



Building on our foundation of over 170 Years

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S I N C E 1 8 4 4

Over
170
Years

**Building on a solid
foundation of trust
and consistent
transformation**

Cargills has relentlessly pursued change in its quest to respond to the call of an evolving country. Today, it's not just a dream. Our mission is purposefully being brought to life. Our reach embraces the grassroots linking every step of the food and agriculture value chain to make a balanced meal more accessible to everyone in a sustainable manner. We empower and nurture youth across our value chain to tackle the challenges that impact our country and deliver innovative solutions that make a meaningful impact. We are a conduit that moves resources and investments to generate opportunities in both rural and urban Sri Lanka. We collaborate to link people and ideas, products and services, information and markets.

We strive to unite people because our focus is not just a business plan. From a colonial trading legacy that catered to the elite to a social-centric Sri Lankan enterprise, our 173 year old foundation has consistently been centered on how our business impacts our people and the strengthening of our legacy of trust and transformation.

About This Report

Scope and Boundaries

In a progressive journey towards integrated reporting Cargills (Ceylon) PLC presents its Annual Report for the year ended 31 March 2017 covering the operations of Cargills (Ceylon) PLC and its subsidiaries as listed out in the inner back cover of the compilation. All financial and non-financial reviewing is within the scope of sectoral operations and where necessary and material the report details out business units within sectors. The information covered is for the period from 1 April 2016 to 31 March 2017 which is the annual reporting cycle of the Cargills Group.

Financial Reporting

The financial information have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of the 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.

Non-Financial Reporting

We present our non-financial information for the financial year 2016/17 with the aim of informing our stakeholders of our role in society related to our Vision of being a "Global Role model in community-friendly National Development" the core foundation of our business and sustainability strategy and objectives. We define 'non-financial information' as information pertaining to the non-financial issues emerging from our determination of materiality. The Report is based on the Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) and the Global Reporting Initiative (GRI) G4 Guidelines 'In Accordance – Core' criteria published by GRI. This is our 2nd Report presenting information in accordance with the GRI Guidelines and where applicable we have compared performance with our previous report published as at March 31st 2016. There were no re-statements of previously reported economic, social or environmental information.

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.

Reporting Structure

The Reporting structure enables the Group's businesses to be reviewed by Sector in terms of operations, strategy and performance while GRI reporting is compiled herein at Group level through a process of data gathering and review by operation and by sector. Therefore the main entity for which the social and environmental information is presented in the narrative reports unless otherwise stated at the Group level.

The material aspects boundaries are based on internal assessments covering the Group's operations in Sri Lanka. We have provided both quantitative and qualitative data and it has been our intention to provide quantitative data where possible to facilitate comparisons and further analyses.

Integrated Reporting Approach

Cargills remains on a continued journey to enhance our reporting process in order to provide maximum transparency and visibility on the way in which we engage in business in a complex and dynamic business environment influenced by a range of macro-economic factors, rapid technology developments, dynamic stakeholder requirements and various context driven environmental and social conditions.

Traditionally our approach to corporate annual reports focused on financial performance and statutory requirements. In the process of adopting an Integrated Reporting format we have incorporated financial and non-financial information – governance, environmental and social - in a manner that can help stakeholders understand how your Company creates and sustains value over the long-term.

This report is an attempt to align to the principles of International Integrated Reporting Framework developed by The International Integrated Reporting Council (IIRC), which is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs promoting communication about value creation as the next step in the evolution of corporate reporting. Accordingly greater details and insights are provided on the strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality and comparability.

This report provides a consolidated perspective of economic, social and environmental aspects material to our strategy and our ability to create and sustain value to our key stakeholders. Through this compilation the Group anticipates taking the reporting framework towards a 'Capitals' approach in the near term wherein review based on financial capital, manufactured capital, intellectual capital, human capital, social and relationships capital and natural capital would form the crux of future Annual Reports.

***Cargills remains
on a continued
journey to enhance
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transparency and
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way in which we
engage in business***

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.



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.

Cargills Bank commenced formal operations in 2014 and has since expanded its branch network to 15.

In the same year the Company commenced operations of Cargills Square mini mall in Jaffna.

In 2016, Cargills Agrifoods Limited acquired Ceylon Agro Development Company (Private) Limited. The Company is engaged in the distribution of local and imported seeds.



