list-style-type: none"> • Failure to manage supply chains effectively would lead to adverse impacts in smooth and uninterrupted flows of goods and materials. Our manufacturing businesses especially dairy sector is highly dependent on uninterrupted supply of raw materials. • Poor management of inventory would increase the risk of obsolete inventory, stock adjustments and increasing stock holding costs 	<ul style="list-style-type: none"> • The Group's procurement function is centralised to achieve economies of scale and efficiency. • The Group has an effective vendor selection and evaluation process in place. • Strong relationships are built and maintained with suppliers through long term contracts. • Forward bookings are done for commodity procurement to avoid stock outs and to maintain stable buying prices. • Effective category management is in place in the retail sector to ensure efficient replenishment of stocks. • We secure bulk of our dairy and produce requirements thorough established farmer network. • The Group has a network of suppliers and does not considerably depend on any single supplier or a small group of suppliers. • Our round the clock central warehouse operation is geared to replenish the stocks for retail chain without any delay. • Tight inventory control procedures are implemented in all business sectors to prevent losses. • Our warehouses and retail locations are adequately protected to prevent any loss of inventory and any unforeseen losses are adequately covered by insurance.
IT systems and infrastructure	
<ul style="list-style-type: none"> • The Group is reliant on its IT systems and operational infrastructure in order to conduct the business efficiently. • Inappropriate systems or failure of key systems could have a significant impact on our business. 	<ul style="list-style-type: none"> • We have adequate controls in place to maintain the integrity and efficiency of our IT infrastructure and to ensure consistency of delivery. • Our staff are trained and effectively engaged to mitigate IT related risks. • The Group has stringent policies and procedures to ensure higher level of data security. • Development and implementation of new IT systems are reviewed and discussed at senior managers' level to ensure proper implementation. • Investment in IT and related infrastructure is given priority at the Board level. • All third party supplied hardware and software are covered by maintenance agreements

Social Risks	Risk Mitigation Actions
People Retention and Capabilities	
<ul style="list-style-type: none"> • Failure to attract, retain and develop people with right capabilities could seriously impact the long-term growth potential of the business. 	<ul style="list-style-type: none"> • Through proper HR planning and recruitment processes we minimise staff shortages. • We liaise with relevant authorities and institutions in the regions to recruit employees living close to the business locations. • We have a fully-fledged training department with state of art training facilities to train our employees in various disciplines. • Processes are also in place to identify talent and actively manage succession planning. • We have a transparent mechanism in place to handle employees need and grievances. • Our employment policies and rewards schemes are regularly reviewed in order to ensure that we are in par or better than the industry norms.
Health and Safety	
<ul style="list-style-type: none"> • Provision of adequate safety for our staff and customers is utmost importance to us. The inability to provide such environment would result in injuries or loss of life that cannot be measured in financial terms. 	<ul style="list-style-type: none"> • Manufacturing, retail and storage facilities are designed in such a way to prevent adverse impact to environment and to the work force. • Stringent health and safety processes in line with best practices are in place in all our business premises, which are monitored and audited regularly. • Regular review is conducted to ensure the compliance to the health and safety regulations and internal control procedures.

Risk Management contd.

Social Risks	Risk Mitigation Actions
Product Quality and Safety	
<ul style="list-style-type: none"> The safety and quality of our products are critical to maintain customer trust and confidence and to maintain our business performance. 	<ul style="list-style-type: none"> Due consideration is given at the time of product development to ensure products are environmental friendly and safe for consumption. Suppliers are evaluated for their sustainable practices at the time of supplier introduction. Recyclable and non-toxic input materials and packaging are used wherever possible by the company. We have detailed and established procedures to ensure product integrity and safety are maintained throughout our value chain. Quality and safety aspects are strictly monitored at the time of manufacturing and procuring products from vendors. Products produced in our manufacturing facilities go through stringent quality and safety checks before being released to the market. We closely work with the suppliers to ensure products sourced from them meet our quality and safety standards. Review of compliance of the quality and safety procedures are conducted regularly. Developments in the areas of health, safety and nutrition are monitored closely in order to respond appropriately to changing customer trends and new legislations.
Environmental Risks	Risk Mitigation Actions
Reputational Risk	
<ul style="list-style-type: none"> Failure to protect the Group's reputation and brands could lead to a loss of trust and confidence. This could result in an erosion of the customer base and affects the ability to recruit and retain high-caliber people. 	<ul style="list-style-type: none"> The Group is committed to adopt environmental friendly practices such as energy conservation, carbon emissions reduction, preservation of water, proper waste disposal methods, etc. Sustainability factors such as energy conservation, water consumption, greenhouse gas emission are given due consideration when investing in plants and equipment. We always strive to exceed customer expectation by offering better products and services to the customers. Continuous communication with customers and other stakeholders is maintained to obtain their views and feedback. We maintain continuous dialogue with state and other authorities to obtain their views and concerns. Cargills Values and code of conduct are embedded into our customers, suppliers and other stakeholders' engagement processes.

Environmental Risks	Risk Mitigation Actions
Risk of Natural Disasters <ul style="list-style-type: none"> Natural disasters such as earthquakes, storms, and floods, as well as accidents, acts of terror, infection and other factors beyond the control of the Group could adversely affect the Group's business operation. 	<ul style="list-style-type: none"> Insurance covers are obtained against all identified risks and natural disasters affecting the assets of the Group and operational matters. Employees are adequately trained in order to minimise any harmful effect of such events to human life as well as to the business
Regulatory and Political Environment <ul style="list-style-type: none"> Failure to comply with laws and regulations could lead to legal prosecution and fines or imprisonment. In addition, a breach could lead to reputational damage. Key areas subject to regulation include employment, tax laws, environmental issues, and regulations over the Group's products and services. 	<ul style="list-style-type: none"> Changes in the regulatory and political environment are closely monitored and appropriate strategies are developed to mitigate any adverse impacts due to the changes. We engage with government and non-government institutions to ensure that the interest of our customers and employees are expressed and given due consideration when policies and regulations are enacted.





A joint project of the Presidential Secretariat and Cargills, supported by IFAD, engages 2,700 small dairy farmers to double their milk production and enhance quality through an intensive focus on animal health and hygiene, systematic feeding, improving handling and investing in cold storage.

Sustainability Report

Sustainability strategy and analysis

G4-1

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

Commitments to external initiatives & Memberships in Associations

G4-16

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

Our Stakeholders G4-EC1

- 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

Stakeholder Engagement Approach

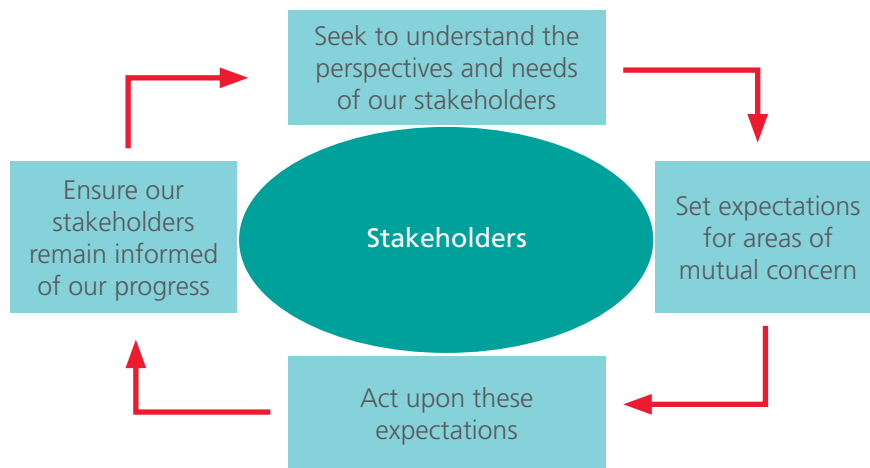
G4-26

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.

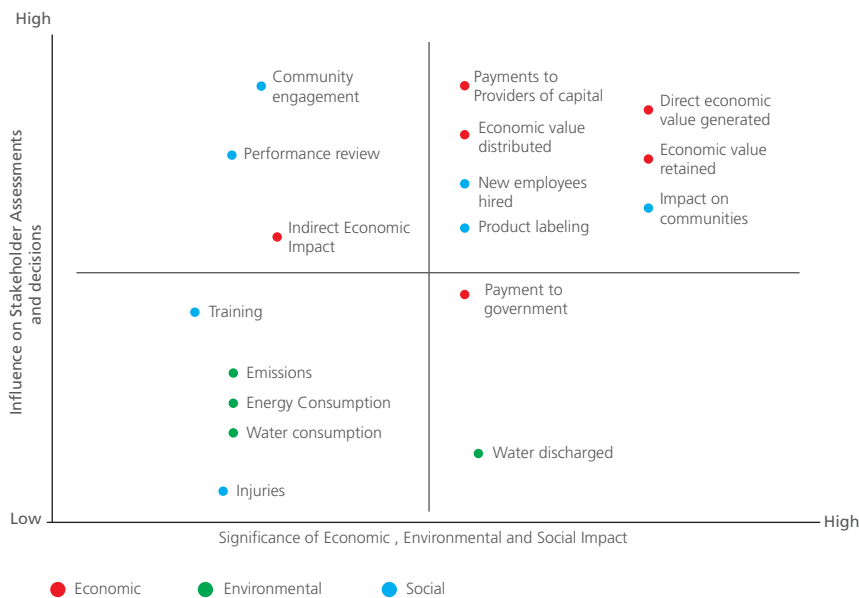
Every facet of our company and its operations has potential to affect, or be affected by, stakeholders. To better align our business practices with stakeholder expectations, we maintain open dialogue and foster collaborative relationships with those individuals and groups who have an interest in, or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

its operations. We have identified the following individuals and groups as our key stakeholders:

Stakeholder identification and engagement process G4-25



Key topics and concerns raised G4-27



We are committed to serving consumers in a responsible way; reducing our environmental impact; and improving the communities where we live and work.

Sustainability Report contd.

Supply chain of the Group G4-12

Cargills group comprises a wide spread supply chain encompassing the retail business, the well-established manufacturing businesses and the restaurants sector. Given the wide array of goods that are handled within the group, Cargills has the capability to provide solutions to dry, temperature controlled and humidity controlled supply chain needs. The group has a widely spread supply chain network to access its established points of business in different parts of the country. The group's storage capacity exceeds 400,000 square feet while the logistics staff working from different sites of the group surpasses 500 in number.

The Cargills Food City business has a dedicated operation for the sourcing of fresh produce from small holder farmers which cover 13 collection points for sourcing fruit, vegetables and seafood. The system includes two central processing units and a 24 hour distribution operation maintaining the cold-chain across the value-chain. The dry goods warehouse is a separate operation. The business directly connects with thousands of small, medium and large scale suppliers while is also engaged in direct importation of selected commodities on a limited basis.

The FMCG sector comprises 8 production units and 1 primary processing facility. The raw material for the dairy sector is sourced from 15,000 small holders, majority organized into farmer societies in Central, North Western, Northern and Western regions of the Country. They are connected to an integrated supply chain through 22 chilling centres that reach 330 collection points island-wide. The Cargills agriculture supply chain connected to a primary processing unit and a central processing unit also

provide raw material for the processing activities of the Agrifoods subsector. Raw material for the meats processing sector is sourced from medium to large scale suppliers engaged in the poultry and livestock industry some of whom have their own out-grower operations. Imported and other local raw material required by production plants are sourced through a centralized sourcing operation for the Group.

The logistics of the Cargills Food City business has been outsourced to an industry expert who manages the fleet and deliveries from the central dry warehouses to outlets. Meanwhile direct store deliveries are also carried out by selected suppliers for frozen and chilled products. The logistics of the fresh produce supply chain is managed internally.

Dedicated distribution operations are in place for the FMCG sector by individuals brands connecting to distributor centres island-wide. The supply chain is managed through a Sales Force Automation system.

The Millers operation that is an imports-driven business has its own import operation and dedicated warehousing and logistics channels.

The Restaurants sector has one central commissary that engages in selected food preparation activities. The delivery service of the restaurant sector is operated internally with own fleet.

The group has a widely spread supply chain network to access its established points of business in different parts of the country.



Economic

Economic Performance G4-EC1

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, 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. 16.6 Bn.

Identified positive and negative indirect economic impacts, significance of the impact G4-EC8

Proportion of spending on local suppliers - 94% G4-EC9

Our engagement with the agriculture community is a sustainable one where we nurture the future generation of that community even as we provide knowledge, markets and inputs to the farmers. As we provide a standard price and an assured market building their quality of life we are also saving for the children of farming communities so that they may be empowered towards an even better life through education. We are also working with them to preserve and conserve the soil resource so that the food security of future generations

and the farmer livelihoods of the future are both protected. Cargills is therefore literally and metaphorically nurturing our good earth, our future with a vision that will bear fruit well beyond the lifetime of the present generation. Cargills Sarubima is our good earth where we sow the seeds of our hopes and aspirations for our farmers and their children. The harvest of Sarubima will continue to reap into future and will have a multiplier impact across communities and people. Comparable to Cargills objectives, which are enhancing youth skills and bridging regional disparity Sarubima Community Scholarship project has been launched to broaden the access to education of the children and adolescence in particular areas. The project provides scholarships for School Children, University Students and for Students who are following Vocational Trainings also. The scholarship program has inspired the young generation in the villages, encouraging them on education inevitably ensure the community sustainability.

Sarubima Scholarships - 2015

Scholarship Type	No.
University Scholarships (3 years)	31
Advanced Level (2 years)	65
Vocational Training (2 years)	4
Year 5 Scholarships	104
Total	204
Laptops for University Students	31

Number of Farmers Insured through Sarubima Fund

Year	No.
2011/12	447
2012/13	337
2013/14	337
2014/15	100
2015/16	500

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.



Sustainability Report contd.

Environment

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.

Energy Management G4-EN3

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.

Energy consumption

Electricity (Gj)	199,875
Diesel (Liters)	242,801
Furnace Oil (Liters)	1,851,066
LPG (Kg)	635,555

Water Management G4-EN8

Water is a key in our Beverage manufacturing process and water bottling business and critical in all food manufacturing processes in terms of maintaining the health and hygiene of our production facilities. Achieving efficiencies in our water consumption is an important environmental priority for the Group. Our water requirement is sourced through a mix of ground water and national supply based on the needs and requirements of our business units.

Water consumption (m ³)	875,208
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Biodiversity G4-EN11

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

G4-EN15, EN22

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.

GHG emission tons	4,396
Total Water Discharged	200,275 m ³

Special Project

Save our Soil

In the wake of the ever increasing concern regarding the excessive use of fertilizer and chemicals in agriculture and the direct implications on farmers as well as consumer health, Cargills in partnership with the Ministry of Agriculture and the Department of Agriculture launched the 'Save Our Soil' Project in 2014.

The project functions under the theme, "Correct use of Agriculture inputs towards a prosperous and healthy nation". The 'Save Our Soil' project aims to contribute towards the protection of Sri Lanka's soil and water resources and enhance agriculture productivity through the prudent use of agriculture inputs by educating the farming community. To date more than 1300 farmers have been trained and their land tested to determine optimum levels of input usage. In 2016 Cargills will take SOS to a further 1,000 farmers in its network.



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.

Social

Labor

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

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.

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.

Employees G4-LA1

Cargills provides employment to 8,738 persons at March 31, 2016. 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.

Type of Injuries G4-LA6

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:

- i. The provision and maintenance of machinery, equipment and work system to be safe and healthy.
- ii. Arrangements for ensuring safety and eliminating risks to safety and health in connection with use, handling, storage and transport of articles and substances.

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.



Sustainability Report contd.

- iii. The provisions of such information, training and supervision to ensure the health and safety at work of employees and others.
- iv. The control of the place of work maintaining it in a safe condition.
- v. The provision of a safe means of access and egress from the place of work.
- vi. Taking measures in preventing all health and safety hazards at work for all.
- vii. Ensuring health and safety instructions are strictly adhered to by all employees

Type of Injuries	Male	Female
Minor Injuries	44	13

Average hours of training per year per employee, Number of employees receiving regular performance and career development reviews G4-LA9, LA11

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.

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.

Average hours of training per year per employee	38
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Number of employees receiving regular performance and career development reviews

	Executive		Non Executive	
	Male	Female	Male	Female
Total	924	453	2661	2125

Suppliers that were screened using labor practices criteria G4-LA14

Cargills has put in place supplier contracts based on the International Finance Corporation (IFC) Environmental and Social Standards on labour practices pertaining to the value chain of the retail business. Accordingly all suppliers within the retail business have entered into binding legal contracts to comply with the following:

- To promote the fair treatment, non-discrimination, and equal opportunity of workers.
- To establish, maintain, and improve the worker-management relationship.
- To promote compliance with national employment and labor laws.
- To protect workers, including vulnerable categories of workers such as children, migrant workers, workers engaged by third parties, and workers in the client's supply chain.
- To promote safe and healthy working conditions, and the health of workers.
- To avoid the use of forced labor.

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.



Responsible to our society

Local Communities

Operations implemented local community engagement, impact assessments, and development programs G4-SO1

Operations with significant actual and potential negative impacts on local communities

G4-SO2

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.

In 2015/16 Cargills enhanced its vegetable and fruit collection from farmer communities to 36.6Mn Kg returning Rs 2.8 Bn as revenue directly generated to small holder vegetables and fruit farmers connected to our collection centres in Nuwaraeliya, Bandarawela, Boralanda, Alaveddy- Jaffna, Thanamalwila, Thambuththegama, Ruwalwala, Norochchola, Kilinochchi, Hanguranketha and Wattala.

In the year concluded the Group's milk collection reached 36.8 Mn litres sourced from 22 chilling centres that connect to over 15,000 dairy farmers

who have achieved cumulative revenue of Rs 2.6 Bn during the year.

Cargills Saru Bima

Cargills through its direct sourcing of fresh produce from agriculture communities is well integrated with agriculture communities. Our team works directly with over 20,000 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. Through this process we have introduced advanced post-harvest practices to farmers thereby reducing wastage from handling and transport.

In 2008 Cargills introduced a system wherein the company began to give back 50 cents for each kg of vegetables purchased from the Gangeyaya Thanamalwila area. In the first year no one believed that the 50 cents would have any significance and the collection was a mere Rs 900,000. From there on the concept was introduced to Boralanda, Ruwalwala, Jaffna and Kilinochchi collection centres and with time as Cargills market and volume grew the fund began to reach a substantial scale.

Today named the Cargills Sarubima fund, it provides scholarships for needy children from the community, to provide resources for learning and advancement, to provide farmer insurance and to meet community infrastructure needs. Our focus is to engage the communities that work with us to chart their own course of development. Therefore decisions on how collection would be disbursed are made jointly by Cargills and the Community.



Cargills through its direct sourcing of fresh produce from agriculture communities is well integrated with agriculture communities.

Sustainability Report contd.

In the year concluded Cargills expanded the scope of Cargills Sarubima to contribute 50 cents back for every kilogram and litre of fresh produce sourced from our rural communities. Accordingly to date the fund has disbursed Rs 47.3 Mn to create value and opportunity for rural farmer communities islandwide.