Vision to Transform : The Journey

1844	General warehouse, import and wholesale business
1946	Incorporated as a public limited liability Company
1981	Ceylon theatres acquires controlling interest
1983	Establishment of first supermarket at Staple Street
1993	Entering into FMCG business with the acquisition of Goldi meat processing business
1996	Receiving the Sri Lankan franchise for KFC and establishing first KFC at Majestic City
1999	Developing direct sourcing model with small holder farmers in Hanguranketha addressing access to markets and providing foundation for sustainable sourcing model
2000	Taking super marketing to the masses thereby evolving supermarket model to take quality of life and affordable nutrition to the general consumer
2002	Entering the dairy industry with the acquisition of ice cream plant and sourcing from small dairy farmers, expanding out-grower base

2002	Expanding small holder network with acquisition of fruit and vegetable processing facility
2005	Establishment of Albert A. Page institute of Food Business to develop regional youth skills
2008	Launch of fair-trade concept of investing back into the communities we source from
2010	Rapid expansion in retail business outside the Western Province driving regional recruitment and sourcing
2010	Substantial investments in FMCG business with acquisition of 'Kotmale' brand and entering into confectionaries industry
2011	Receiving Commercial Banking license as part of vision to build inclusive financial services for small farmers, SME's and low to middle income groups
2014	Launch of Cargills Bank
2016	Launch of Cargills Sarubima and Farmer Citizens Award
2016	Integrated banking services to Cargills touch points in a journey towards digitized and inclusive financial services
2017	Launch of the Kotmale Dairy plant, Sri Lanka's first fully integrated dairy processing facility



The Group Structure

The Group consists of three key operating segments covering Retail, Food Manufacturing and Restaurant industries.

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. The system includes two central processing units and 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 31 March 2017, 315 Cargills Food City outlets are operational across all 25 districts of Sri Lanka.

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.

The Restaurants business consist of YUM! franchise KFC and the TGI Friday's Restaurants business operating under a dedicated Chief Operating Officer and focused management structure for the two entities. KFC operates 30 restaurants as at 31 March 2017 with dine-in, take away and delivery channels. A central commissary is in operation to service the preparatory activities of the chain.

Support services that cover Information technology, human resources, corporate management and legal are provided centrally to all business sectors while marketing and promotions functions are dedicated by Brand.

Business Operation

Cargills Group operates the most diverse and extensive food and agriculture focused, end-to-end supply chain in Sri Lanka. Working together with a wide number of supply chain partners, the Group has been able to powerfully execute a 24 hour, 365 day operation, to seamlessly connect a large no. of farmers and suppliers with end consumers across the Country.

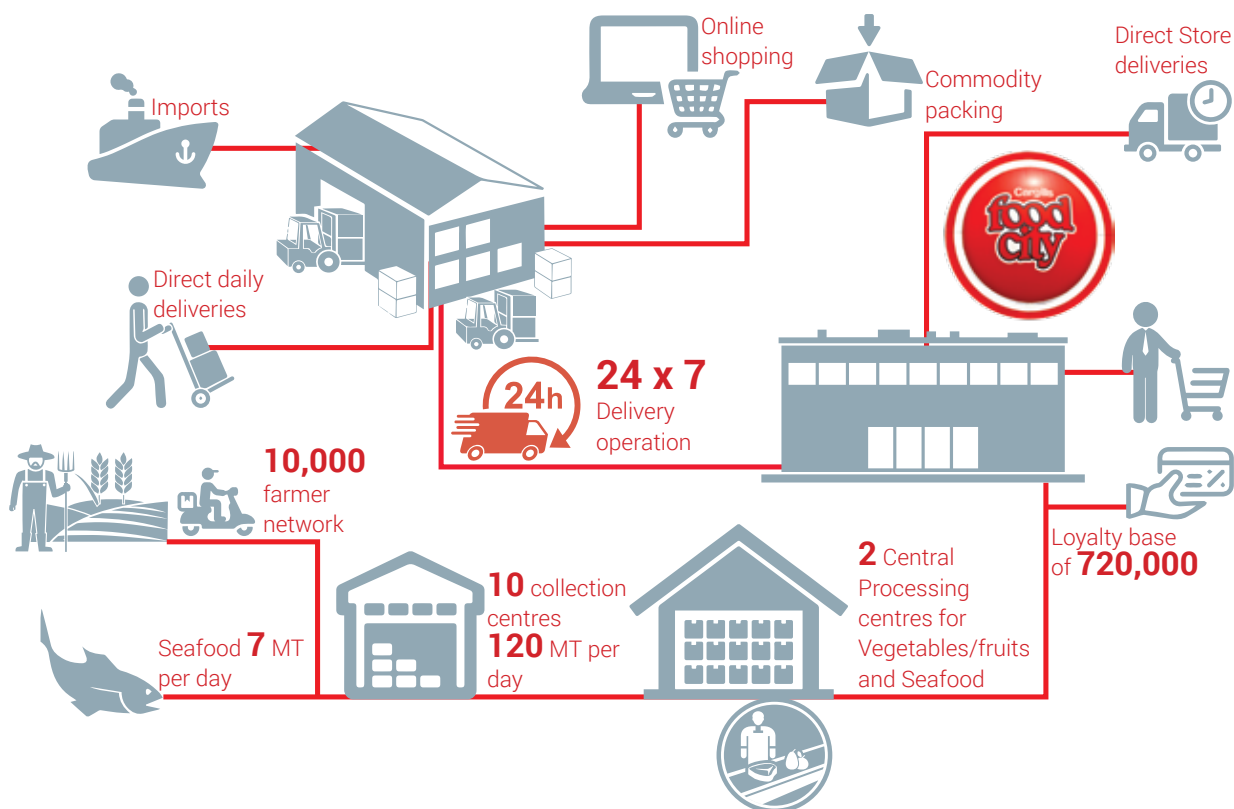
Cargills Group's primary sectors comprise Retail, Dairy (Milk, Cultured Products, Yogurt, Ice-cream), Agrifoods, Meat Processing, Confectionary, Restaurants, Premium Bottled Water and Distribution. The FMCG sector encompasses 8 production facilities. In order to facilitate the safe and efficient movement of products from such diverse sectors, Cargills Group manages several distinct supply chains, namely for vegetables and fruits, milk, seafood, pharmaceuticals, chilled dairy products, frozen dairy products, frozen meat products, commodities, vegetable seeds and other dry goods.

The Group sources its vegetables and fruits from a farmer network comprising over 10,000 farmers, and procurement of farmer produce takes place through a de-centralized network of 10 Cargills Collection Centres. These Collection Centres enable the Group to maintain very close relationships with the community of farmers and the locality as well. The produce sourced through these Collection Centres are transported to the Cargills Vegetable Processing Unit and the Cargills Fruit Processing Unit, both of which are centralized units which facilitate the consolidation, processing and dispatch of produce to Cargills Food City Outlets across Sri Lanka and other sectors of the Group.

The Group sources its requirements for the Dairy Sector from over 15,000 small holders, a majority of whom are organized into farmer societies, being concentrated in the Central, North Western, North Central, Northern and Western province of Sri Lanka. The small holders are integrated into the Group's supply chain through an island-wide network of over 330 collection points, which are directly linked to 22 Cargills Milk Chilling Centres.

The Group Structure

Retail Operation



The Group sources its requirements for the meat processing sector from several medium and large scale suppliers engaged in the poultry and livestock industry, some of whom manage their own out-grower operations. The Seafood operation is undertaken by the Cargills Fish Collection Unit, which is located in Negombo.

The Group is engaged in the direct importation of selected commodities, while also directly connecting with thousands of small, medium and large scale suppliers, for the procurement of various products for the Group's sectors. The dry goods operation is undertaken through 3 permanent Cargills Distribution Centres, where combined storage capacity exceeds 400,000 sqft, and temporary Distribution Centres to cater to seasonal demand. Supplementing the function of the Distribution Centres, direct deliveries to the Cargills Food City Outlets are undertaken by the Group's