Special Projects

Partnership with SOLID, USAID

Cargills together with SOLID a project by USAID initiated an 100 acre fruit cultivation project mobilizing 250 farmers from Mahavilachchiya, Anuradhapura and Kilinochchi wherein each farmer is supported to cultivate ½ acre of land with passion fruit.

Cargills has entered into a buy-back agreement with the participating farmers with a minimum price pre-agreed yet offering higher prices as market fluctuates. Cargills also provides extension services to the farmers to enhance product quality and productivity. SOLID under USAID facilitates technical training and assists with selected inputs such as micro irrigation systems and water pumps to manage water as well as other equipment required for passion fruit cultivation.

The project has brought about a total solution to needy farmers providing the market, technology and start up inputs which combined would have a sustainable impact on the livelihoods of the beneficiaries. With the project a commercial crop with tremendous potential is being popularized. Each farmer planning ½ acre of Passion Fruit will earn a minimum of Rs. 100,000 with a clear profit margin of Rs. 52,000 but because we offer the market rate farmers are enjoying even higher incomes. More importantly they would be using idle land during the dry season for productive use an additional income from intercropping.

Partnership with IFAD, NaDep and Presidential Secretariat

In line with the state policy of taking Sri Lanka towards self-sufficiency in milk Cargills collaborated with the Presidential Secretariat, National Agribusiness Development Programme (NADEP) funded by IFAD to launch an integrated effort to double milk production among 2700 dairy small and medium farmers.

Project Vision:

More than 90% of Sri Lanka's milk production is attributed to low-income earning small scale dairy farmers. The joint programme aims to enhance the dairy based livelihoods of 2700 small and medium farmers through an integrated approach of enhancing milk quality and animal productivity.

Project locations:

- Kurunegala district
- Jaffna district
- Kandy district
- Nuwara Eliya district
- Mathale district
- Puttlam district
- Gampaha district

Strategic approach

- Enhance milk production by 30-40% through night feeding
- Sustainable supply of water for animals during night time through well constructed cattle-sheds
- Maximize animal health and hygiene through scientifically designed cattle-sheds and thereby enhance production by 5-10%
- Introduce hybrid grass varieties towards increasing animal nutrition
- Introduce milking machines to enhance hygiene and take productivity up by 5-10%
- Provide refrigeration at affordable prices to encourage evening milk collection

Responsibility to our Customers

Percentage of product subject to labeling information requirements

G4-PR3

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 well being 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 Labeling and consumer awareness

We are fully committed to ensuring that consumers can make informed choices about health and nutrition. Full details about the ingredients and nutritional information for each of our products is shown on product packaging. We also ensure our products, ingredients, labeling and claims are safe, factual and always backed by scientific evidence and consistently comply with the Sri Lankan Regulations (Food Act).

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.

Percentage of products covered by for compliance with product information and labelling

Safe use of the product (%)	Disposal of the product (%)	Complete list of ingredients in descending order (%)
96	55	94

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 ISO14001 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.

Key initiatives

The Group is currently working towards setting specific nutrient criteria to guide our product development team. We work very closely with Sri Lankan Universities (Peradeniya University, Jayewardenepuraour University, Uva Wellassa University) to secure expert knowledge and provide the healthiest products to consumers. Our focus is to utilize fresh Sri Lankan milk & natural fruits and vegetables rich in vitamins,

minerals & fiber in our product range as far as possible.

Consumer health and wellness

Our 2020 goal is to promote the health & wellbeing of Sri Lankans by promoting the reduced intake of

- sugar
- saturated fat
- salt

Our research & development team is committed to delivering superior products containing recommended levels of sugar, salt and fat without compromising the unique taste attributes of our product range. They are constantly re-engineering our recipes to ensure our products are aligned with the nutrition expectations of our consumers while addressing the health challenges we face as a country.

Over the years our product development and quality assurance professionals have worked on our range of processed meats to maintain the most minimum possible levels of salt and additives that are cause for concern globally. We are evolving our product range in line with the emerging health concerns in Sri Lanka and would be looking to place greater emphasis on this aspect in the year ahead.

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,

Sustainability Report contd.

while our Food manufacturing facilities have obtained ISO 9001, 14001 and 22000 as well as SLS Standards certifications.

Responsible Business Practices

G4-56

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.

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 02 physically challenged 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.

Employee Volunteerism

Cargills supports our employees to help build vibrant and stable communities where we live and work. We encourage employee volunteerism and leveraging of individual expertise to collaborate with the community towards its development and enhancement. All Business Units engage in localized philanthropic activities on a volunteer basis.

The flood disaster that shook Sri Lanka post the financial year under review was certainly a cause for deep heart ache. Many of our employees were badly impacted by the disaster and fortunate to suffer only material damages. While taking immediate steps to meet the needs of our own staff, emergency response teams from across disciplines were dispatched to all flood affected areas carrying dry food items for immediate consumption. Over a period of 48 hours assistance worth in excess of Rs 12 mn was dispatched with the support of volunteers from across the Group. Volunteers from across business sectors came together to overcome environmental challenges to reach those victims who needed our support the most.

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.

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 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.

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.

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

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Our focus is to engage the communities that work with us to charter their own course of development.



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

The Directors are pleased to submit the Annual Report together with the audited financial statements of Cargills (Ceylon) PLC and consolidated audited financial statements of the Group for the year ended 31 March 2016 which were approved by the Board of Directors on 09th June 2016.

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:

- Operates a chain of supermarkets and convenience stores
- Distributes world renowned brands of beverages and other FMCG products.
- Manufactures/produces/processes and markets processed meats, dairy ice cream, yoghurt, cheese, milk, jams, cordials, sauces, and biscuits.
- Operates the 'Kentucky Fried Chicken' and 'TGIF' franchise restaurants in Sri Lanka
- Operates a Hotel in the hill-country.

Financial Statements

The audited financial statements comprising the Statements of Profit or Loss and Other 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 2016 given on pages 84 to 145 form an integral part of the Annual Report of the Board.

Auditors' Report

The auditors' report is set out on page 83.

Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on the pages 90 to 103.

Results and Dividends	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
For the year ended 31st March				
Profit for the year after taxation amounted to	1,690,581	599,978	779,182	72,343
After deducting the amount attributable to non controlling interest of	(66,595)	(23,799)	-	-
The profit attributable to shareholders was	1,623,986	576,179	779,182	72,343
To which profit brought forward from previous year is added	6,885,400	4,548,548	5,214,851	3,066,191
Super gain tax	(55,898)			
Adjustment resulted in increase of subsidiary share holdings	-	(63,129)	-	-
Other comprehensive income	(17,507)	(28,563)	4,212	(15,242)
Transfer to general reserve	-	-	-	-
Change in ownership interest that do 'not result in loss of control	-	2,216,160	-	-
Reversal of subsidiary dividend	(170)	-	-	-
Transfer from revaluation reserve of 'subsidiary disposed	-	84,521	-	-
Transfer from revaluation reserve	-	-	-	2,539,559
Equity accounted investee share of Goodwill on change	-	(316)	-	-
Leaving an amount available to the Company for appropriation of	8,435,811	7,333,400	5,998,245	5,662,851

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

Results and Dividends	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
For the year ended 31st March				

From which your directors have made appropriation as follows:

Dividend paid for the year ended 31st March 2015

Final Rs. 1.30 per share applicable to Financial Year 2013/14	-	291,200	-	291,200
---	---	---------	---	---------

Interim Rs. 0.70 Cents per share for Financial Year 2014/15	-	156,800	-	156,800
---	---	---------	---	---------

Dividend paid for the year ended 31st March 2016

Final Rs. 1.30 per share applicable to Financial Year 2014/15	291,200	-	291,200	-
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Interim Rs. 1.25 Cents per share for Financial Year 2015/16	280,000	-	280,000	-
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Leaving an unappropriated balance to be carried forward of	7,864,611	6,885,400	5,427,045	5,214,850
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An interim dividend of 1.25 cents per share (Rs.280 Mn) was paid on 13th January 2016 for the year ended 31st March 2016. A final dividend of Rs. 2.25 per share (Rs. 504 Mn) is proposed for the year ended 31st March 2016. This will be reflected in the subsequent year's financial statements. (refer note 34 to the financial statements on page 137)

Reserves

After the above mentioned appropriations, the total reserves of the Group stands at Rs 13,991 Mn (2015 – Rs. 12,412 Mn), while the total reserves of the Company stand at Rs. 9,274 Mn. (2015- Rs. 9,003 Mn).

Stated Capital

Stated Capital of the company as at 31st March 2016 was Rs.131 Mn. The detail of the stated capital is given in note 22 to the financial statements on page 123.

Capital Expenditure

The Group's capital outlay on property, plant and equipment amounted to Rs. 2,265 Mn (2015 - Rs. 1,788 Mn) while the capital outlay of the Company on property, plant and equipment amounted to Rs. 37.4 (2015 - Rs. 33.3 Mn). Details are given in note 13 to the financial statements on pages 112 and 113.

The movement of property, plant and equipment during the year is given in note 13 to the financial statements on pages 112 and 113.

Investment Property

The carrying value of land and building classified as investment property of the Company and the Group as at 31st March 2016 amounted to Rs. 5,443 Mn and Rs. 3,543 Mn respectively. Details of investment property held by the Group and the company are disclosed in note 14 to the Financial Statements.

Market Value of Properties

The land and buildings of the group were revalued as at 31st March 2016. Details are given in note 13 to the financial statements on pages 112 and 113 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 148 in the financial statements.

Shareholdings

The Company is a subsidiary of C T Holdings PLC and there were 1,877 registered shareholders as at 31st March 2016 (31st March 2015 - 1,901).

An analysis of shareholdings according to the size of holding and the names of the 20 largest shareholders is given on page 149 and 150.

Directorate

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

Messrs S. V. Kodikara and J. C. Page retire by rotation in terms of the Company's Articles of Association and being eligible offer themselves for re-election.

Messrs. A. T. P. Edirisinghe, Sunil Mendis, and E. A. D. Perera too are due to retire in terms of Section 210 (2) (a) and (b) of the Companies Act No. 7 of 2007 having attained the age of seventy years, 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 35.1 on page 137 to the consolidated financial statements.

Directors' Interests in Contracts

Directors' interests in transactions of the company are disclosed in note 35.2 to the financial statements on pages 137 to 138 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 31st March	2016	2015
Mr. L R Page	36,760	36,760
Mr. V R Page	14,961,900	14,443,900
Mr. M I Abdul Wahid	4,000	4,000
Mr. S V Kodikara	124,000	124,000
Mr. P S Mathavan	500	500
Mr. 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	276,157
Mr. J C Page	455,000	1,255,000
Mr. E A D Perera	10,000	10,000

Donations

During the year donations amounting to Rs. 3,450,000 were made by the Company.

Auditors

Messrs. KPMG are deemed re-appointed as Auditors at the Annual General Meeting of the company in terms of Section 158 of the Companies Act No. 07 of 2007. The directors have been authorized to determine the remuneration of the Auditors and the fee paid to the Auditors are disclosed in note 08 to the financial statements on page 105. 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 34 to the financial statements on page 137.

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)

M. I. Abdul Wahid
Managing Director/Deputy CEO

(Signed)

Sidath Kodikara
Director

(Signed)

Sarath Dissanayake
Company Secretary

09th June 2016

Statement of Directors' Responsibilities

The Companies Act No. 7 of 2007 places the responsibility on the Directors to prepare and present financial statements for each year comprising a Statement of Financial Position as at year end date and Statements of Profit or Loss and 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 83.

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 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)

Sarath Dissanayake
Company Secretary

09th June 2016

Independent Auditors' Report



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(Chartered Accountants)
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TO THE SHAREHOLDERS OF CARGILLS (CEYLON) PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Cargills (Ceylon) PLC, ("the Company"), and the consolidated financial statements of the Company and its Subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2016, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 84 to 145 of the annual report.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - The financial statements of the Company, give a true and fair view of its financial position as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 7 of 2007.

(Signed)

CHARTERED ACCOUNTANTS
Colombo

9th June 2016

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 FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan ACA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Note	Group		Company	
		2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Continuing operations					
Revenue	4	71,441,850	61,631,285	33,623	153,075
Cost of sales	5	(63,463,346)	(55,983,822)	(28,603)	(145,038)
Gross profit		7,978,504	5,647,463	5,020	8,037
Other income	6	1,549,258	1,426,917	1,618,485	2,039,546
Distribution expenses		(2,305,334)	(2,040,965)	(14,376)	(21,892)
Administrative expenses		(3,361,990)	(2,895,856)	(523,567)	(612,228)
Other expenses		(397,425)	(565,771)	(74,086)	(875,292)
Results from operating activities		3,463,013	1,571,788	1,011,476	538,171
Net finance costs	7	(604,144)	(832,127)	(194,518)	(491,733)
Changes in fair value of investment property	14	53,016	65,190	62,059	97,836
Share of loss of equity accounted investees and gain on dilution of equity accounted investee	16.5	(25,877)	(198)	-	-
Profit before taxation	8	2,886,008	804,653	879,017	144,274
Income tax expense	9	(1,195,427)	(557,436)	(99,835)	(71,931)
Profit for the year from continuing operations		1,690,581	247,217	779,182	72,343
Discontinued operations					
Profit from discontinued operations, net of tax	10.2.(a)	-	352,761	-	-
Profit for the year		1,690,581	599,978	779,182	72,343
Other comprehensive income (OCI)					
Revaluation of property plant and equipment	13	921,100	-	65,849	-
Net gain/(loss) on available-for-sale investments	16.3.1	(8,570)	903	(8,526)	811
Actuarial gain/(loss) on employee benefits	28.4	(22,743)	(39,517)	5,850	(21,169)
Equity accounted investee - share of OCI and share of OCI of gain on dilution of equity accounted investee	16.5	(2,164)	(1,189)	-	-
Tax on other comprehensive income	18	(10,917)	10,931	166	5,927
Other comprehensive income for the year, net of tax		876,706	(28,872)	63,339	(14,431)
Total comprehensive income for the year		2,567,287	571,106	842,521	57,912
Profit attributable to:					
Equity shareholders of the parent		1,623,986	576,179	779,182	72,343
Non-controlling interest		66,595	23,799	-	-
Profit for the year		1,690,581	599,978	779,182	72,343
Total comprehensive income attributable to:					
Equity shareholders of the parent		2,483,440	548,519	842,521	57,912
Non-controlling interest		83,847	22,587	-	-
Total comprehensive income for the year		2,567,287	571,106	842,521	57,912
Earnings per share					
Basic (Rs.)	11	7.25	2.57	3.48	0.32
Diluted (Rs.)	11	7.25	2.57	3.48	0.32
Earnings per share - Continuing operations					
Basic (Rs.)	11	7.25	0.99	3.48	0.32
Diluted (Rs.)	11	7.25	0.99	3.48	0.32

Figures in brackets indicate deductions

The accounting policies and notes from pages 90 to 145 form an integral part of these financial statements.

Statement of Financial Position

As at 31st March	Note	Group		Company	
		2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	13	20,266,084	18,833,894	2,981,795	2,929,927
Investment property	14	3,543,564	3,490,548	5,443,351	4,855,900
Intangible assets	15	1,077,423	1,035,732	-	-
Investments in subsidiaries	16.1	-	-	1,773,945	1,773,945
Investment in associates	16.2	2,305,653	1,093,699	2,325,378	1,087,503
Prepayment on leasehold land and building	17	24,500	25,374	-	-
Deferred tax assets	18	62,642	74,742	-	-
Total non-current assets		27,279,866	24,553,989	12,524,469	10,647,275
Current assets					
Inventories	19	7,194,778	6,217,584	9,986	29,218
Trade and other receivables	20	3,571,892	3,094,346	633,499	632,628
Amount due from related companies	21	1,015,944	957,133	1,294,595	2,946,040
Other financial assets	16.3.2	1,004,306	923,828	57,360	34,715
Cash and cash equivalents	25	2,144,349	1,671,542	203,816	11,313
Total current assets		14,931,269	12,864,433	2,199,256	3,653,914
Total assets		42,211,135	37,418,422	14,723,725	14,301,189
EQUITY					
Stated capital	22	130,723	130,723	130,723	130,723
Other equity	23	(2,251,743)	(1,974,311)	-	-
Reserves	24	8,377,688	7,500,727	3,847,002	3,787,875
Retained earnings		7,864,611	6,885,400	5,427,045	5,214,851
Total equity attributable to equity holders of the parent		14,121,279	12,542,539	9,404,770	9,133,449
Non-controlling interest		383,539	336,608	-	-
Total equity		14,504,818	12,879,147	9,404,770	9,133,449
LIABILITIES					
Non - current liabilities					
Borrowings	26	198,300	730,922	-	-
Deferred tax liability	18	777,550	569,951	155,370	141,711
Deferred income	27	84,863	96,344	-	-
Employee benefits	28	638,004	520,802	255,724	225,571
Put liability	23	2,251,743	1,974,311	-	-
Total non-current liabilities		3,950,460	3,892,330	411,094	367,282
Current liabilities					
Trade and other payables	29	10,937,305	8,085,105	382,882	433,849
Current tax liability		1,472,988	915,676	109,872	273,150
Amount due to related companies	21	3,622	-	38,892	128,569
Dividends payable	30	32,715	27,773	32,192	27,404
Borrowings	26	11,309,227	11,618,391	4,344,023	3,937,486
Total current liabilities		23,755,857	20,646,945	4,907,861	4,800,458
Total liabilities		27,706,317	24,539,275	5,318,955	5,167,740
Total equity and liabilities		42,211,135	37,418,422	14,723,725	14,301,189

Figures in brackets indicate deductions.

The accounting policies and notes from pages 90 to 145 form an integral part of these financial statements.

I certify that the financial statements have been prepared in accordance with the requirements of the Companies Act No. 7 of 2007.

(Signed)

Dilantha Jayawardhana
Group Chief Financial Officer

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

(Signed)

M. I. Abdul Wahid
Managing Director/Deputy CEO

(Signed)

Sidath Kodikara
Director

09th June 2016
Colombo

Statement of Changes in Equity

Group	Attributable to equity holders of parent							Non		
	Stated	Capital	Revaluation	General	Available for	Other	Retained	Total	controlling	Total
	capital	reserve	reserve	reserve	sale reserve	equity	earnings		interest	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2014	130,723	7,928	7,107,668	485,500	(16,751)	-	4,548,548	12,263,616	45,946	12,309,562
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	576,179	576,179	23,799	599,978
Other comprehensive income	-	-	-	-	903	-	(28,563)	(27,660)	(1,212)	(28,872)
Total comprehensive income	-	-	-	-	903	-	547,616	548,519	22,587	571,106
Transactions with owners of the company, recognised directly in equity										
Put option over non controlling interest (note 23)	-	-	-	-	-	(1,974,311)	-	(1,974,311)	-	(1,974,311)
Transfer of revaluation reserve of subsidiary disposed	-	-	(84,521)	-	-	-	84,521	-	-	-
Change in ownership interest that do not result in loss of control (note 16.1.1)	-	-	-	-	-	-	2,216,160	2,216,160	321,090	2,537,250
Equity accounted investee share of Goodwill on change in shareholding	-	-	-	-	-	-	(316)	(316)	-	(316)
Adjustment resulted in increase of subsidiary shareholding (note 16)	-	-	-	-	-	-	(63,129)	(63,129)	(53,015)	(116,144)
Dividends	-	-	-	-	-	-	(448,000)	(448,000)	-	(448,000)
Balance as at 31 March 2015	130,723	7,928	7,023,147	485,500	(15,848)	(1,974,311)	6,885,400	12,542,539	336,608	12,879,147
Balance as at 1 April 2015	130,723	7,928	7,023,147	485,500	(15,848)	(1,974,311)	6,885,400	12,542,539	336,608	12,879,147
Super Gain tax *	-	-	-	-	-	-	(55,898)	(55,898)	(1,890)	(57,788)
Adjusted balance as at 1 April 2015	130,723	7,928	7,023,147	485,500	(15,848)	(1,974,311)	6,829,502	12,486,641	334,718	12,821,359
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	1,623,986	1,623,986	66,595	1,690,581
Other comprehensive income	-	-	885,531	-	(8,570)	-	(17,507)	859,454	17,252	876,706
Total comprehensive income	-	-	885,531	-	(8,570)	-	1,606,479	2,483,440	83,847	2,567,287
Transactions with owners of the company, recognised directly in equity										
Put option over non controlling interest (note 23)	-	-	-	-	-	(277,432)	-	(277,432)	-	(277,432)
Deferred tax on revaluation	-	-	-	-	-	-	(571,370)	(571,370)	(35,026)	(606,396)
Dividends	-	-	-	-	-	-	(571,370)	(571,370)	(35,026)	(606,396)
Balance as at 31 March 2016	130,723	7,928	7,908,678	485,500	(24,418)	(2,251,743)	7,864,611	14,121,279	383,539	14,504,818

* As per the provisions of Part III of the Finance Act, No. 10 of 2015, which was certified on 30th October 2015, the Group is liable for Super Gain Tax of Rs. 57.8 Mn. According to the Act, the Super Gain Tax was deemed to be expenditure in the Financial Statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards; hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015.

The figures in brackets indicate deductions.

The accounting policies and notes from pages 90 to 145 form an integral part of these financial statements.

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 2014	130,723	5,857,818	485,500	(16,695)	3,066,191	9,523,537
Total comprehensive income						
Profit for the year	-	-	-	-	72,343	72,343
Other comprehensive income	-	-	-	811	(15,242)	(14,431)
Total comprehensive income	-	-	-	811	57,101	57,912
Transactions with owners of the company, recognised directly in equity						
Transfer of revaluation reserve	-	(2,539,559)	-	-	2,539,559	-
Dividends	-	-	-	-	(448,000)	(448,000)
Balance as at 31 March 2015	130,723	3,318,259	485,500	(15,884)	5,214,851	9,133,449
Balance as at 1 April 2015	130,723	3,318,259	485,500	(15,884)	5,214,851	9,133,449
Total comprehensive income						
Profit for the year	-	-	-	-	779,182	779,182
Other comprehensive income	-	67,653	-	(8,526)	4,212	63,339
Total comprehensive income	-	67,653	-	(8,526)	783,394	842,521
Transactions with owners of the company, recognised directly in equity						
Transfer of revaluation reserve	-	-	-	-	-	-
Dividends	-	-	-	-	(571,200)	(571,200)
Balance as at 31 March 2016	130,723	3,385,912	485,500	(24,410)	5,427,045	9,404,770

The figures in brackets indicate deductions.

The accounting policies and notes from pages 90 to 145 form an integral part of these financial statements.

Statement of Cash Flow

For the year ended 31 March	Note	Group		Company	
		2016	2015	2016	2015
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash flows from operating activities					
Profit before taxation					
- Continuing operations		2,886,008	804,653	879,017	144,274
- Discontinuing operations		-	352,761	-	
Adjustments for:					
Depreciation	13	1,682,156	1,637,996	35,965	45,858
Employee benefits	28	118,748	102,813	45,643	43,706
Amortization of intangible assets	15	36,254	20,536	-	-
Amortisation of prepayment on leasehold land and building	17	874	876	-	-
Gain on disposal of trademark		-	(3,330,000)	-	-
Amortisation of deferred income	27	(11,481)	(12,181)	-	-
Profit on sale of property, plant and equipment	6	(24,846)	(16,143)	(3,475)	(625,181)
Change in fair value of investment property	14	(53,016)	(65,190)	(62,059)	(97,836)
Impairment of property plant and equipment	13	922	42,929	-	-
Change in assets held for sale		-	-	-	136,158
Inventory write-off		-	99,667	-	
Reversal of provision for inventories	19	(19,838)	(25,087)	-	-
Provision for/(reversal) of provision for doubtful debtors	20	4,418	(17,722)	(1,500)	5,573
Net finance costs	7	604,144	965,526	194,518	491,733
Dividend income	6	(720)	(811)	(827,104)	(514,478)
Loss on disposal of investment	10.2.(f)	-	-	-	655,977
Loss on disposal of Subsidiary		-	2,113,126	-	-
Impairment of investment in associate	16.5	36,005	180,909	38,125	37,310
Share of associate results and Gain on dilution of investment in associate	16.5	25,877	198	-	-
Operating profit before working capital changes		5,285,505	2,854,856	299,130	323,094
Changes in working capital					
- (Increase) / decrease in inventories		(957,356)	(174,732)	19,232	(13,075)
- (Increase) / decrease in trade and other receivables		(481,967)	239,495	629	(8,597)
- (Increase) / decrease in related company receivables		(58,811)	(799,684)	1,651,446	9,704,109
- Increase / (decrease) in trade and other payables		2,852,200	(6,358)	(50,969)	(281,131)
- Increase / (decrease) in related company payables		3,622	(20,429)	(89,677)	(850,886)
Cash generated from operations		6,643,193	2,105,864	1,829,791	8,873,514
Taxes paid		(487,118)	(381,829)	(249,288)	-
Interest paid	7	(797,599)	(1,179,380)	(326,178)	(773,769)
Gratuity paid	28	(24,289)	(37,750)	(9,640)	(29,951)
Net cash generated from operating activities		5,334,187	506,905	1,244,685	8,069,794

For the year ended 31 March		Group		Company	
		Note	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000
Cash flows from investing activities					
Addition to property, plant and equipment	13	(2,200,773)	(1,664,190)	(21,983)	(33,376)
Addition to investment property	14	-	(75,263)	(525,392)	(124,814)
Addition to intangible assets	15	(77,945)	(18,276)	-	-
Investment in new share issue of subsidiary	16.1	-	-	-	(105,392)
Finance income received	7.1	193,455	213,854	131,660	282,036
Receipt of grant	27	-	2,391	-	-
Acquisition of non controlling interest in subsidiary		-	(116,144)	-	-
Addition to Investment in Associate	16.2	(1,276,000)	(248,738)	(1,276,000)	(248,738)
Dividend received	6	720	811	827,104	514,478
Proceeds from disposal of property, plant and equipment		31,451	49,452	3,475	1,000
Proceed from disposal of investments		-	1,131,432	-	-
Proceed from disposal of subsidiary		-	-	-	1,354,022
Proceed from disposal of trade mark		-	4,000,000	-	-
Addition to other financial assets		(89,048)	(385,505)	(31,171)	-
Net cash generated from/(used in) investing activities		(3,418,140)	2,889,824	(892,307)	1,639,216
Cash flows from financing activities					
Share issued to minority shareholders		-	2,550,000	-	-
Share issue expenses		-	(12,750)	-	-
Net proceeds from/(repayment of) short term borrowings		439,575	(5,682,722)	1,240,700	(8,870,000)
Net proceeds from/(repayment of) long term borrowings		(532,622)	(558,397)	-	(1,700,400)
Dividend paid		(601,454)	(443,183)	(566,412)	(443,183)
Net cash generated from/(used in) financing activities		(694,501)	(4,147,052)	674,288	(11,013,583)
Increase / (decrease) in cash and cash equivalents		1,221,546	(750,323)	1,026,666	(1,304,573)
Movement in cash and cash equivalents					
At the beginning of the year		(2,338,452)	(1,588,129)	(2,526,173)	(1,221,600)
Movement during the year		1,221,546	(750,323)	1,026,666	(1,304,573)
At the end of the period	25	(1,116,906)	(2,338,452)	(1,499,507)	(2,526,173)

The figures in brackets indicate deductions.

The accounting policies and notes from pages 90 to 145 form an integral part of these financial statements.

Notes to the Financial Statements

1. Corporate Information

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.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Group for the year ended 31st March 2016 comprise Cargills (Ceylon) PLC (Parent Company), its subsidiaries (together referred to as the 'Group') and the Group's interest in its associate companies.

1.3 Parent Entity & Ultimate Parent Entity

The Company's holding entity is CT Holdings PLC which is a Quoted Public Limited Liability Company domiciled in Sri Lanka and listed in Colombo Stock Exchange.

1.4 Number of Employees

The staff strength of the Company as at 31st March 2016 is 1,870 (1,729 as at 31st March 2015).

The staff strength of the Group as at 31st March 2016 is 8,738 (7,826 as at 31st March 2015).

1.5 Principal Activities and Nature of Operations

The Group is 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'

3. Operating a chain of 'KFC' and 'TGIF' restaurants under franchise agreements
4. Distribution of international brands such as 'Kodak', 'Kraft', 'Cadbury', 'Bonlac', 'Oreo', 'Tang' and 'Toblerone' etc.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

2. Basis of Preparation

2.1 Basis of Measurement

The Financial Statements of the Company and the Group have been prepared on the historical cost basis except for the following items in the Statement of Financial Position:

Item	Basis of measurement	Note No.
Property Plant and Equipment	Cost / Revaluation	13
Financial Investments Available-for-sale	Fair Value	16.3.1
Employee Benefits	Liability is recognised as the present value of the defined benefit obligation.	28
Investment Properties	Fair Value	14
Put liability	Present value of exercise price	23

2.2 Statement of Compliance

The Consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31st March 2016 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, and the Listing Rules of the Colombo Stock Exchange.

These financial statements include the following components:

- A Statement of Profit or Loss and other Comprehensive Income providing the information on the financial performance of the Company and the Group for the year under review;
- A Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year-end;
- A Statement of Changes in Equity depicting all changes in shareholders' equity during the year under review of the Company and the Group;
- A Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs of entity to utilise those cash flows ;and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.3 Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of these Financial Statements of the Company and the Group as per the provision of the Companies Act No. 07 of 2007 and SLFRS and LKAS.

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors on the Affairs of the Company", "Directors' Responsibility for Financial Reporting" and in the certification on the Statement of Financial Position.

2.4 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31st March 2016 (including comparatives) were approved and authorised for issue on 09th June 2016.

2.5 Presentation of Financial Statements

The assets and liabilities of the Company and the Group in the Statement of Financial Position are grouped by nature. No adjustments have been made for inflationary factors affecting the Financial Statements.

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

2.6 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lanka Rupees (Rs.), which is the Group's functional and presentation currency.

2.7 Materiality & Aggregation

In compliance with the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements', each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

2.8 Rounding

The amounts in the Consolidated Financial Statements have been rounded-off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard- LKAS 01 on 'Presentation of Financial Statements'.

2.9 Comparative Information

The accounting policies have been consistently applied by the Company and the Group with those of the previous financial year in accordance with the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements'. Comparative information is reclassified wherever necessary to comply with the current presentation.

2.10 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRS and LKAS 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.

Further, management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key significant accounting judgments, estimates and assumptions involving uncertainty of respective carrying amounts of such assets and liabilities are as given in related Notes.

Note 18 – Deferred taxation
Note 28 – Employee benefits
Note 23 – Put liability

2.11 Going Concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Notes to the Financial Statements contd.

3. Significant Accounting Policies

3.1 Basis of Consolidation

The Consolidated Financial Statements comprise of financial statements of the Company, its subsidiaries and its associate companies for the year ended 31st March 2016 except for the company stated in the note 16.6.(b). The financial statements of the Company's subsidiaries and associates are prepared for the same reporting year using consistent accounting policies.

3.1.1 Business combination and goodwill

Business combinations are accounted for using the Acquisition method as per the requirements of Sri Lanka Accounting Standard - SLFRS 03 (Business Combinations).

The Group and the Company measure goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net amount of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of

the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the Statement of Profit or Loss.

3.1.2 Subsidiaries

Subsidiaries are entities that are controlled by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases. The Company is presumed to control an investee when it is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are stated at cost, net of any impairment losses which are charged to the Profit or Loss in the Company's Financial Statements and it is in accordance with the Sri Lanka Accounting Standard LKAS 27 on 'Consolidated and Separate Financial Statements'.

Intra-group balances and transactions, income, expenses and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements.

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

3.1.3 Acquisition 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 Profit or Loss.

All subsidiaries of the Company have been incorporated in Sri Lanka.

3.1.4 Associates

Associate is an entity in which the Company has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investment in Associate is accounted for using the Equity method and is recognised initially at cost in terms of the Sri Lanka Accounting Standard - LKAS 28 on 'Investments in Associates and Joint Ventures'. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised but is subjected to impairment test. The Company's investments include goodwill recognized on acquisition, net of any accumulated impairment losses.

The Consolidated Financial Statements include the Company's share of the income and expenses and equity movements of the Associate, after adjustments being made to align the accounting policies with those of the Group from the date that significant influence effectively commences until the date that significant influence effectively ceases.

When the Company's share of losses exceeds its interest in the Associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or made payments on behalf of the Associate. If the Associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Profit and losses resulting from transactions between the Company and the Associate are eliminated to the extent of the interest in the Associate. The Company discontinues the use of the Equity method from the date that it ceases to have significant influence over an

Associate and accounts for the investment cost in accordance with the Sri Lanka Accounting Standard- LKAS 39 on 'Financial Instruments: Recognition and measurement'.

3.1.5 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available for sale financial asset depending on the level of influence retained.

3.1.6 Transactions Eliminated on Consolidation

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

3.2 Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency which is Sri Lankan Rupees (Rs.) at the spot exchange rate at the date of the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange at the reporting date. The foreign currency gain or loss on

monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

3.3 Financial Instruments – Initial Recognition and Subsequent Measurement

3.3.1 Date of Recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group and Company becomes a party to the contractual provisions of the instrument.

3.3.2 Classification and Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss as per the Sri Lanka Accounting Standard- LKAS 39 on 'Financial Instruments: Recognition and Measurement'.

Notes to the Financial Statements contd.

3.3.3 Classification and Subsequent Measurement of Financial Assets

At inception a financial asset is classified under one of the following categories:

- i) Financial Assets at Fair value through profit or loss (FVTPL);
 - Financial Assets - Held for trading or
 - Financial Assets - Designated at fair value through profit or loss
- ii) Loans and receivables (L&R);
- iii) Financial Investments - Held to maturity (HTM); or
- iv) Available-for-sale (AFS) financial assets.

The subsequent measurement of Financial Assets depends on their classification.

3.3.3.1 Financial Investments at Fair Value through Profit or Loss (FVTPL)

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

Financial Assets - Held for Trading

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. Financial investments held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in 'other income'. Interest and dividend income is recorded in 'other income' according to the terms of the contract, or when the right to receive the payment has been established.

Financial Assets - Designated at Fair Value through Profit or Loss

The Group and Company designates financial assets at fair value through profit or loss in the following circumstances;

- The assets are managed, evaluated and reported internally at fair value;

- The designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or
- The asset contains an embedded derivative that significantly modifies the cash flows that would otherwise have been required under the contract.

Financial assets designated at fair value through profit or loss is recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in other income as net gain or loss on financial assets and liabilities designated at fair value through profit or loss. Interest earned is accrued in 'interest income' using EIR while dividend income is recorded in 'other income' when the right to receive the payment has been established.

3.3.3.2 Available for Sale Financial Assets

Available for sale financial investments include equity securities. 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.

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (Other Comprehensive Income) in the 'Available for sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognised in the Statement of Profit or Loss in 'Other income'. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available for sale financial assets are reported as interest income using the effective interest rate (EIR).

Dividends earned whilst holding available for sale financial investments are recognised in the Statement of Profit or Loss as 'Other income' when the right of the income has been established. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss and removed from the 'Available for sale reserve'.

3.3.3.3 Financial Assets Classified as Loans and Receivables

Financial assets classified as loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group and Company intends to sell immediately or in the near term and those that, upon initial recognition, designates as at fair value through profit or loss
- Those that the Group and Company, upon initial recognition, designates as available for sale
- Those for which the Group and Company may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, 'Loans and receivables' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the Profit or Loss. The losses arising from impairment are recognised in the Profit or Loss.

3.3.4 Classification and Subsequent Measurement of Financial Liabilities

At the inception the Group and Company determines the classification of its financial liabilities. Accordingly financial liabilities are classified as:

- i) Financial liabilities at fair value through profit or loss (FVTPL)
 - Financial liabilities held for trading
 - Financial liabilities designated at fair value through profit or loss
- ii) Financial liabilities at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

3.3.4.1 Financial Liabilities at Fair Value through Profit or Loss

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

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognised in profit or loss.

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category includes derivative financial instruments entered into by the Group and Company that are not designated as hedging instruments in hedge relationships as defined by the Sri Lanka Accounting Standard - LKAS 39 on Financial Instruments: Recognition and Measurement. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

3.3.4.2 Financial Liabilities at Amortised Cost

Financial Instruments where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by

the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using the EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are de-recognised as well as through the EIR amortisation process.

3.3.5 Reclassification of Financial Instruments

The Group does not reclassify any financial instrument into the 'fair value through profit or loss' category after initial recognition. Also the Group does not reclassify any financial instrument out of the 'fair value through profit or loss' category if upon initial recognition it was designated as at fair value through profit or loss.

The Group reclassifies non-derivative financial assets out of the 'held for trading' category and into the 'available for sale', 'loans and receivables', or 'held to maturity' categories as permitted by the Sri Lanka Accounting Standard - LKAS 39 on Financial Instruments: Recognition and Measurement. In certain circumstances the Group is also permitted to reclassify financial assets out of the 'available for sale' category and into the 'loans and receivables', 'held for trading' or 'held- to maturity' category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the 'available for sale' category, any previous gain or loss on that asset that has been recognised in Equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate (EIR). Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to the Statement of Profit or Loss.

The Group may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

3.3.6 De-recognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised when;

- The rights to receive cash flows from the asset which have expired;
- The Group and Company 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;

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- The Group and Company has transferred substantially all the risks and rewards of the asset; or
- The Group and Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been recognised is recognised in profit or loss.

When the Group and Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Financial Liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.3.7 Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3.3.8 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 are 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 have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

3.3.9.1 Loans and Receivables

Losses for impaired loans are recognized promptly when there is objective evidence that impairment has occurred. Impairment losses are recorded as charges to the Profit or Loss. The carrying amount of impaired loans and receivables on the Statement of Financial Position is reduced through the use of impairment allowance accounts.

Reversals of Impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the Statement of Profit or Loss.