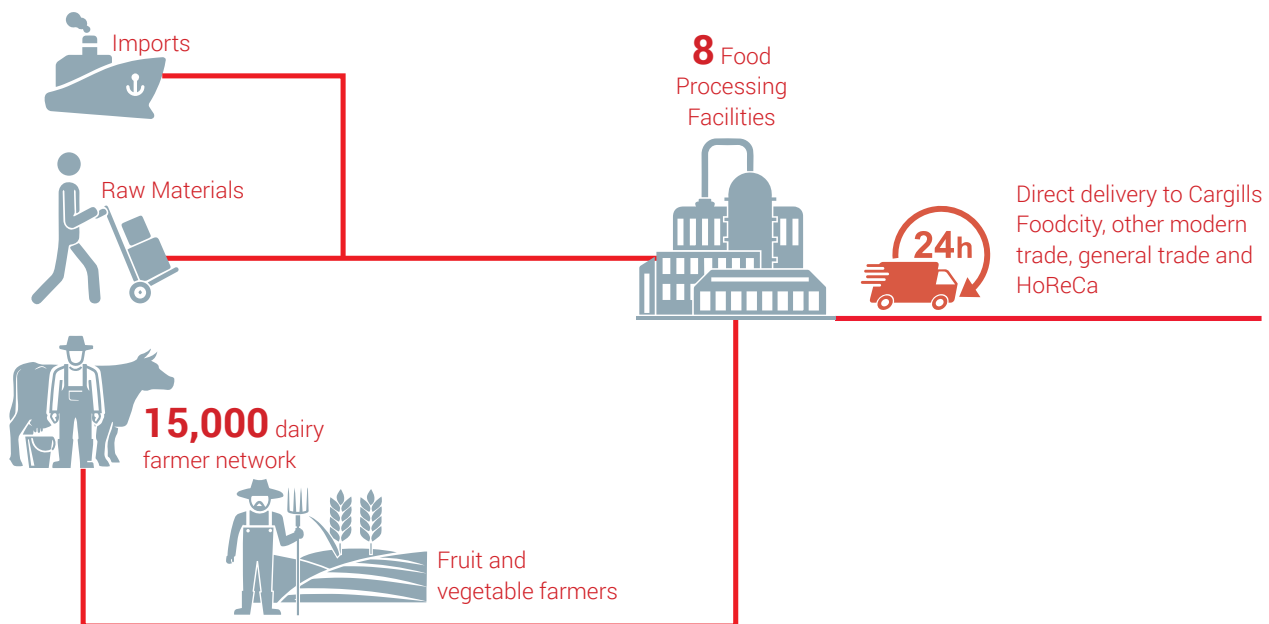
FMCG sectors and selected suppliers of dry, frozen and chilled products.

These extensive food categories are made available to citizens across the entire country, mainly through the island-wide network of Cargills Food City Outlets. The retail chain delivers full product availability across all product categories and across all outlets, through an integrated replenishment system. The FMCG sectors of the Group also reach out to a vast population of Sri Lankans through a dedicated distributor network, who are partners of the Cargills Group and support the FMCG brands to reach out to over 50,000 General Trade outlets. Having invested in a Sales Force Automation system for secondary distribution, and having built up significant analytical capabilities, the Group's sales teams have significant visibility over the performance of outlets across the country.

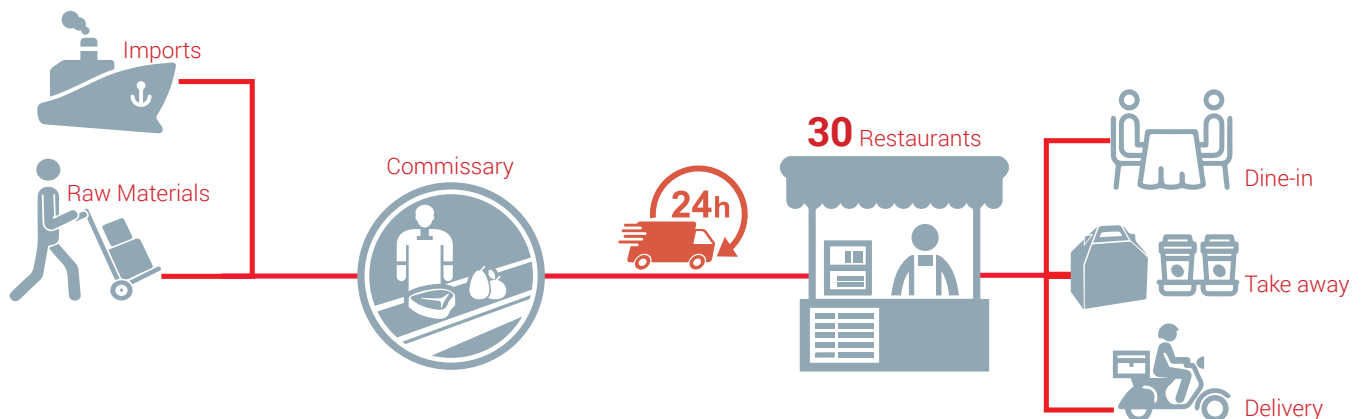
Cargills is also engaged in direct customer delivery services, primarily in the Restaurants sector, and this is operated through a Group owned fleet.