3.3.9.2 Available for Sale Financial Investments

For available for sale financial investments, the Company and Group assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of equity investments classified as available for sale, objective evidence would also include a significant or 'prolonged' decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. The Group generally treats 'significant' as 20% or more and 'prolonged' as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss is removed from equity and recognised in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; increases in the fair value after impairment are recognised in other comprehensive income.

3.3.10 Offsetting Financial Instruments

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

Income and expenses are presented on a net basis only when permitted under LKAS / SLFRS, or for gains and losses arising from a group of similar transactions

3.4 Property, Plant and Equipment

3.4.1 Basis of Recognition

Property, Plant and Equipment is recognized if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured reliably.

3.4.2 Basis of Measurement

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to

the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

When parts of an item of Property, Plant & Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant & Equipment.

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 statement of profit or loss. Upon disposal of such revalued assets the revaluation surplus relating to such disposed assets will be directly transferred to retained earnings. Revaluation of property, plant and equipment are undertaken by professionally qualified independent valuers.

3.4.3 Subsequent Costs

The cost of replacing a 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 Group and its cost can be measured reliably. The cost of day today servicing of Property,

Plant and Equipment are charged to the Statement of Profit or Loss as incurred.

3.4.4 Repairs & Maintenance

Repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company & Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

3.4.5 Capital Work-in-Progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost. Capital assets which have been completed during the year and put to use have been transferred to Property, plant and equipment.

3.4.6 De-recognition

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

3.4.7 Depreciation

Depreciation is recognised in Statement of 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 method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives are as follows;

Class of asset	% per annum	Period
Buildings	2	50 years
Improvement of leasehold properties	10 – 25	4 -10 years
Motor vehicles	25	4 years
IT equipment and software	20 – 33.3	3 -5 years
Office and other equipment	20	5 years
Air condition and refrigeration	10 – 20	5 -10 years
Plant & machinery	10 – 20	5 -10 years
Refundable containers	20	5 years
Furniture and fittings	20	5 years

The above rates are consistently used by all the Group entities. The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is de-recognised. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

3.4.8 Returnable containers

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

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3.5 Investment Properties

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 properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions at the reporting date. Gains or losses arising from changes in fair value are included in the Profit or Loss in the year in which they arise.

Where Group companies occupy a significant portion of the investment property of a subsidiary, such portion of investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted for as per LKAS 16 - Property, Plant and Equipment.

3.5.1 De-recognition

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Profit or Loss in the year of retirement or disposal.

3.5.2 Subsequent Transfers to/from Investment Property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner occupied property becomes an investment property, the Company, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of Profit or Loss.

3.5.3 Determining Fair Value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio annually.

3.5.4 Investment Property Leased within the Group

Any property leased out to parent or subsidiary is considered as owner-occupied from the perspective of the Group and adjustments are made for consolidation purposes.

3.6 Intangible Assets

The Group's intangible assets include the value of computer software, brand name, franchise fee and goodwill.

3.6.1 Basis of Recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group in accordance with the Sri Lanka Accounting Standard- LKAS 38 on 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost.

The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are stated in the Statement of Financial Position at cost less any accumulated amortisation and any accumulated impairment losses if any.

3.6.2 Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.6.3 Useful Economic Lives, Amortisation and Impairment

The useful economic lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below;

Class of asset	% per annum	Period
Computer software	25	4 years
Franchise fee	10	10 years

The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in profit or loss to the extent that they are no longer probable of being recovered from the expected future benefits.

3.6.4 De-recognition

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss in the year the asset is de-recognised.

3.7 Impairment of Non-financial Assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may have

decreased. If such indication exists the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation/ amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised in profit or loss.

3.8 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

3.9 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, and with banks at short notice that are subject to an insignificant risk of changes in their fair value.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.10. Assets Held for Sale and Discontinued Operations

3.10.1 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.

3.10.2 Discontinued Operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

3.11 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.

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3.12 Equity Reserves

The reserves recorded in equity (Other comprehensive income) on the Group's Statement of Financial Position include;

- 'Revaluation reserve' consists of net surplus resulting from the revaluation of property plant and equipment.
- 'Available for Sale' reserve, which comprises changes in fair value of available for sale investments.
- 'General Reserve' represents the amounts set aside by the Directors for general application. The purpose of setting up the General Reserve is to meet the potential future unknown liabilities.
- 'Capital reserve' comprises share of capital reserve resulting from consolidation.

3.13 Written put options over NCI

3.13.1 Recognition and measurement

When an entity writes a put option with the non-controlling shareholders in an existing subsidiary on their equity interests in that subsidiary, and the put option granted to non-controlling shareholders provides for settlement in cash or in another financial asset by the entity, the entity is required to recognize a liability for the present value of the exercise price of the option as per LKAS 32. Accordingly Group has recognized a put liability as at reporting date.

The group has accounted for its written put option over non-controlling shareholders using the present access method and determined such as its accounting policy to be applied consistently.

The determination of present value of the exercise price (i.e. fair value) for put options related to non-controlling interests has involved management judgments and estimates of vital factors such as the likelihood of exercise of the option and the timing thereof, adherence to the conditions of the shareholder agreement by both parties, projected cash flows of the underlying operations, the weighted average

cost of capital, etc. A change in any of these factors may have a significant impact on future results and cash flows.

3.13.2 Subsequent measurement

Subsequent changes in the carrying amount of the put liability will be recognized within equity.

3.14 Employee Benefits

3.14.1 Defined Benefit Plan - Gratuity

The Group measures the present value of the retirement benefits for gratuity, with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard- LKAS 19 on 'Employee Benefits'.

The item is stated under Employee benefits in the Statement of Financial Position.

The assumptions based on which the results of the actuarial valuation was determined, are included in note 28 to the financial statements.

3.14.2 Recognition of Actuarial Gains and Losses

The Company and Group recognises the total actuarial gains and losses that arise in calculating the Company's obligation in Other Comprehensive Income during the period in which it occurs.

3.14.3 Funding Arrangements

The gratuity liability is not externally funded.

3.14.4 Defined contribution plans

-Employees' Provident Fund

Defined Contribution Plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay any further amounts. Obligations for contributions to Employees Provident Fund and Employees Trust Fund covering all employees are recognised as an expense in the Profit or Loss, as incurred.

3.15 Dividends Payable

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are recommended by and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

3.16 Borrowings

Borrowings are classified as current liabilities unless the Company and Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

3.17 Leases

3.17.1 Finance leases

Assets are classified as acquired by finance leases when by an agreement, the Group substantially assumes the risk and rewards incidental to the ownership of an asset. Assets acquired by the way of finance lease are measured at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception less accumulated depreciation and accumulated impairment losses.

3.17.2 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 Statement of Profit or Loss over the period of lease on a straight line basis.

3.18 Provisions

Provisions are recognised in the Statement of Financial Position when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting

Standard - LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date.

3.19 Commitments and Contingencies

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard- LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

Details of the commitments and contingencies are given in note 32 and 33 to the Financial Statements.

Statement of Profit or Loss and Other Comprehensive Income

3.20 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

3.20.1 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.

3.20.2 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.

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.

3.20.3 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 Statement of Financial Position 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.

Expenditure Recognition

3.21 Borrowing Costs

As per Sri Lanka Accounting Standard- LKAS 23 on 'Borrowing Costs', the Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

3.22 Leases

3.22.1 Operating Lease

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.

3.22.2 Finance Leases

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.

3.23 Tax Expenses

3.23.1 Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto at the rates specified below.

3.23.2 Deferred Tax

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the

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time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Statement of Profit or Loss.

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

3.23.3 Withholding Tax on Dividends, Distributed by the Company and Subsidiaries

Withholding tax on dividends distributed by the Company

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

Withholding tax on dividends distributed by the Subsidiaries and Associates

Dividends received by the Company from its Subsidiaries and Associates, have attracted a 10% deduction at source.

3.24 Earnings per Share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.25 Segment Reporting

The Group's primary segments are retail, fast moving consumer goods (FMCG) and restaurant. There are no distinguishable components to be identified as geographical segments for the Group.

A segment is a distinguishable component of the Group that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the Financial Statements of the Group.

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

3.26 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.

3.27 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flow', whereby operating activities, investing activities and financing activities are separately recognised. Cash and Cash Equivalents comprise of short-term,

highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and Cash Equivalents as referred to in the Statement of Cash Flow are comprised of those items as explained in note 25.

3.28 Standards Issued but not yet Effective

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31st March 2016.

SLFRS 9 - Financial Instruments:

Classification and Measurement

SLFRS 9, as issued, reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities as defined in LKAS 39.

SLFRS 9 was issued in 2012 and effective date of this standard has been deferred until 1st January 2018 further notice.

SLFRS 15 - Revenue from contracts with customers

The objective of this standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

SLFRS 15 will become effective on 1st January 2018.

The impact on the implementation of the above standard has not been quantified yet.

Notes to the Financial Statements contd.

4. Revenue

	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross revenue	77,249,542	67,422,455	34,982	168,071
Revenue related taxes	(5,807,692)	(5,791,170)	(1,359)	(14,996)
Net revenue	71,441,850	61,631,285	33,623	153,075

The Group primarily has three business segments namely, Retail, Fast Moving Consumer Goods (FMCG) and Restaurant, segmental information are disclosed in note 31.

5. Cost of sales

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

6. Other income

	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Dividend income	720	811	827,104	514,478
Rental income	34,248	104,178	191,851	332,964
Profit on sale of property, plant and equipment	24,846	17,010	3,475	625,181
Management fee	-	-	594,090	564,725
Merchandising income	1,396,115	1,174,386	-	2,198
Foreign exchange gain	9,385	8,040	-	-
Commission Income	-	2,560	-	-
Amortisation of deferred income	-	-	-	-
- Capital grant	11,481	10,471	-	-
- Revenue grant	-	1,709	-	-
Sundry income	72,463	107,752	1,965	-
	1,549,258	1,426,917	1,618,485	2,039,546

7. Net finance cost

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
7.1 Finance income				
- Interest income	193,455	213,854	131,660	282,036
	193,455	213,854	131,660	282,036
7.2 Finance cost on;				
- Short term loans	463,535	755,364	203,484	575,073
- Bank overdrafts	189,268	145,656	116,159	121,072
- Other loans and bank charges	144,121	144,283	6,535	77,624
- Staff security deposits	675	678	-	-
	797,599	1,045,981	326,178	773,769
Net finance cost	604,144	832,127	194,518	491,733

Borrowing cost capitalized by the Group and the Company on qualifying assets during the financial year and year 2015 are nil.

8. Profit before taxation

Profit before taxation on continuing operations are stated after charging/(crediting) all expenses/(income) including the following:

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Staff costs (note 8.1)	4,870,513	3,841,161	214,029	241,103
Auditors' remuneration				
- Audit	6,859	6,347	699	635
- Non audit services	1,719	366	609	366
Depreciation on property, plant and equipment (note 13)	1,682,156	1,567,531	35,965	45,858
Amortisation of intangible assets (note 15)	36,254	20,536	-	-
Foreign exchange gain (note 06)	(9,385)	(8,040)	-	-
Reversal of provision for inventories	(19,838)	(25,087)	-	-
Directors' emoluments	232,032	206,525	36,311	103,322
8.1 Staff costs				
Salaries, wages and other costs	4,371,863	3,411,260	151,421	172,220
Pension costs - Employee benefits (note 28.3)	118,748	101,921	45,643	43,706
Defined contribution plan cost - EPF and ETF	379,902	327,980	16,965	25,177
	4,870,513	3,841,161	214,029	241,103
Number of employees as at 31 March	8,738	7,826	1,870	1,729

Notes to the Financial Statements contd.

9. Income tax expense

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Current income tax				
Current tax charge (note 9.1)	862,020	704,419	86,010	408,369
Dividend tax	124,622	57,645	-	-
Under provision of current tax of previous years	-	69,735	-	69,735
Deferred income tax (note 9.2)	208,785	(274,363)	13,825	(406,173)
	1,195,427	557,436	99,835	71,931

- (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 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, 31 March 2014, 31 March 2015 and 31 March 2016 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 nil (2015 - Rs. 1.04 Mn) and Rs. 130.9 Mn (2015 - Rs. 62.4 Mn) respectively.

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

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Profit before taxation	2,886,008	804,653	879,017	144,274
Aggregate disallowed expenses	2,573,471	5,080,294	453,735	2,926,516
Aggregate allowable expenses	(2,604,297)	(3,424,523)	(134,696)	(160,736)
Aggregate other income	(240,749)	(121,748)	(1,024,297)	(1,237,495)
Adjusted business profit	2,614,433	2,338,676	173,759	1,672,559
Tax losses incurred	313,428	376,544	-	-
Taxable income from other sources	199,775	51,996	131,660	-
Adjusted profit (a)	3,127,636	2,767,216	305,419	1,672,559
Tax losses brought forward	1,628,580	2,655,134	-	80,385
Tax losses added (note 9.1.1)	313,428	1,244,146	-	-
Tax losses of disposed subsidiary	-	(2,191,652)	-	-
Tax losses utilised (b)	(76,398)	(334,762)	-	(279,861)
Adjustment on finalisation of liability	(72,745)	255,714	-	199,476
Tax losses carried forward	1,792,865	1,628,580	-	-
Taxable income (a+b)	3,051,238	2,432,454	305,419	1,392,698
Income tax @ 28%	833,139	626,646	84,367	346,990
Income tax @ 12%	607	-	-	-
Income tax @ 40%	28,274	77,773	1,643	61,379
Current tax charge	862,020	704,419	86,010	408,369

9.1.1 Tax losses added

Tax losses incurred by continuing operations	313,428	376,544	-	-
Tax losses incurred by discontinued operations	-	867,602	-	-
	313,428	1,244,146	-	-

9.2 Deferred income tax

Deferred tax expense arising from;

Operating lease liability	(13,409)	(104,538)	-	-
Accelerated depreciation for tax purposes	337,743	(166,696)	23,905	(434,545)
Provisions	(7,646)	(13,015)	-	-
Employee benefits	(26,314)	(18,696)	(10,080)	28,372
Benefit arising from tax losses	(22,197)	(36,766)	-	-
Deferred income	2,737	3,219	-	-
Increase / (decrease) in future tax rate	(62,129)	62,129	-	-
Deferred tax charge / (release)	208,785	(274,363)	13,825	(406,173)

Deferred tax has been computed taking into consideration the tax rates effective from 1 April 2015 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.

9. Income tax expense (contd.)

9.3 Temporary differences associated with subsidiary companies, Cargills Food Services (Private) Limited, Kotmale Milk Products Limited, and Kotmale Milk Foods Limited, for which deferred tax assets have not been recognized, are as follows.

	2016		2015	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deductible temporary differences	1,914	536	1,914	536
Tax losses	209,664	31,206	147,983	23,729
	209,664	31,206	149,897	24,265

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"

10. Discontinued operations

10.1 Disposal of Millers Brewery Limited (MBL)

On 30th October 2014, the Company disposed of its entire stake in Millers Brewery Limited comprising 17,050,002 shares (100% stake) at a consideration of Rs. 1,150 Mn (Rs.67.45 per share). Consequently, the interest of the Company in Millers Brewery Limited ceased on the date of disposal.

Prior to disposal of entire stake in Millers Brewery Limited on, 30th September 2014, Millers Brewery Limited repurchased 2,950,000 it's own shares at a consideration of Rs. 204 Mn(Rs. 69.16 per share)

10.2 Analysis of profit for the year from discontinued operations

The combined results of the discontinued operation included in the profit of 2015 are set out below (page 109).

(a) Profit for the year from discontinued operations

	2015 Rs. '000
Revenue	557,847
Cost of sales	(515,348)
Gross profit	42,499
Other Income	3,340,793
Expenses	(784,006)
Finance cost	(133,399)
Profit before taxation	2,465,887
Income tax expense	
Profit for the year	2,465,887
Other comprehensive income	
Other comprehensive income for the year net of tax	-
Total comprehensive income for the period	2,465,887
Loss on sale of discontinued operation (note 10.(e).)	(2,113,126)
Profit attributable to	
Equity shareholders of the company	352,761
	352,761
Total comprehensive income attributable to	
Equity shareholders of the company	352,761
	352,761

(b) Cash flows from discontinued operations

Net cash used in operating activities	(3,167,639)
Net cash generated from investing activities	3,977,527
Net cash used in financing activities	(701,022)
Net cash increase	108,866

Notes to the Financial Statements contd.

(c) Analysis of assets and liabilities over which control was lost

	30/10/2014
	Rs. '000
Non-current assets	
Property, plant and equipment	3,236,853
Deferred tax asset	195,152
	3,432,005
Current-assets	
Trade and other receivables	32,497
Cash and cash equivalents	18,568
	51,065
Non-current liabilities	
Deferred tax liability	195,152
	195,152
Current-liabilities	
Trade and other payables	24,792
	24,792
Net assets disposed off	3,263,126
(d) Earnings per share	
Earnings per share from discontinued operations	123
(e) Loss on disposal of subsidiary	
Consideration received in cash and cash equivalents	1,150,000
Net assets disposed off	3,263,126
Loss on disposal	(2,113,126)
(f) Loss on disposal of investment	
Consideration on share repurchase	204,023
Carrying value of shares repurchased	(296,475)
	(92,452)
Consideration received in cash and cash equivalents for disposal of investment	1,150,000
Carrying value of investment as at 31/10/2014	(1,713,525)
	(563,525)
Loss on disposal of investment in Millers brewery Limited	(655,977)

11. Earnings per share

	Group						Company	
	Continuing	Discontinued	Total	Continuing	Discontinued	Total	2016	2015
	operations	operations		operations	operations			
	2016	2016	2016	2015	2015	2015		
Profit attributable to equity								
shareholders of the parent (Rs. '000)	1,623,986	-	1,623,986	223,418	352,761	576,179	779,182	72,343
Weighted average number of ordinary shares	224,000,000	-	224,000,000	224,000,000	-	224,000,000	224,000,000	224,000,000
Basic earnings per share (Rs.)	7.25	-	7.25	0.99	-	2.57	3.48	0.32

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

12. Dividend per share

	Group				Company			
	2016		2015		2016		2015	
	Rs.	Rs. '000	Rs.	Rs. '000	Rs.	Rs. '000	Rs.	Rs. '000
Dividends for the year								
Interim - paid	1.25	280,000	0.70	156,800	1.25	280,000	0.70	156,800
Final - proposed	2.25	504,000	1.30	291,200	2.25	504,000	1.30	291,200
	3.50	784,000	2.00	448,000	3.50	784,000	2.00	448,000

An interim dividend of Rs. 1.25 per share (Rs. 280Mn) was paid on 13th January 2016 for the year ended 31st March 2016. A final dividend of Rs. 2.25 Rupee per share is proposed for the year ended 31st March 2016. The final dividend proposed on 09th June 2016, has not been recognised as at the reporting date in compliance with LKAS 10 - "Events After the Reporting Period".

Notes to the Financial Statements contd.

13. Property plant and equipment

	Freehold land	Freehold building	Expenditure incurred on leasehold building	Plant, machinery and others	Motor vehicles	Total 2016 Rs. '000	Total 2015 Rs. '000
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group							
Cost / revaluation							
As at 1 April	8,079,940	2,026,296	4,845,391	11,920,789	870,387	27,742,803	27,667,502
Additions	525,392	131,689	405,048	1,053,859	148,923	2,264,911	1,788,079
Revaluation	758,976	162,124	-	-	-	921,100	-
Disposal of subsidiary	-	-	-	-	-	-	(1,579,705)
Disposals	-	-	-	(13,133)	(21,857)	(34,990)	(133,073)
Impairment	-	-	-	(15,430)	(432)	(15,862)	-
As at 31 March	9,364,308	2,320,109	5,250,439	12,946,085	997,021	30,877,962	27,742,803
Depreciation / Impairment							
As at 1 April	-	488,158	2,356,861	6,405,970	626,370	9,877,359	8,624,196
Charge for the year	-	74,583	470,781	1,011,088	125,704	1,682,156	1,637,996
Disposal of subsidiary	-	-	-	-	-	-	(327,998)
Disposals	-	-	-	(7,688)	(20,697)	(28,385)	(99,764)
Impairment	-	-	-	(14,543)	(397)	(14,940)	42,929
As at 31 March	-	562,741	2,827,642	7,394,827	730,980	11,516,190	9,877,359
Carrying value							
Capital work in progress	-	-	-	-	-	904,312	2,953,596
Disposal of subsidiary	-	-	-	-	-	-	(1,985,146)
Carrying value as at 31 March	9,364,308	1,757,368	2,422,797	5,551,258	266,041	20,266,084	18,833,894
Company							
Cost / revaluation							
As at 1 April	2,416,000	441,662	3,536	172,729	138,719	3,172,646	3,212,460
Additions	-	15,515	-	21,847	-	37,362	33,376
Revaluation	72,292	(6,443)	-	-	-	65,849	-
Disposals	-	-	-	-	(2,563)	(2,563)	(73,190)
As at 31 March	2,488,292	450,734	3,536	194,576	136,156	3,273,294	3,172,646
Depreciation / Impairment							
As at 1 April	-	34,623	368	121,091	121,682	277,764	236,656
Charge for the year	-	8,311	882	16,985	9,787	35,965	45,858
Disposals	-	-	-	-	(2,563)	(2,563)	(4,750)
As at 31 March	-	42,934	1,250	138,076	128,906	311,166	277,764
Carrying value							
Capital work in progress	-	-	-	-	-	2,962,128	2,894,882
Carrying value as at 31 March	2,488,292	407,800	2,286	56,500	7,250	2,981,795	2,929,927

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 2016.

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.

The details of assets mortgaged for banking facilities obtained have been given in the note 26.2 to the financial statements.

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

	Land		Building	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Group				
Cost	2,036,153	1,510,761	1,368,429	1,236,740
Accumulated depreciation	-	-	(377,889)	(352,333)
Net book value	2,036,153	1,510,761	990,540	884,407
Company				
Cost	85,081	85,081	39,961	24,446
Accumulated depreciation	-	-	(9,197)	(8,398)
Net book value	85,081	85,081	30,764	16,048

Depreciation to the value of Rs. 1,348.3 Mn (2015 - Rs. 1,245.36 Mn) and Rs. 333.8 Mn (2015 - Rs. 322.17 Mn) has been charged respectively to the cost of goods sold and distribution, administration and other expenses of the Group and depreciation charge of Millers Brewery Limited amounting to Rs. 70.47 Mn in 2015 has been charged in arriving at profit/(loss) of discontinued operation. Depreciation to the value of nil (2015 - nil) and Rs. 35.97 Mn (2015 - Rs. 45.86 Mn) have 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. 2,354.35 Mn (2015 - 2,079.15 Mn) and that of the Company is Rs. 224.14 Mn (2015 - Rs. 171.28 Mn).

Notes to the Financial Statements contd.

14. Investment property

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
As at 1st April	3,490,548	3,350,095	4,855,900	4,633,250
Additions	-	75,263	525,392	124,814
Changes in fair value during the year	53,016	65,190	62,059	97,836
	3,543,564	3,490,548	5,443,351	4,855,900

In accordance with LKAS 40, fair value of the above Investment Properties were ascertained as at 31 March 2016 by Mr. T Weeratne (FIV), an independent professional valuer.

Rental income earned from investment properties by the Group and Company amounts to Rs. 28.39 Mn (2015 - Rs. 39.54 Mn) and Rs. 108.38 Mn (2015 - Rs. 109.25 Mn) respectively. Direct operating expenses incurred on investment property by Group and Company amounts to Rs. 19.46 Mn (2015 - Rs. 16.56 Mn) and Rs. 43.50 Mn (2015 - Rs. 38.5 Mn).

Location	Method of valuation	Effective date of valuation	Property valuer	Land extent	No of buildings	Significant unobservable inputs	2016 Valuation Rs. '000	2015 Valuation Rs. '000
Canal Row, Colombo 01	Open market value	31/03/2016	Mr. Tissa Weeratne FIVSL	15 Perches	1	Market value per perch	325,000	310,000
Vauxhall street	Open market value	31/03/2016	Mr. Tissa Weeratne FIVSL	1.5 Acres	2	Market value per perch	2,253,800	2,207,000
Braybrook place	Open market value	31/03/2016	Mr. Tissa Weeratne FIVSL	78 Perches	2	Market value per perch	627,800	616,400
Cargills Square-Jaffna	Income approach	31/03/2016	Mr. Tissa Weeratne FIVSL	Leasehold	1	Rental per square feet	922,000	950,000
Staple Street - Colombo 02	Open market value	31/03/2016	Mr. Tissa Weeratne FIVSL	82 Perches	3	Market value per perch	776,750	772,500
Moratuwa	Open market value	31/03/2016	Mr. Tissa Weeratne FIVSL	78.6 Perches	-	Market value per perch	255,500	-
Dematagoda	Open market value	31/03/2016	Mr. Tissa Weeratne FIVSL	84 Perches	-	Market value per perch	282,500	-

15. Intangible assets

	Goodwill		Franchisee free		Software		Brand name		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross value										
As at 1 April	396,571	396,571	180,671	171,106	41,213	32,502	1,331,865	1,331,865	1,950,320	1,932,044
Additions	-	-	3,503	9,565	74,442	8,711	-	-	77,945	18,276
As at 31 March	396,571	396,571	184,174	180,671	115,655	41,213	1,331,865	1,331,865	2,028,265	1,950,320
Amortisation/Impairment										
As at 1 April	138,978	138,978	81,022	65,323	24,588	19,751	670,000	-	914,588	224,052
Amortisation for the year	-	-	13,999	15,699	22,255	4,837	-	-	36,254	20,536
Disposal	-	-	-	-	-	-	-	670,000	-	670,000
As at 31 March	138,978	138,978	95,021	81,022	46,843	24,588	670,000	670,000	950,842	914,588
Carrying value as at 31st March	257,593	257,593	89,153	99,649	68,812	16,625	661,865	661,865	1,077,423	1,035,732

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

The Rs. 661.9 Mn represents the brand value recognised on the business combination of Kothmale Holdings PLC.

Brand has been tested for impairment and found no impairment as at reporting date. 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. 15.31 Mn (2015 - 17.01 Mn) have been included in cost of goods sold and Rs. 20.94 Mn (2015 - 3.52 Mn) in administrative expenses and other expenses.

16. Investments

	Group				Company	
	No of Shares	Holding	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
16.1 Investments in subsidiaries						
Cargills Foods Company (Private) Limited	47,500,002	92%	-	-	475,000	475,000
Cargills Quality Foods Limited	4,860,291	100%	-	-	1,193,453	1,193,453
Dawson Office Complex (Private) Limited	1,001	100%	-	-	100	100
Kotmale Holdings PLC	1,667,401	5.31%	-	-	105,392	105,392
			-	-	1,773,945	1,773,945

Cargills Quality Foods Limited and Dawson Office Complex (Private) Limited are subsidiaries of Cargills (Ceylon) PLC (CCP). The financial statements of said subsidiaries have been consolidated with that of Cargills (Ceylon) PLC as 100% subsidiaries. Cargills Foods Company (Private) Limited is a subsidiary of Cargills (Ceylon) PLC, and in which CCP has 92% stake and the Financial Statements of the said subsidiary has been consolidated with Cargills (Ceylon) PLC

Notes to the Financial Statements **contd.**

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

Cargills Frozen Products (Private) Limited is a subsidiary of CQD. The financial statements of the said subsidiary of CQD have been consolidated as 100% subsidiary of CQF and CCP.

Cargills Food Services (Private) Limited is a subsidiary of CFP. The financial statements of the said subsidiary of CFP have been consolidated as a 100% subsidiary of CQF and CCP.

In months of June and July 2014 CQD acquired 193,501 shares at a total cost of Rs. 10.75 Mn and on 10th September 2014 in terms of rule 24 of the Company take-overs and merger code 1995 as amended in 2003 CCP made a voluntary offer to acquire all the remaining shares of Kotmale Holding PLC (KHP) not already owned by CCP or any other person acting in concert with CCP and on months of September, October, November and December 2014 CCP acquired 814,689 shares at a total cost of Rs. 51.25 Mn and on 14th January 2015 CCP made the announcement to exercise its option in terms of sec.246 of Companies Act No.7 of 2007 to compulsorily acquire the balance shares of the KHP held by shareholder who did not accept the voluntary offer at the price of Rs. 62.50 per share. Consequent to this offer, the remaining shares amounting to 852,712 were acquired at a total cost of Rs. 54.14 Mn by CCP during the month of February under reference, in terms of sec. 246 of the Companies Act, and the applications for transfer of the said shares outside the trading system are pending with the SEC. At the conclusion of this process, CCP will be the sole shareholder of KHP and will proceed to seek a de-listing of the shares from the Official List of the Colombo Stock Exchange.

The financial statements of Kotmale Dairy Products (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.

Kotmale Holdings PLC initiated measures to have its subsidiary Company Kotmale Kiri (Pvt) Ltd. (Which has been dormant since February 2007) struck off the Company Register under the provisions of Section 394 (3) of the Companies Act No 07 of 2007. Accordingly Kotmale Kiri (Pvt) Ltd. has been struck off the Company Register effective 10 October 2015.

During the year 2015, CCP and CQD a wholly owned subsidiary of the Company, acquired 1,860,902 ordinary shares of the subsidiary Kotmale Holdings PLC at a total purchase consideration of Rs. 116.14 Mn and the value of net assets acquired was Rs. 53.015 Mn and resulting excess payment of Rs. 63.129 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 100% from 94.07%.

16.1.1 Changing ownership without change in control in subsidiary

Cargills Foods Company (Private) Limited (CFC) is a subsidiary of the Company, issued 4,130,424 ordinary shares by way of a private placement on 25th February 2015, which resulted in an increase in net assets of CFC and decrease in ownership interest of the Company in CFC from 100% to 92%. The Group recognised non-controlling interest amounting to Rs. 321.09 Mn as at 31st March 2015 and increase in retained earnings amounting to Rs. 2,216.16 Mn.

			Group		Company	
	No of Shares	Holding	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
16.2 Investment in associate						
Unquoted :						
C T Properties Limited	21,500,000	15.63%	140,640	177,689	140,640	178,765
Cargills Bank Limited	88,000,000	18.22%	889,013	916,010	908,738	908,738
			1,029,653	1,093,699	1,049,378	1,087,503
Investment Advance						
Cargills Bank Limited			1,276,000	-	1,276,000	-
			1,276,000	-	1,276,000	-
			2,305,653	1,093,699	2,325,378	1,087,503

16.2.a

An impairment amounting to Rs. 38.13 Mn (2015 - Rs. 37.31 Mn) and Rs. 36.01 Mn (2015 - Rs.180.91 Mn) has been recognised in relation to investment in associate of C T Properties Limited in the Company and Group respectively.

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000

16.3 Other financial assets

16.3.1 Available for sale financial instruments

Other quoted equity investments

Lanka IOC PLC	8,061	7,700	8,060	7,700
Sierra Cables PLC	199	84	39	16
Aitken Spence PLC	26,616	26,188	26,616	26,188
	34,876	33,972	34,715	33,904
Increase/(Decrease) in fair value of investments	(8,570)	903	(8,526)	811
	26,306	34,875	26,189	34,715

16.3.2 Other non equity investments

Call deposits / Fixed deposit	847,828	806,594	31,171	-
Re-purchase agreements	130,172	82,359	-	-
	978,000	888,953	31,171	-
	1,004,306	923,828	57,360	34,715

The market value of quoted short term investments of Group as at 31 March 2016, as quoted by the Colombo Stock Exchange amounted to Rs. 26.31 Mn (2015 - Rs.34.87Mn)

Notes to the Financial Statements contd.

16.5 Investment in associates

	Group	
	2016 Rs. '000	2015 Rs. '000
As at 1 April	1,093,699	367,573
Acquisition	-	248,738
Transfer from other long term investments	-	660,000
Gain on dilution of investment in associate	38,327	-
Share of loss incurred	(64,204)	(198)
Share of other comprehensive income	(2,367)	(1,189)
OCI share of gain of dilution of investment in associate	203	-
Share of Goodwill on change in shareholding	-	(316)
Impairment	(36,005)	(180,909)
As at 31 March	1,029,653	1,093,699

16.5.a Gain on dilution of investment in associate

Amount recognised in the profit /loss	38,327	-
Amount recognised in Other Comprehensive Income	203	-
	38,530	-

16.6 Summarised financial information of associates

	Group			
	C T Properties Limited		Cargills Bank Limited	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Revenue	55,164	252,001	770,443	139,443
Operating expenses	(36,292)	(251,303)	(1,094,224)	(209,794)
Finance expenses	(25,577)	(54,383)	-	-
Income tax expense	54	(3,859)	8,074	115,851
Share of non controlling interest	-	-	(118)	(1,523)
Profit/(Loss) for the year	(6,651)	(57,544)	(315,825)	43,977
Other comprehensive income	(28)	116	(11,813)	(6,036)
Total comprehensive income	(6,679)	(57,428)	(327,638)	37,941
Ownership interest	15.63%	15.63%	20.00%	20.00%
Group's share of profit / (loss)	(1,039)	(8,993)	(63,165)	8,795
Group's share of other comprehensive income	(4)	18	(2,363)	(1,207)
Group's share of total comprehensive income	(1,044)	(8,975)	(65,528)	7,588

	Group			
	C T Properties Limited		Cargills Bank Limited	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Total assets	2,808,274	2,070,207	14,253,284	7,503,029
Total liabilities	(1,847,132)	(1,102,386)	(9,336,033)	(2,881,778)
Minority interest	-	-	(77,735)	(77,597)
Net assets	961,142	967,821	4,839,516	4,543,654
Ownership interest	15.63%	15.63%	18.22%	20.00%
Group's share of net assets	150,211	151,255	881,734	908,731
Goodwill	26,434	207,343	7,279	7,279
Impairment	(36,005)	(180,909)	-	-
	140,640	177,689	889,013	916,010

16.6.a The shareholding of the Company in C T Properties Limited (CTPL) was reduced from 25.00% to 15.63 (approx.)% as at 31st March 2014 and remained as it is as at 31st March 2016. Nevertheless, CTPL is accounted as an associate of the Company based on the nature of the controlling interest of the Company in CTPL.

Although the shareholding of the Company in Cargills Bank Limited as at the reporting date is 18.22%, Cargills Bank Limited is accounted as an associate of the Company based on the nature of the controlling interest of the Company in Bank. Furthermore, Company invested Rs. 1,276 Mn in order to acquire 88,000,000 additional shares and such shares were allotted on 10th May 2016.

16.6.b The financial year end date of Cargills Bank Limited is 31st December and this is due to industry requirement for Cargills Bank Limited.

17. Prepayment on leasehold land and building

	Group	
	2016 Rs. '000	2015 Rs. '000
Gross value		
As at 31 March	35,000	35,000
Amortisation		
As at 1 April	8,751	7,875
Amortisation for the year	874	876
As at 31 March	9,625	8,751
Balance as at 31 March	25,375	26,249
Current portion of the prepayment	875	875
Non- current portion of the prepayment	24,500	25,374
	25,375	26,249

Notes to the Financial Statements contd.

18. Deferred tax

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
As at 1 April	74,742	349,202	569,951	1,129,706	-	-	141,711	553,812
On revaluation surplus of the building	(13,872)	-	-	-	-	-	-	-
Transfer between deferred tax assets & liabilities	(39,288)	(10,620)	(39,288)	(10,620)	-	-	-	-
Revaluation	-	-	10,432	-	-	-	(1,804)	-
De recognition on disposal of subsidiaries	-	(195,152)	-	(195,152)	-	-	-	-
Release / (charge) for the year	41,060	(68,688)	236,455	(353,983)	-	-	15,463	(412,101)
As at 31 March	62,642	74,742	777,550	569,951	-	-	155,370	141,711
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	(44,313)	(236,996)	1,000,036	637,697	-	-	111,956	88,054
- Temporary difference of revaluation surplus of building	(23,314)	(28,196)	144,444	149,486	-	-	115,016	116,817
- Temporary difference on provisions	7,282	23,418	(36,766)	(8,982)	-	-	-	-
- Temporary difference of employee benefits	3,356	76,276	(174,018)	(68,558)	-	-	(71,602)	(63,160)
- Temporary difference on deferred income	-	26,498	(23,761)	-	-	-	-	-
- Temporary difference of carry forward tax losses	119,631	304,356	(18,438)	(6,669)	-	-	-	-
- Temporary difference of operating lease liability	-	104,538	(117,947)	-	-	-	-	-
- Temporary difference of increase in future tax rates	-	-	-	62,129	-	-	-	-
	62,642	269,894	777,550	765,103	-	-	155,370	141,711
Derecognition on disposal of subsidiary - Temporary difference of carry forward tax losses	-	(195,152)	-	-	-	-	-	-
Derecognition on disposal of subsidiary - Temporary difference of property plant and equipment	-	-	-	(168,083)	-	-	-	-
Derecognition on disposal of subsidiary - Temporary difference of revaluation surplus of building	-	-	-	(27,069)	-	-	-	-
	62,642	74,742	777,550	569,951	-	-	155,370	141,711
Release / (charge) for the year								
Continuing operations	27,188	10,982	(246,887)	(274,313)	-	-	(13,659)	(412,101)
Discontinuing operations	-	(79,670)	-	(79,670)	-	-	-	-
	27,188	(68,688)	(246,887)	(353,983)	-	-	(13,659)	(412,101)
Reversal/(origination) of deferred tax - Discontinuing operations								
Total expense released/(charged) to profit or loss	-	(79,670)	-	(79,670)	-	-	-	-
Total expense Released/(charged) to OCI	-	-	-	-	-	-	-	-
	-	(79,670)	-	(79,670)	-	-	-	-
Reversal/(origination) of deferred tax - continuing operations								
Total expense released/(charged) to profit or loss	32,337	6,217	(241,121)	(268,147)	-	-	(13,825)	(406,173)
Total expense Released/(charged) to OCI	(5,149)	4,765	(5,766)	(6,166)	-	-	166	(5,927)
	27,188	10,982	(246,887)	(274,313)	-	-	(13,659)	(412,101)
Reversal/(origination) of deferred tax								
Total expense released/(charged) to profit or loss	32,337	(73,453)	(241,121)	(347,817)	-	-	(13,825)	(406,173)
Total expense Released/(charged) to OCI	(5,149)	4,765	(5,766)	(6,166)	-	-	166	(5,927)
	27,188	(68,688)	(246,887)	(353,983)	-	-	(13,659)	(412,101)

Deferred tax assets of Rs. 48.25 Mn, Rs. 8.01 Mn and Rs. 6.38 Mn respectively arising from the subsidiaries Cargills Quality Foods Limited, Cargills Food Services (Private) Limited and Millers Limited have been recognized.