Successfully managing several diverse supply chains, the Group has developed leading capabilities in various aspects such as replenishment and sourcing, inventory optimization across the supply chain, end-to-end temperature and humidity controlled logistics, etc. The Group is focused on continuous improvements, by leveraging data and technology to identify and execute initiatives to eliminate all forms of waste across the supply chain.

FMCG Operation



Resturant Operation



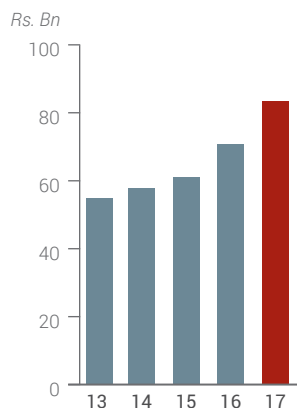
Financial Highlights

	Group			Company		
	2017 Rs.000	2016 Rs.000	Change %	2017 Rs.000	2016 Rs.000	Change %
Operations						
Continuing Operations						
Revenue	84,190,870	71,016,990	18.55	42,189	33,623	25.48
Profit from operations	5,091,120	3,463,013	47.01	2,544,550	1,011,476	151.57
Profit before taxation	4,154,134	2,886,008	43.94	1,953,902	879,017	122.28
Profit after taxation	2,284,196	1,690,581	35.11	1,866,293	779,182	139.52
Financial Position						
Non-current assets	33,350,077	27,279,866	22.25	16,477,002	12,524,469	31.56
Current assets	15,765,922	14,931,269	5.59	1,501,057	2,199,256	(31.75)
Current liabilities	30,087,235	23,755,857	26.65	7,996,928	4,907,861	62.94
Non - current liabilities	4,656,841	3,950,460	17.88	475,426	411,094	15.65
Capital and reserves,Minority Interest and other equity	14,371,923	14,504,818	(0.92)	9,505,705	9,404,770	1.07
Per share data (Rs.)						
Earnings per share	9.55	7.25	31.72	8.33	3.48	139.37
Dividends per share	5.60	3.50	60.00	5.60	3.50	60.00
Net assets per share	62.31	63.04	(1.16)	42.44	41.99	1.07
Market value per share	187.70	150.00	25.13	187.70	150.00	25.13
Cash Flow						
Net cash generated from/ (used in)						
- Operating activities	3,755,083	5,334,187		(263,614)	1,244,685	
- Investing activities	(6,776,934)	(3,418,140)		(1,125,658)	(892,307)	
- Financing activities	2,479,307	(694,501)		2,133,297	674,288	