19. Inventories

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Raw and packing materials	747,444	645,997	-	-
Work in progress	57,362	34,039	-	-
Finished goods	763,611	187,661	-	-
Merchandising stock for sale	5,291,602	5,069,766	9,986	29,218
Food and beverages - restaurant operations	59,259	59,987	-	-
Consumables	139,472	123,574	-	-
	7,058,750	6,121,024	9,986	29,218
Provision for obsolete inventories	(8,918)	(28,756)	-	-
	7,049,832	6,092,268	9,986	29,218
Goods in transit	144,946	125,316	-	-
	7,194,778	6,217,584	9,986	29,218

The details of inventories mortgaged for banking facilities obtained have been given in the note 26.2 to the financial statements.

20. Trade and other receivables

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Trade receivables	1,893,377	1,565,959	10,510	10,302
Impairment of trade receivables	(95,964)	(91,546)	(4,074)	(5,573)
	1,797,413	1,474,413	6,436	4,729
Prepayments and deposits	1,120,079	1,187,911	584,280	592,893
Other receivables	259,923	222,467	8,696	5,756
Loans and advances (note 20.1)	17,691	13,086	11,503	10,261
Tax recoverable (note 20.2)	376,786	196,469	22,584	18,989
	3,571,892	3,094,346	633,499	632,628

The details of trade receivable mortgaged for banking facilities obtained have been given in the note 26.2 to the financial statements.

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

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
As at 1 April	13,086	20,047	10,261	19,320
Loans granted	28,672	24,776	10,323	14,984
	41,758	48,823	20,584	34,304
Repayments	(24,067)	(31,737)	(9,081)	(24,043)
As at 31 March	17,691	13,086	11,503	10,261

20.2 Tax recoverable

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

Notes to the Financial Statements contd.

21. Amounts due from/due to related companies

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Amounts due from subsidiaries				
Cargills Foods Company (Private) Limited	-	-	12,390	1,543,909
Cargills Agrifoods Limited	-	-	-	7,628
Cargills Quality Foods Limited	-	-	-	152,484
Cargills Quality Dairies (Private) Limited	-	-	-	2,129
Cargills Distributors (Private) Limited	-	-	-	71
Cargills Food Services (Private) Limited	-	-	-	7,175
CPC (Lanka) Limited	-	-	184	64
Dawson Office Complex (Private) Limited	-	-	257,897	259,954
Cargills Quality Confectioneries (Private) Limited	-	-	1,902	-
Millers Limited	-	-	2,360	1,931
Kotmale Dairy Products Limited	-	-	2,795	16,739
Kotmale Holdings PLC	-	-	5,097	-
	-	-	282,625	1,992,084
Amounts due from holding company				
C T Holdings PLC	836	18,056	-	17,454
	836	18,056	-	17,454
Amounts due from other related companies				
Cargills Bank Limited	19,411	19,350	18,955	18,823
Ceylon Hotels Corporation PLC	228	154	-	-
Ceylon Theatres (Private) Limited	31,951	28,924	31,923	28,756
C T Land Development PLC	4,838	1,071	4,790	1,024
C T Properties Limited	956,302	887,899	956,302	887,899
Galle Face Hotel Company Limited	65	67	-	-
Kandy Hotels Company (1938) PLC	1,074	1,029	-	-
United Hotels Company Limited	1,239	583	-	-
	1,015,108	939,077	1,011,970	936,502
Total amount due from related companies	1,015,944	957,133	1,294,595	2,946,040
Amounts due to holding company				
C T Holdings PLC	107	-	-	-

	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amounts due to subsidiaries				
Cargills Quality Foods Limited	-	-	7,635	-
Cargills Agrifoods Limited	-	-	12,285	-
Cargills Food Services (Private) Limited	-	-	714	-
Cargills Quality Daries (Private) Limited	-	-	9,650	-
Cargills Foods Company (Private) Limited	-	-	-	-
Cargills Food Processors (Private) Limited	-	-	8,608	128,495
Cargills Quality Confectioneries (Private) Limited	-	-	-	74
	-	-	38,892	128,569
Amounts due to other related companies				
Ceylon Printers PLC	391	-	-	-
CT Real Estate (Private) Limited	3,124	-	-	-
	3,515	-	-	-
Total amount due to related companies	3,622	-	38,892	128,569

22. Stated capital

	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Issued and fully paid :				
224,000,000 Ordinary shares	130,723	130,723	130,723	130,723
	130,723	130,723	130,723	130,723

23. Other equity/Put liability

Put option over Non Controlling Interest (NCI)	2,251,743	1,974,311	-	-
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The put option over NCI relates to Put Option agreement between Cargills Foods Company (Private) Limited (CFC), International Finance Corporation (IFC), and Cargills Ceylon PLC (CCP) IFC has subscribed for 4,130,424 shares of CFC (representing 8% shares of the Company) for an aggregate subscription price of Rs. 2,550 Mn on 25th February 2015. Therefore IFC is considered the investor of CFC and non-controlling interest to CCP and CCP acts as the grantor / sponsor to the contract.

CCP has granted IFC an option (The Put Option) to sell their shares to CCP during the put period on up to three occasions at the Put Price.

As per the Put option agreement the Put Price means in relation to any given exercise of the put option, the price (calculated as of the date of settlement of purchase of the relevant Put shares by the grantor) that provides IFC an IRR of 9% in local currency terms; provided that the put price, shall be suitably adjusted to account for any dividends received by IFC on the Put shares and there shall not be any discount for liquidity or minority stake.

Notes to the Financial Statements contd.

The assumptions on which the above present value of the exercise price has been determined are as follows:

- Conditions of the Shareholder Agreement will not be breached by either party until the Put Period arrives
- In the event of non-listing of the company by CCP, IFC will wait until the end of the Put Period to exercise the Put Option
- Weighted average cost of capital of CCP is 14%
- Pricing date as 31 March 2016
- An year is assumed to have 365 days

The present value of the exercise price has been derived based on an exercise price of Rs. 4,263,498,814/- which has been computed after adjusting for an IRR of 9% and a put period from 25th February 2015 (which is the share certificate date) to 10th February 2021 (which is assumed as the exercise date).

24. Reserves

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Capital reserves				
Revaluation reserve	7,908,678	7,023,147	3,385,912	3,318,259
Capital reserve	7,928	7,928	-	-
	7,916,606	7,031,075	3,385,912	3,318,259
Revenue reserve				
General reserve	485,500	485,500	485,500	485,500
Available for sale reserves	(24,418)	(15,848)	(24,410)	(15,884)
	461,082	469,652	461,090	469,616
	8,377,688	7,500,727	3,847,002	3,787,875

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.

25. Cash and cash equivalents

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Cash at bank and in hand	2,144,349	1,671,542	203,816	11,313
For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise the following:				
Cash and bank balances	2,144,349	1,671,542	203,816	11,313
Bank overdraft	(3,261,255)	(4,009,994)	(1,703,323)	(2,537,486)
	(1,116,906)	(2,338,452)	(1,499,507)	(2,526,173)

26. Borrowings

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Current				
Current portion of long term loan	537,529	558,397	-	-
Short term loans	7,510,443	7,050,000	2,640,700	1,400,000
Bank overdraft	3,261,255	4,009,994	1,703,323	2,537,486
	11,309,227	11,618,391	4,344,023	3,937,486
Non-current				
Bank borrowings (note 26.1)	198,300	730,922	-	-
	198,300	730,922	-	-
Total borrowings	11,507,527	12,349,313	4,344,023	3,937,486

26.1 Non current

As at 1 April	1,289,319	1,845,438	-	1,700,400
Loans received / (transferred)	-	-	-	(1,502,300)
Repayments	(553,490)	(556,119)	-	(198,100)
As at 31 March	735,829	1,289,319	-	-
Falling due within one year	(537,529)	(558,397)	-	-
	198,300	730,922	-	-
Repayment during 1-2 years	198,300	532,622	-	-
Repayment during 2-5 years	-	198,300	-	-
	198,300	730,922	-	-

26.2 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	Amount Outstanding	Repayment terms & interest rate	Security offered
	Rs. '000	Rs. '000		
Cargills Ceylon PLC				
Bank overdraft				
Commercial Bank PLC	370,000	363,385	On demand, Based on monthly AWPLR+0.5%, Average interest rate of 7.41%	Corporate guarantee for Rs.50 Mn. dated 05/05/1998 executed by C T Holdings PLC
Seylan Bank	100,000	-	On demand, Based on weekly AWPLR+1% p.a., Average interest rate of 8.47%	Clean Basis
Nations Trust Bank	575,000	572,233	On demand, Based on weekly AWPLR, Average interest rate of 7.16%	Clean Basis
Deutsche Bank	45,000	7,767	On demand, Based on market rate, Average interest rate of 6.80%	Clean Basis
Muslim Commercial Bank Limited	675,000	673,335	Through own funds, Based on market rate, Average interest rate of 6.98%	Clean Basis
Sampath Bank PLC	100,000	86,603	On demand, Based on monthly AWPLR+0.5%, Average interest rate of 7.37%	Clean Basis
		1,703,323		

Notes to the Financial Statements contd.

Institution and facility	Principal amount	Amount Outstanding	Repayment terms & interest rate	Security offered
	Rs. '000	Rs. '000		
Short term loans				
Commercial Bank	830,000	830,000	1 month, commencing from 11.03.16 to 11.04.16 (maximum 03 months), Based on the prevailing market rates, Average interest rate of 7.22%	Corporate guarantee for Rs.50 Mn. dated 05/05/1998 executed by C T Holdings PLC
Seylan Bank	1,000,000	-	Based on market rate (re priced monthly), (maximum 03 months), Average interest rate of 6.65%	Clean Basis
HSBC	300,000	300,000	Overnight, commencing from 31.03.16 to 01.04.16 (maximum 06 months),Overnight Cost of Funds+1.0% p.a.Average interest rate of 6.97%	Clean Basis
Hatton National Bank	1,000,000	-	Short Term Loan: weekly AWPLR+0.5%/ Money Market Loan: Based on weekly Money Market Rates, (maximum 90 days), Average interest rate of 7.48%	Clean Basis
Sampath Bank	1,800,000	300,000	4 months, commencing from 18.12.15 to 18.04.16 (maximum 06 months), Based on prevailing money market rates, Average interest rate of 7.58%	Clean Basis
Nations Trust Bank	100,000	100,000	1 month, commencing from 08.03.16 to 08.04.16 (maximum 03 months), to be negotiated at the time of granting each loan, Average interest rate of 7.29%	Clean Basis
Nations Trust Bank	75,000	75,000	1 month, commencing from 31.03.16 to 30.04.16 (maximum 03 months), to be negotiated at the time of granting each loan, Average interest rate of 7.29%	Clean Basis
Bank of Ceylon PLC	1,500,000	1,035,700	2 weeks, commencing from 28.03.16 to 12.04.16 (maximum 12 months), On case by case basis decided by Treasury department, Average interest rate of 8.17%	Clean Basis
		2,640,700		
		4,344,023		
Cargills Agrifoods Limited				
Bank overdraft				
Commercial Bank	100,000	417	Average interest rate of 7.41%	Clean Basis
Cargills Bank	-	23,451	Repayment on demand at prevailing market interest rates	No Security. Balance consist of unpresented cheques. Bank balance is credit.
		23,868		
		23,868		

Institution and facility	Principal amount	Amount Outstanding	Repayment terms & interest rate	Security offered
	Rs. '000	Rs. '000		
Cargills Distributors (Private) Limited				
Bank overdraft				
Cargills Bank		-	Repayment on demand at prevailing market interest rates	No Security. Balance consist of unpresented cheques. Bank balance is credit.
		-		
Cargills Food Processors (Private) Limited				
Bank overdraft				
Cargills Bank	-	50,990	Repayment on demand at prevailing market interest rates	No Security. Balance consist of unpresented cheques. Bank balance is credit.
Deutsche Bank	100,000	87,678	Average interest rate of 6.80%	Clean Basis
Commercial Bank	100,000	26,558	Average interest rate of 7.41%	Clean Basis
		165,226		
		165,226		
Cargills Food Services (Private) Limited				
Bank overdraft				
Cargills Bank		9,851	Repayment on demand at prevailing market interest rates	No Security. Balance consist of unpresented cheques. Bank balance is credit.
Commercial Bank		714	Repayment on demand at prevailing market interest rates	No Security. Balance consist of unpresented cheques. Bank balance is credit.
		10,565		
Short term loans				
Commercial Bank	175,000	110,000	Average interest rate of 7.5%	Clean Basis
		110,000		
		120,565		
Cargills Foods Company (Private) Limited				
Bank overdraft				
Cargills Bank	-	217,135	Repayment on demand at prevailing market interest rates	No securities, balance consist of unpresented/unrealised cheques, Bank balance is credit
Deutsche Bank	500,000	452,323	On demand, Based on market rate, Average interest rate of 7.10%	Clean Basis
Commercial Bank of Ceylon PLC	-	5,699	Repayment on demand at prevailing market interest rates	Clean Basis
Bank of Ceylon	115,000	-	On demand, monthly AWPLR+0.5% p.a.	Clean Basis
		675,157		

Notes to the Financial Statements contd.

Institution and facility	Principal amount	Amount Outstanding	Repayment terms & interest rate	Security offered
	Rs. '000	Rs. '000		
Short term loans				
Standard Chartered Bank	572,008	572,008	1 month commencing from 02.03.2016 to 02.04.2016 (maximum 06 months), Based on money market rate, average interest rate of 7.11%	Clean Basis
Standard Chartered Bank	527,992	207,735	1 month commencing from 30.03.2016 to 30.04.2016 (maximum 06 months), Based on money market rate, average interest rate of 7.11%	Clean Basis
Standard Chartered Bank	500,000	-	(maximum 120 days), Based on the prevailing market rates	Clean Basis
Bank of Ceylon	350,000	350,000	1 month commencing from 01.03.2016 to 01.04.2016 (maximum 12 months), Quoted by Treasury Department on case by case basis, average interest rate of 7.75%	Clean Basis
Bank of Ceylon	150,000	150,000	1 month commencing from 02.03.2016 to 02.04.2016 (maximum 12 months),Quoted by Treasury Department on case by case basis, average interest rate of 7.75%	Clean Basis
Hatton National Bank	1,250,000	-	Short Term Loan: weekly AWPLR+0.5% / Money Market Loan: Based on weekly Money Market Rates, (maximum 90 days), Average interest rate of 7.02%	Clean Basis
		1,279,743		
Long term loans				
Commercial Bank PLC	336,500	336,500	5 years, The Loan is repayable in 48 monthly installments commencing from 13th Month of disbursement to 60th months. (as per term sheet). Based on average of weekly AWPLR+0.8%, Average interest rate of 8.01%	Deed of Assignment No. 496 dated 30.09.2014. Additional Mortgage Bond No. 497 dated 30.09.2014 for Rs. 1,502,300,000/- over credit and debit card receivables and ESCROW Account.
Habib Bank	181,600	181,600		
State Bank of India	181,600	181,600		
		699,700		
		2,654,600		
C PC (Lanka) Limited				
Bank overdraft				
Cargills Bank		11,743	Repayment on demand at prevailing market interest rates	No Security. Balance consist of unrepresented cheques. Bank balance is credit.
		11,743		
		11,743		

Institution and facility	Principal amount	Amount Outstanding	Repayment terms & interest rate	Security offered
	Rs. '000	Rs. '000		
Cargills Quality Confectioneries (Private) Limited				
Bank Overdrafts				
Bank of Ceylon	176,450	-	Average interest rate of 9.5%	Corporate guarantee from Cargills (Ceylon) PLC for Rs.176.45 Mn
Bank of Ceylon	47,540	-	Average interest rate of 9.5%	Corporate guarantee from Cargills (Ceylon) PLCMortgage over leasehold rights of the land & buildings and Plant & Machine. Fixed in the premises
Cargills Bank	-	34,696	Repayment on demand at prevailing market interest rates	No Security. Balance consist of unrepresented cheques. Bank balance is credit.
Commercial Bank	25,000	13,347	Average interest rate of 7.41%	Clean Basis
		48,043		
Short term loans				
Hatton National Bank	200,000	115,000	Average interest rate of 7.48%	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 200 Mn
		115,000		
Long Term Loans				
Bank of Ceylon	11,115	1,039	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 Mortgage over leasehold rights of the land & buildings and Plant & Machine. Fixed in the premises
Bank of Ceylon	282,560	35,090	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
Bank of Ceylon	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
		36,129		
		199,172		
Cargills Quality Dairies (Private) Limited				
Bank overdraft				
Commercial Bank	50,000	-	Average interest rate of 7.41%	Clean Basis
Seylan Bank	200,000	-	Average interest rate of 8.47%	Clean Basis
Cargills Bank	-	57,615	Repayment on demand at prevailing market interest rates	No Security. Balance consist of unrepresented cheques. Bank balance is credit.
Deutsche Bank	100,000	696	Average interest rate of 6.80%	Clean Basis
		58,311		
Short term loans				

Notes to the Financial Statements contd.

Institution and facility	Principal amount	Amount Outstanding	Repayment terms & interest rate	Security offered
	Rs. '000	Rs. '000		
	1,200,000	-	Average interest rate of 7.21%	Clean Basis
Standard Chartered Bank	750,000	-	Average interest rate of 7.48%	Clean Basis
		58,311		
Cargills Quality Foods Limited				
Bank overdraft				
Commercial Bank	75,000	76,819	Average interest rate of 7.41%	
Cargills Bank	-	38,678	Repayment on demand at prevailing market interest rates	No Security. Balance consist of unpresented cheques. Bank balance is credit.
Deutsche Bank	100,000	97,951	Average interest rate of 6.80%	Clean Basis
		213,448		
Short term loans				
Standard Chartered Bank	600,000	400,000	Average interest rate of 7.34%	Clean Basis
Hatton National Bank	750,000	1,937,000	Average interest rate of 7.48% (AWPLR +0.5%)	Clean Basis
Commercial Bank	575,000	575,000	Average interest rate of 7.5%	Clean Basis
		2,912,000		
		3,125,448		
Kotmale Dairy Products (Private) Limited				
Bank overdraft				
Seylan Bank	-	51	Repayment on demand at prevailing market interest rates	No Security. Balance consist of unpresented cheques. Bank balance is credit.
Bank of Ceylon	10,000	-	Average interest rate of 10.92 % p.a.	Corporate Guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
		51		
Import Loan Facility				
Bank of Ceylon	40,000	-	Average interest rate of 10.92 % p.a.	Corporate Guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
		-		
Series of Loan on Import				
Bank of Ceylon	40,000	-	Average interest rate of 10.92 % p.a.	Corporate Guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
		-		

Institution and facility	Principal amount	Amount Outstanding	Repayment terms & interest rate	Security offered
	Rs. '000	Rs. '000		
Kotmale Milk Products Limited				
Bank overdraft				
Pan Asia Bank Corporation Ltd	5,000	-	Average interest rate of 11.04% p.a.	Corporate Guarantee from Kotmale Holdings PLC.
		-		
Import Loan Facility				
Pan Asia Bank Corporation Ltd	20,000	-	Average interest rate of 11.04% p.a.	Corporate Guarantee from Kotmale Holdings PLC.
		-		
		51		
Millers Limited				
Bank overdraft				
Cargills Bank	-	4,657	Repayment on demand at prevailing market interest rates	No Security. Balance consist of unrepresented cheques. Bank balance is credit.
Deutsche Bank	100,000	95,163	Average interest rate of 6.80%	Clean Basis
Hatton National Bank	-	97,597	Average interest rate of 7.48%	
		197,417		
Short term loans				
Standard Chartered Bank	250,000	100,000	Average interest rate of 7.39%	Corporate Guarantee from Cargills (Ceylon) PLC for Rs 250 Mn
Commercial Bank	165,000	144,103	Average interest rate of 7.43%	Corporate Guarantee from Cargills (Ceylon) PLC for Rs 215 Mn
Hatton National Bank	175,000	363,000	Average interest rate of 7.48%	Corporate Guarantee from Cargills (Ceylon) PLC for Rs 335 Mn
		607,103		
		804,520		
		11,507,527		

Notes to the Financial Statements contd.

27. Deferred income

	Group	
	2016 Rs. '000	2015 Rs. '000
Capital grant		
As at 1 April	96,344	106,134
Receipt during the year	-	682
Amortisation	(11,481)	(10,472)
As at 31 March	84,863	96,344
Revenue grant		
Receipt during the year	-	1,709
Amortisation	-	(1,709)
As at 31 March	-	-

Cargills Agrifoods Limited received Rs. 0.682 Mn mn as a capital grant in respect of a project undertaken at Kilinochchi during financial year ended 31 March 2015.

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

28. Employee Benefits

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
28.1 Movement in present value of defined benefit obligations				
As at 1 April	520,802	416,222	225,571	305,732
Transferred to subsidiary	-	-	-	(115,085)
Interest cost	52,590	43,476	22,557	20,019
Current service cost	66,158	59,337	23,086	23,687
Actuarial (gain) / loss	22,743	39,517	(5,850)	21,169
Benefits paid	(24,289)	(37,750)	(9,640)	(29,951)
As at 31 March	638,004	520,802	255,724	225,571
28.2 Liability recognised in the Statement of Financial Position				
Present value of defined benefit obligation	638,004	520,802	255,724	225,571
Fair value of plan asset	-	-	-	-
Net liability of defined benefit obligation	638,004	520,802	255,724	225,571
28.3 Amount recognised in the Profit /loss				
Continuing operations				
Current service cost	66,158	58,445	23,086	23,687
Interest cost	52,590	43,476	22,557	20,019
	118,748	101,921	45,643	43,706
Discontinued operations				
Current service cost	-	892	-	-
	-	892	-	-
	118,748	102,813	45,643	43,706

	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
28.4 Amount recognised in Other Comprehensive Income				
Continuing operations				
Actuarial (gain) / loss	22,743	39,517	(5,850)	21,169
	22,743	39,517	(5,850)	21,169
Discontinued operations				
Actuarial (gain) / loss	-	-	-	-
	22,743	39,517	(5,850)	21,169

This obligation is not externally funded.

The gratuity liability is based on the actuarial valuation carried out by Mr. M. Poopalanathan, AIA, Messers Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries, as at 31 March 2016. The principal assumptions, used in the actuarial valuation were as follows:

	2016	2015
	%	%
Discount rate	10.5	10
Future salary increase		
- Executive	10	8
- Staff	10	8

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 employee benefit liability of the company and subsidiaries.

28.5 Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the defined benefit obligation measurement.

	2016		2015	
	Increase	Decrease	Increase	Decrease
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group				
Discount rate (1% movement)	(30,515)	34,253	(30,458)	34,831
Salary increment rate (1% movement)	31,059	(28,130)	37,201	(33,036)
Company				
Discount rate (1% movement)	(9,194)	10,168	(9,467)	10,626
Salary increment rate (1% movement)	8,671	(7,943)	(11,547)	(10,457)

Notes to the Financial Statements contd.

29. Trade and other payables

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Trade payables	7,619,204	5,448,993	89,432	86,851
Other payables	1,979,478	1,543,267	196,345	288,402
Accrued expenses	1,338,623	1,092,845	97,105	58,596
	10,937,305	8,085,105	382,882	433,849

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

30. Dividends payable

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Unclaimed dividends	32,715	27,773	32,192	27,404
	32,715	27,773	32,192	27,404

31. Segmental information

	Retail		Fast moving consumer goods		Restaurant		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Revenue	56,118,583	49,609,588	17,680,205	14,269,865	2,812,098	2,301,252	76,610,886	66,180,705
Intra segment revenue	(28,299)	(151,627)	(116,685)	(297,070)	-	-	(144,984)	(448,697)
Inter segment revenue	(215,214)	(106,822)	(4,808,838)	(3,993,901)	-	-	(5,024,052)	(4,100,723)
	55,875,070	49,351,139	12,754,682	9,978,894	2,812,098	2,301,252	71,441,850	61,631,285
Segment operating profit	1,681,241	933,920	1,656,968	707,152	124,804	(69,284)	3,463,013	1,571,788
Net finance cost	(400,672)	(703,406)	(183,368)	(126,485)	(20,104)	(2,236)	(604,144)	(832,127)
Change in fair value of investment property	41,316	59,590	11,700	5,600	-	-	53,016	65,190
Share of associate results	(25,877)	(198)	-	-	-	-	(25,877)	(198)
Profit before taxation	1,296,008	289,906	1,485,300	586,267	104,700	(71,520)	2,886,008	804,653
Income tax expense								
Current income tax	(341,360)	(631,535)	(595,878)	(200,264)	(49,404)	-	(986,642)	(831,799)
Deferred income tax	(184,042)	387,438	(31,760)	(56,379)	7,017	(56,696)	(208,785)	274,363
Profit for the year from continuing operations	770,606	45,809	857,662	329,624	62,313	(128,216)	1,690,581	247,217
Attributable to :								
Equity shareholders of the parent	704,011	30,665	857,662	322,555	62,313	(128,216)	1,623,986	225,004
Non controlling interest	66,595	15,144	-	7,069	-	-	66,595	22,213
	770,606	45,809	857,662	329,624	62,313	(128,216)	1,690,581	247,217

	Retail		Fast moving consumer goods		Restaurant		Group	
	2016	2015	2016	2015	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Segment assets								
Non current assets								
Property plant and equipment	14,488,210	13,310,610	4,894,624	4,553,084	883,249	970,200	20,266,083	18,833,894
Investment property	3,437,564	3,396,248	106,000	94,300	-	-	3,543,564	3,490,548
Intangible assets	257,593	257,593	723,927	670,426	95,903	107,713	1,077,423	1,035,732
Prepayments of leasehold land and buildings	-	-	24,500	25,374	-	-	24,500	25,374
Investment in associates	2,305,653	1,093,699	-	-	-	-	2,305,653	1,093,699
Deferred tax assets	-	5,374	54,630	63,372	8,012	5,996	62,642	74,742
	20,489,020	18,063,524	5,803,681	5,406,556	987,164	1,083,909	27,279,865	24,553,989
Current assets								
Inventories	5,399,972	4,876,288	1,731,195	1,283,347	63,611	57,949	7,194,778	6,217,584
Trade and other receivables	1,873,192	1,582,442	1,581,244	1,384,506	117,456	127,398	3,571,892	3,094,346
Amount due from related companies	1,012,004	953,956	3,940	3,177	-	-	1,015,944	957,133
Short term investments	110,916	198,007	893,332	725,741	58	80	1,004,306	923,828
Cash and cash equivalents	1,071,204	613,265	1,053,010	1,034,030	20,135	24,247	2,144,349	1,671,542
	9,467,288	8,223,958	5,262,721	4,430,801	201,260	209,674	14,931,269	12,864,433
Total segmental assets	29,956,308	26,287,482	11,066,402	9,837,357	1,188,424	1,293,583	42,211,134	37,418,422
Segment liabilities								
Non current liabilities								
Borrowings	198,300	699,700	-	31,222	-	-	198,300	730,922
Deferred tax liability	333,564	141,711	340,935	320,188	103,051	108,052	777,550	569,951
Deferred income	-	-	84,863	96,344	-	-	84,863	96,344
Employee benefits	574,145	471,729	63,859	49,073	-	-	638,004	520,802
Put liability	2,251,743	1,974,311	-	-	-	-	2,251,743	1,974,311
	3,357,752	3,287,451	489,657	496,827	103,051	108,052	3,950,460	3,892,330
Current liabilities								
Trade and other payables	8,742,747	6,450,821	1,764,542	1,230,718	430,016	403,566	10,937,305	8,085,105
Current tax liability	488,845	479,950	913,387	414,377	70,756	21,349	1,472,988	915,676
Amount due to related companies	3,124	-	498	-	-	-	3,622	-
Dividends payable	32,192	27,404	523	369	-	-	32,715	27,773
Borrowings	6,800,323	6,469,717	4,223,113	4,563,903	285,791	584,771	11,309,227	11,618,391
	16,067,231	13,427,892	6,902,063	6,209,367	786,563	1,009,686	23,755,857	20,646,945
Total segmental liabilities	19,424,983	16,715,343	7,391,720	6,706,194	889,614	1,117,738	27,706,317	24,539,275
Other information								
Capital expenditure	1,724,785	1,318,797	458,047	399,256	82,079	139,708	2,264,911	1,857,761
Depreciation	956,082	876,091	558,871	529,320	167,203	162,120	1,682,156	1,567,531

Segmental information - the secondary segments (geographical segments)

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

Notes to the Financial Statements contd.

32. Commitments

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Capital commitment				
Approved and contracted	912,495	641,668	-	-
Financial commitments				
(a) Future payments of operating lease rentals				
- within 1 year.	829,489	735,664	1,750	45,870
- between 1 -5 years	4,008,943	3,636,978	8,610	246,990
- more than 5 years	6,824,167	4,131,670	153,160	366,700
	11,662,599	8,504,312	163,520	659,560
(b) Settlement of letter of credits and import bills	333,371	205,898	-	-

33. 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 payments is as follows:

Cargills Agrifoods Limited - Rs. 119.45 Mn, Cargills Quality Dairies (Private) Limited - Rs. 249.81 Mn, Cargills Quality Foods Limited - Rs.173.65 Mn and Kotmale Dairy Products (Private) Limited Rs. 61.39 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 letter of guarantee to Commercial Banks on behalf of the subsidiary companies amounting to Rs. 1.4 Bn. Kotmale Holdings PLC a subsidiary of the company has given letters of guarantee to Commercial Banks on behalf of its subsidiary companies Kotmale Dairy Products (Private) Limited (50.0 Mn) and Kotmale Milk Products Limited 25.0 Mn) amounting to Rs. 75.0 Mn. The Directors do not expect any claim on these guarantees. Accordingly, no provision has been made in the financial statements.

Litigation against the Group

Kotmale Dairy Products (Private) Limited.

DC Hatton case no. 1805/2013/M

Plaintiff filed action claiming damages of Rs. 50 Mn for loss of revenue as dispute over the equipment take off.

The management is of the view that any pending litigation will not have a material impact on the financial statements.

The Company has provided Bank Guarantees to Lion Brewery (Ceylon) PLC and its subsidiary Pearl Springs (Private) Limited to the value of Rs. 695 Mn in 2015 to cover contingent tax liabilities in connection with the disposal of the investment in Millers Brewery Limited stated under note 10 to the Financial Statements. The Directors do not expect any claim on these guarantees. Accordingly, no provision has been made in the financial statements.

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

34. Events after the reporting date

The Board of Directors have proposed a final dividend of 2.25 Rupee per share on 9th June 2016 (on the 224,000,000 shares now in issue) for the year ended 31 March 2016 which is to be approved by the shareholders at the Annual General Meeting.

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

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

35. Transactions with group companies

The Company has provided corporate guarantees for the term loans and banking facilities obtained by its subsidiary companies, the details of which has been disclosed under note 26 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 21 to the Financial Statements.

35.1 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) have been classified as KMP of the group.

The Group and the Company has paid Rs. 232.03 Mn (2015- Rs. 206.53 Mn) and Rs. 36.31 Mn (2015 - 103.32 Mn) respectively to the directors as emoluments and no post employment benefits during the year (2015 - nil). There are no other payments made to key management personnel apart from the disclosed amount.

Notes to the Financial Statements contd.

35.2 Transactions with related companies

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Transaction with related parties				
Subsidiaries				
Sale / (Purchase)	-	-	28,624	151,627
Other Income / (Expense)	-	-	1,697,085	943,731
Fund Transfer / (Settlement)	-	-	(3,345,492)	(3,621,516)
Holding company				
Sale / (Purchase)	3,219	-	-	-
Other Income / (Expense)	(446)	(21,243)	-	-
Fund Transfer / (Settlement)	(20,268)	21,101	(17,454)	-
Other related companies				
Sale / (Purchase)	2,961	9,964	-	-
Other Income / (Expense)	87,563	64,690	84,962	97,361
Fund Transfer / (Settlement)	(17,841)	745,601	(9,495)	700,659

The other expense relating to Company includes employee benefit cost transfer to subsidiaries amounting to Rs. 17.55 Mn (2015 - 30.3) for the year ended 31st March 2016.

Net dividends received from subsidiary companies

	2016 Rs. '000	2015 Rs. '000
Cargills Quality Foods Limited	463,720	21,191
Cargills Foods Company (Private) Limited	362,520	270,180
Millers Brewery Limited	-	222,300
Kotmale Holdings PLC	147	-

Double Yummm (Private) Limited

During the year Panadaria (Private) Limited name has been changed as Double Yummm (Pvt) Ltd.

Mrs. R Page, wife of the Deputy Chairman is a Director of the above company with which the Company had the following transaction during the year and the amount outstanding as at 31 March 2016 was Rs. 4.89 Mn (2015 - Rs. 4.51 Mn).

Purchases for re-sale in the ordinary course of business of Rs. 55.49 Mn (2015 - Rs. 45.81 Mn) Rental income of Rs. 1.08 Mn (2015 - Rs. 1.08 Mn).

Directors have no direct or indirect interest in any other contracts with the Company.

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

35.4 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 21 to these financial statements.

36. Comparative information

Comparative Information is re-classified wherever necessary to confirm with the current year's presentation in order to provide a better presentation.

37. Financial Instruments

37.1 Financial Assets and Liabilities by Categories

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Financial Assets by Categories	Loans and receivables (L&R)		Held to maturity (HTM)		Available- for- sale Financial Assets (AFS)	
As at 31st March	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Group						
Financial assets measured at fair value						
Other financial instruments	-	-	-	-	26,306	34,875
Financial assets not measured at fair value						
Trade and other receivables	3,571,892	3,094,346	-	-	-	-
Amounts due from related companies	1,015,944	957,133	-	-	-	-
Other financial assets	978,000	888,953	-	-	-	-
Cash at bank and in hand	2,144,349	1,671,542	-	-	-	-
Total	7,710,185	6,611,974	-	-	26,306	34,875

Financial Liabilities by categories financial liabilities measured at Amortised cost.

	Other financial Liabilities (37.1.(a))	
As at 31st March	2016 Rs. '000	2015 Rs. '000
Financial liabilities not re-measured at fair value		
Borrowings	11,507,527	12,349,313
Trade and other payables	10,937,305	8,085,105
Amounts due to related companies	3,622	-
Total	22,448,454	20,434,418

Notes to the Financial Statements contd.

Financial Assets by Categories	Loans and receivables (L&R)		Held to maturity (HTM)		Available- for- sale Financial Assets (AFS)	
As at 31st March	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Company						
Financial assets measured at fair value						
Other financial instruments	-	-	-	-	26,189	34,715
Financial assets not measured at fair value						
Trade and other receivables	633,499	632,628	-	-	-	-
Amounts due from related companies	1,294,595	2,946,040	-	-	-	-
Other financial assets	31,171	-	-	-	-	-
Cash at bank and in hand	203,816	11,313	-	-	-	-
Total	2,163,081	3,589,981	-	-	26,189	34,715

Financial Liabilities by Categories Financial liabilities measured at amortised cost

	Other financial Liabilities (37.1.(a))	
As at 31st March	2016 Rs. '000	2015 Rs. '000
Financial liabilities not re-measured at fair value		
Borrowings	4,344,023	3,937,486
Trade and other payables	382,882	433,849
Amounts due to related companies	38,892	128,569
Total	4,765,797	4,499,904

37.1.a The above table does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The Group has not disclosed the fair values for financial instruments such as short term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

37.2 Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the assets or liability that are not based on observable market data (unobservable inputs)

As at 31st March	Level 1		Level 2		Level 3		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group								
AFS	26,306	34,875	-	-	-	-	26,306	34,875
Held for trading	-	-	-	-	-	-	-	-
FVTPL	-	-	-	-	-	-	-	-
Company								
AFS	26,189	34,715	-	-	-	-	26,189	34,715
Held for trading	-	-	-	-	-	-	-	-
FVTPL	-	-	-	-	-	-	-	-

38. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

Risk Management Framework

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

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

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

Notes to the Financial Statements contd.

38.1 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;

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Trade receivables	1,797,413	1,474,413	6,436	4,729
Loans and advances	17,691	13,086	11,503	10,261
Amount due from related companies	1,015,944	957,133	1,294,595	2,946,040
Cash and cash equivalents	2,144,349	1,671,542	203,816	11,313
Total credit risk exposure	4,975,397	4,116,174	1,516,350	2,972,343
Available for sale investments	26,306	34,875	26,189	34,715
Total equity risk exposure	26,306	34,875	26,189	34,715

38.1.1 Trade receivables

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Past due 1 - 30 days	1,365,859	975,480	3,156	3,027
Past due 31 - 60 days	275,969	302,183	2,684	1,198
Past due 61 - 90 days	96,009	98,739	596	504
> 91 days	59,576	98,011	-	-
	1,797,413	1,474,413	6,436	4,729

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

38.1.2 Loans and advances

The loans and advances represents loans given to permanent employees.

38.1.3 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 amount due from related companies consist of receivables from affiliate companies.

38.1.4 Cash and cash equivalents

The Group and the Company held cash and cash equivalents of Rs. 2,144.3 Mn and Rs. 203.8 Mn as at 31st March 2016 (2015 - Rs. 1,671.54 Mn and Rs. 11.31 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.

38.1.5 Guarantees

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

38.2 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 Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk. The Group monitors its risk to shortage of funds by considering maturity of both the Group's financial investment and financial assets and other projected cash flow from operations

The following are the contractual maturities of financial liabilities as at 31 March 2016

Group	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
Financial instruments in non-current liabilities							
Borrowings	-	198,300	-	-	-	-	198,300
Financial instruments in current liabilities							
Trade & other payables	10,937,305	-	-	-	-	-	10,937,305
Amounts due to related companies	3,622	-	-	-	-	-	3,622
Current portion of long term loan	537,529	-	-	-	-	-	537,529
Short term loan	7,510,443	-	-	-	-	-	7,510,443
Bank overdraft	3,261,255	-	-	-	-	-	3,261,255
	22,250,154	198,300	-	-	-	-	22,448,454

The following are the contractual maturities of financial liabilities as at 31 March 2015

Group	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
Financial instruments in non-current liabilities							
Borrowings	-	532,622	198,300	-	-	-	730,922
Financial instruments in current liabilities							
Trade & other payables	8,085,105	-	-	-	-	-	8,085,105
Amounts due to related companies	-	-	-	-	-	-	-
Current portion of long term loan	558,397	-	-	-	-	-	558,397
Short term loan	7,050,000	-	-	-	-	-	7,050,000
Bank overdraft	4,009,994	-	-	-	-	-	4,009,994
	19,703,496	532,622	198,300	-	-	-	20,434,118

Notes to the Financial Statements contd.

The following are the contractual maturities of financial liabilities as at 31 March 2016

Company	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
Financial instruments in non-current liabilities							
Borrowings	-	-	-	-	-	-	-
Financial instruments in current liabilities							
Trade & other payables	382,882	-	-	-	-	-	382,882
Amounts due to related companies	38,892	-	-	-	-	-	38,892
Short term loan	2,640,700	-	-	-	-	-	2,640,700
Bank overdraft	1,703,323	-	-	-	-	-	1,703,323
	4,765,797	-	-	-	-	-	4,765,797

The following are the contractual maturities of financial liabilities as at 31 March 2015

Company	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
Financial instruments in non-current liabilities							
Borrowings	-	-	-	-	-	-	-
Financial instruments in current liabilities							
Trade & other payables	433,849	-	-	-	-	-	433,849
Amounts due to related companies	128,569	-	-	-	-	-	128,569
Short term loan	1,400,000	-	-	-	-	-	1,400,000
Bank overdraft	2,537,486	-	-	-	-	-	2,537,486
	4,499,904	-	-	-	-	-	4,499,904

38.3 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.

38.3.1 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.

38.3.2 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.

38.4 Capital management

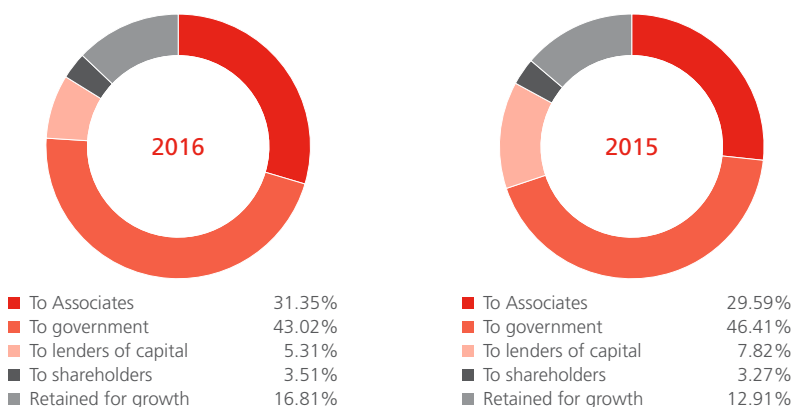
The Board's policy is to maintain a strong capital base so as to maintain share holder, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders.

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Total Liabilities	27,706,317	24,539,275	5,318,955	5,167,740
Less: Cash and Cash Equivalents	2,144,349	1,671,542	203,816	11,313
Net Debt	25,561,968	22,867,733	5,115,139	5,156,427
Total Equity	14,504,818	12,879,147	9,404,770	9,133,449
Net Debt to Equity Ratio	1.76	1.78	0.54	0.56

There were no changes in the Group's approach to capital management during the year.

Statement of Value Added

	%	2016 Rs.'000	%	2015 Rs.'000
Creation of Value added				
Gross revenue		77,249,542		67,422,455
Cost of good and service		(62,522,800)		(55,169,125)
Value added from operation		14,726,742		12,253,330
Dividend received		720		811
Other income		1,548,538		1,426,106
Total value added		16,276,000		13,680,247
Distribution of value added				
To Associates				
Salaries, wages and other related costs	29.92	4,870,513	28.08	3,841,161
Directors' fees and remuneration	1.43	232,032	1.51	206,525
	31.35	5,102,545	29.59	4,047,686
To government				
Government levies	35.68	5,807,692	42.33	5,791,170
Corporate taxes	7.34	1,195,427	4.08	557,436
	43.02	7,003,119	46.41	6,348,606
To lenders of capital				
Interest	4.90	797,599	7.65	1,045,981
Non controlling interest	0.41	66,595	0.17	23,799
	5.31	864,194	7.82	1,069,780
To shareholders				
Dividends	3.51	571,370	3.27	448,000
Retained for growth				
Depreciation	10.34	1,682,156	11.97	1,637,996
Retained earnings	6.47	1,052,616	0.94	128,179
	16.81	2,734,772	12.91	1,766,175
	100.00	16,276,000	100.00	13,680,247



Five Year Financial Summary

Group	2012 Rs.'000	2013 Rs.'000	2014 Rs.'000	2015 Rs.'000	2016 Rs.'000
Financial results					
Continuing Operations					
Revenue	48,256,413	55,378,917	58,322,854	61,631,285	71,441,850
Profit from operation	2,241,084	2,261,880	2,210,842	1,571,788	3,463,013
Profit before taxation	1,558,317	2,142,834	1,130,210	804,653	2,886,008
Profit after taxation	1,063,610	1,629,756	649,560	247,217	1,690,581
Discontinued Operations					
Profit/loss from discontinued operation, net of tax	-	-	-	352,761	-
Profit for the year	1,063,610	1,629,756	649,560	599,978	1,690,581
Attributable to					
Owners of the company	1,049,347	1,612,518	642,593	576,179	1,623,986
Non controlling interest	14,263	17,238	6,967	23,799	66,595
	1,063,610	1,629,756	649,560	599,978	1,690,581
Financial position					
Stated capital	130,723	130,723	130,723	130,723	130,723
Reserves	7,251,680	11,801,239	12,132,893	12,411,816	13,990,556
Non controlling interest	85,914	107,247	45,946	336,608	383,539
Capital and reserves	7,468,317	12,039,209	12,309,562	12,879,147	14,504,818
Current assets	8,675,827	9,590,178	10,762,976	12,609,562	14,931,269
Current liabilities	(16,451,143)	(20,460,399)	(24,093,936)	(20,392,074)	(23,755,857)
Working capital	(7,775,316)	(10,870,221)	(13,330,960)	(7,782,512)	(8,824,588)
Non current assets	16,261,058	25,980,682	28,581,903	24,553,989	27,279,866
Non current liabilities	(1,017,425)	(3,071,252)	(2,941,381)	(3,892,330)	(3,950,460)
Non controlling interest	(85,914)	(107,247)	(45,946)	(336,608)	(383,539)
Net assets	7,382,403	11,931,962	12,263,616	12,542,539	14,121,279
Key Indicators					
Growth in turnover (%)	29.97	14.76	5.32	5.67	15.92
Growth in earnings (%)	(3.60)	53.67	(46.39)	(7.63)	181.77
Operating profit to turnover (%)	4.64	4.08	3.79	2.55	4.85
Earnings to turnover (%)	2.17	2.91	1.48	0.97	2.37
Return on total assets (%)	4.27	4.58	1.65	1.61	4.01
Growth in total assets (%)	29.14	42.64	10.61	(5.54)	13.58
Growth in capital and reserves (%)	9.15	61.20	2.25	4.63	12.62
Return on capital and reserves (%)	14.24	13.54	5.28	4.66	11.66
Return on investment (%)	14.86	16.71	5.34	4.76	12.35
Earnings per share (Rs.)	4.68	7.20	2.87	2.57	7.25
Dividends per share (Rs.)	2.00	2.00	2.00	2.00	3.50
Net assets per share (Rs.)	32.96	53.27	54.75	55.99	63.04
Dividends paid per share (Rs.)	1.70	2.00	2.00	2.00	2.55
Dividend pay out (%)	36.29	27.78	69.72	77.75	48.28
Dividends paid	380,800	448,000	448,000	448,000	571,370
Debt equity ratio (times)	2.34	1.95	2.20	1.89	1.91
Interest cover (times)	3.59	1.84	1.64	1.89	5.73
Current ratio (times)	0.53	0.47	0.45	0.62	0.63
Quick assets ratio (times)	0.23	0.23	0.19	0.31	0.33
Capital additions	2,510,633	3,540,035	3,335,299	1,788,079	2,264,908
Market capitalisation	38,976,000	34,003,200	30,576,000	30,688,000	42,448,000
Comparative figures have not been restated					

(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 2016.

Group Real Estate Portfolio

Location	Land extent	Building area (Sq ft)	Valuation/ cost Rs '000	Year of valuation
Cargills (Ceylon) PLC				
Colombo 01	141 Perches	124,215	2,559,800	2016
Boralasgamuwa	2.5 Acres	23,168	296,292	2016
Staple Street - Colombo 02	82 Perches	20,970	776,750	2016
Vauxhall street	1.5 Acres	21,070	2,253,800	2016
Braybrook place	78 Perches	5,146	627,800	2016
Canal Raw, Colombo 01	15 Perches	12,300	325,000	2016
Cargills Square - Jaffna	Leasehold	98,525	922,000	2016
Moratuwa	79 Perches	-	255,500	2016
Dematgoda	84 Perches	-	282,500	2016
Cargills Foods Company (Private) Limited				
Kandy	94 Perches	25,174	1,325,376	2016
Maharagama	145 Perches	15,827	566,300	2016
Nuwara Eliya	57 Perches	9,617	209,000	2016
Mattakuliya (111)	330 Perches	80,967	818,400	2016
Park Road	-	4,610	48,600	2016
Kohuwala	29 Perches	6,225	110,500	2016
Mattakuliya (141)	1.8 Acres	44,469	501,700	2016
Gampaha	82.6 Perches	-	72,175	2016
Cargills Quality Foods Limited				
Mattakuliya	1.3 Acres	16,409	368,500	2016
Ja - Ela	5.1 Acres	38,381	366,470	2016
Ja - Ela	4 Acres	29,246	91,500	2016
Cargills Agrifoods Limited				
Katana	11.3 Acres	66,184	456,500	2016
Millers Limited				
Bandarawela	85 Perches	6,345	346,250	2016
Kelaniya	1.5 Acres	55,770	335,750	2016
Nittambuwa	112 Perches	-	102,250	2016
CPC Lanka Limited				
Katoolaya estate, Thawalantenne	4 Acres	695	49,100	2016
Cargills Quality Dairies (Private) Limited				
Mirigama, Baduragoda	100 Perches	-	6,000	2016
Dawson Office Complex (Private) Limited				
Colombo 02	94 Perches	-	772,200	2016
Kotmale Dairy Products (Private) Limited				
Mulleriyawa	1.8 Acres	29,615	116,000	2016
Bogahawatta	1 Acres	17,442	26,500	2016

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 2016				31 Mach 2015			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 - 1,000	1,144	60.95	275,831	0.12	1,147	60.34	293,174	0.13
1,001 - 10,000	487	25.94	1,760,722	0.79	501	26.35	1,801,367	0.80
10,001 - 100,000	185	9.86	5,407,777	2.41	192	10.10	5,453,415	2.44
100,001 - 1,000,000	47	2.50	13,705,506	6.12	46	2.42	13,533,826	6.04
1,000,001 and over	14	0.75	202,850,164	90.56	15	0.79	202,918,218	90.59
	1,877	100.00	224,000,000	100.00	1,901	100.00	224,000,000	100.00

4. Analysis of shareholders

	31 Mach 2016				31 Mach 2015			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Group of								
Institutions	129	6.87	194,496,951	86.83	120	6.31	194,152,243	86.68
Individuals	1,748	93.13	29,503,049	13.17	1,781	93.69	29,847,757	13.32
Total	1,877	100.00	224,000,000	100.00	1,901	100.00	224,000,000	100.00
Residents	1,783	94.99	208,171,633	92.93	1,805	94.95	207,291,150	92.54
Non residents	94	5.01	15,828,367	7.07	96	5.05	16,708,850	7.46
Total	1,877	100.00	224,000,000	100.00	1,901	100.00	224,000,000	100.00

Investor Relations Supplement Contd.

5. Share valuation

The market price per share recorded during the year ended 31 March	2,016	2,015
	Rs.	Rs.
Highest	193.50	168.50
Lowest	134.10	136.00
Last traded price	150.00	137.00

6. Top 20 shareholders

The holdings of the top 20 shareholders

	31 March 2016		31 March 2015	
	Number of		Number of	
	Shares	%	Shares	%
C T Holdings PLC	157,249,240	70.20	156,799,240	70.00
Mr. V R Page	14,961,900	6.68	14,443,900	6.45
Employees Provident Fund	7,356,416	3.28	7,566,966	3.38
Odeon Holdings (Ceylon) Limited	4,822,920	2.15	4,622,920	2.06
Ceylon Guardian Investment Trust - A/C No.1	4,175,700	1.86	4,275,700	1.91
Ms. M M Page	3,948,011	1.76	3,597,920	1.61
HSBC Intl Nom Ltd - SSBT-National Westminster Bank PLC as Depositary of First State Indian Subcontinent	3,927,600	1.75	3,927,600	1.75
BNY-CF Ruffer Investment Fund : CF Ruffer Pacific Fund	3,208,024	1.43	2,912,056	1.30
Bank of Ceylon No.1 Account	1,303,613	0.58	1,095,930	0.49
Mellon Bank N.A. - Florida Retirement System	1,301,800	0.58	1,301,800	0.58
HINL - JPMCB Butterfield Trust (Bermuda) Limited	1,297,500	0.58	1,297,500	0.58
HSBC Intl Nom Ltd - SSBT-Wasatch Frontier Emerging Small Countries Fund	987,600	0.44	1,500,000	0.67
GF Capital Global Limited	864,000	0.39	864,000	0.39
The Associated Newspapers of Ceylon Limited	799,840	0.36	799,840	0.36
HSBC Intl Nom Ltd - SSBT-Russell Institutional Funds Public Limited Company	791,300	0.35	791,300	0.35
Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	752,770	0.34	-	-
National Savings Bank	598,040	0.27	783,568	0.35
Sir Chittampalam A Gardiner Trust	563,040	0.25	563,040	0.25
HSBC Intl Nom Ltd-State Street Munich C/o SSBT-Universal- Investment	531,200	0.24	531,200	0.24
Mr. J C Page	455,000	0.20	1,255,000	0.56
Total	209,895,514	93.69	208,929,480	93.28

7. Public holding

The percentage of shares held by the public and number of public shareholders as at 31 March 2016 is 20.49% (2015 - 20.98%) and 1,857 (2015 - 1,882) respectively.

Notice of Annual General Meeting

Notice is hereby given that the seventieth Annual General Meeting of the Company will be held on Friday, 01 July 2016, at 9.30 a.m. at the Auditorium of the Sri Lanka Foundation Institute, No.100, Independence Square, 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 2016, with the Report of the Auditors thereon
2. To declare a dividend as recommended by the Directors
3. To re-elect Directors, Messrs
 - a) S. V. Kodikara, and b) J. C. Page, who retire by rotation and offer themselves for re-election, and
 - c) A. T. P. Edirisinghe, d) Sunil Mendis, and
 - e) E. A. D. Perera, who retire in terms of Section 210 (2) (a) and (b) of the Companies Act No. 07 of 2007 having attained the age of seventy, seventy one, 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 Mr. A T P Edirisinghe, 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", and

Ordinary Resolution (ii)

"Resolved that Mr. Sunil Mendis, a retiring Director, who has attained the age of seventy one 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"

Ordinary Resolution (iii)

"Resolved that Mr. E A D Perera, 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 appoint Mr. Deva Rodrigo (please see profile on page no 152) as a Director of the Company, as has been approved by the Board subject to Shareholder approval in terms of Section 211 (1) and (2) of the Companies Act No. 07 of 2007, and pass the following Ordinary Resolution:

"Resolved that Mr. Deva Rodrigo, who has attained the age of seventy years be and is hereby appointed 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"
5. To authorise the Directors to determine contributions to charities for the financial year 2016/17.
6. 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

09th June 2016

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.

Profile of Deva Rodrigo – proposed to be appointed a Director of Cargills (Ceylon) PLC at the AGM

Deva Rodrigo, a chartered accountant, had a career with the international accounting and consulting firm PricewaterhouseCoopers, joining the firm in east Africa in 1974 and serving in its London offices in 1980. He was a Founder Partner when PricewaterhouseCoopers established its Sri Lankan firm in 1981, and held the position of senior partner from 1992 to 30 June 2006, when he retired from the firm. He was the Chairman of the Ceylon Chamber of Commerce from 2004 to 2006. He has previously held public office as a director of People's Bank from 1999 to early 2003 and as a member of the Telecommunication Regulatory Commission from May 1997 to January 2002. Deva was also a member of the Monetary Board of the Central Bank of Sri Lanka from 2003 to 2006 and a member of the National Council for Administration from 2004 to 2006. He is a director of Chevron Lubricants Lanka PLC and Cargills Bank Ltd.

Notes

Proxy Form

For use at the seventieth 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 seventieth Annual General Meeting of the Company to be held on Friday, 01 July 2016 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)	3 (e)	4	5	6
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

Proxy Form Contd.

Instructions for Completion of the Proxy Form

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

Corporate Information

Name of Company

Cargills (Ceylon) PLC

Company Registration No.

PQ 130

Legal Form

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

Board of Directors

Louis Page (Chairman)
Ranjit Page (Deputy Chairman/CEO)
Imtiaz Abdul Wahid (Managing Director/Deputy CEO)
Sidath Kodikara
Prabhu Mathavan
Priya Edirisinghe
Sanjeev Gardiner
Sunil Mendis
Anthony A Page
Joseph Page
Errol Perera

Company Secretary

Sarath Dissanayake

Remuneration Committee

Sunil Mendis (Chairman)
Priya Edirisinghe

Audit Committee

Priya Edirisinghe (Chairman)
Sunil Mendis
Errol Perera

Related Party Transactions Review Committee

Priya Edirisinghe (Chairman)
Sunil Mendis
Errol 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
Cargills Bank
Commercial Bank of Ceylon
Deutsche Bank
DFCC Bank
Habib Bank
HNB Bank
HSBC Bank
MCB Bank
NDB Bank
Nations Trust Bank
Pan Asia Bank
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank
State Bank of India

Subsidiary Companies

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

Associate Company

C T Properties Limited
Cargills Bank Limited