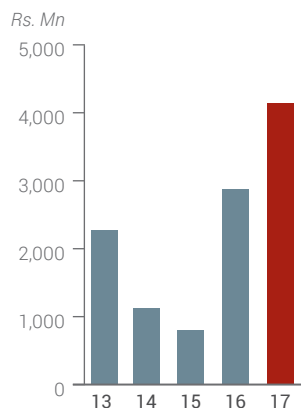

84,191Mn
18.6% Group Revenue


5,091Mn
47.0% Group Operating Profit

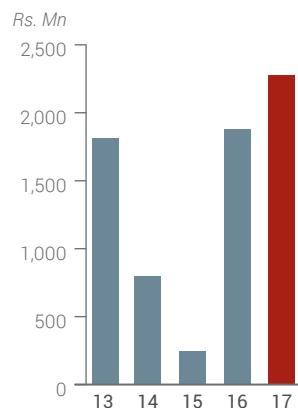
Revenue - Group



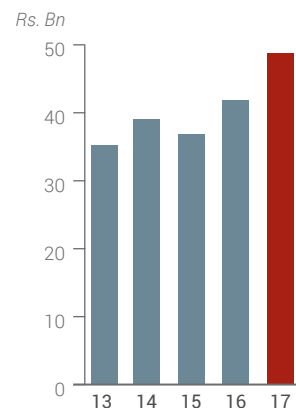
Profit before taxation - Group



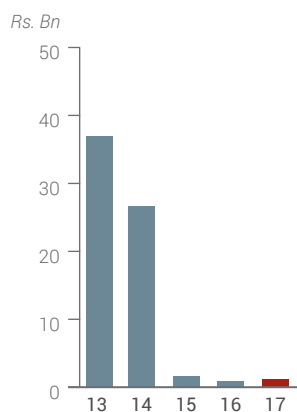
Profit after taxation - Group



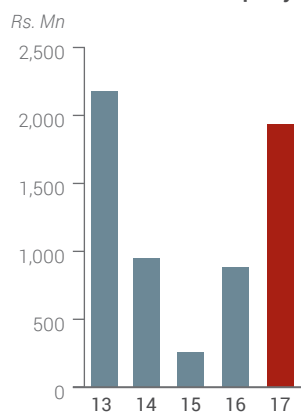
Total assets - Group



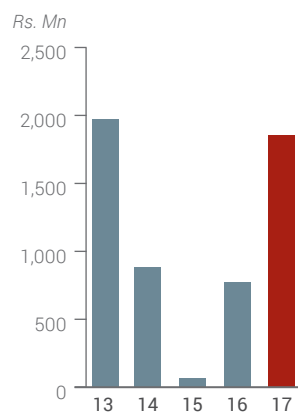
Revenue - Company



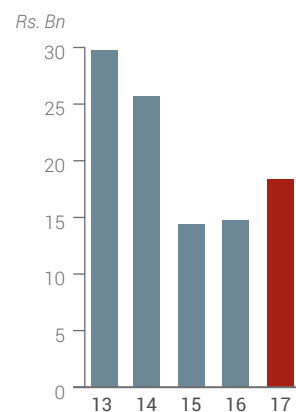
Profit before taxation - Company




Profit after taxation - Company



Total assets - Company




4,154Mn
43.9% Group Profit Before Tax


2,284Mn
35.1% Group Profit After Tax

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 315 stores covering all 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

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

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

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, Oreo, Tang, Toblerone, 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.





Chairman's Review

This has been a significant year for Cargills (Ceylon) PLC. We have delivered unprecedented change over the past 12 months as we have begun to transform our business. We have taken decisive, immediate action on the challenges we faced. In a very deliberate way we have made the changes needed to re-energise the operation. We have guided our efforts with the three priorities we set out as we commenced the financial year, i.e to consolidate our positions of leadership across all business sectors, to build systems, processes and future leaders to ensure our readiness for the opportunities ahead while ensuring the foundation of trust and sustainable value creation continues to remain deep-rooted in our corporate culture.

As a result, we have stabilised the business and we are on track with where we expected to be in terms of value creation for all stakeholders. In a more enabling business environment there is further momentum to be gained but certainly we are on a journey that is leading the business to higher ground.

The global food economy is shifting. Market forces and demographic trends are continuously influencing supply and demand. Consumers are voting with their values on a wide range of quickly emerging food issues. Anticipating these changing complexities is a crucial part of how we help our customers succeed.

Our business has always been at its best when we've made customers our absolute priority. Over the past year, we have restored our total commitment to giving the best possible service to our customers. This is reflected in the new purpose we have set out for the business in the retail industry in creating more exciting shopping environments that focus on the increased freshness, health and nutrition priorities of consumers.

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. Cargills is already well positioned to drive this advantage and has now enhanced 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-chains in Sri Lanka, Cargills Food City has now established stronger alliances with rural communities to take the stage of primary value-addition to the source. 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

Consumers are voting with their values on a wide range of quickly emerging food issues. Anticipating these changing complexities is a crucial part of how we help our customers succeed.



experience beyond metropolitan areas continues contributing substantially to the development of the regional landscape and economies.

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 17.2% towards Group turnover.

Investments were made out during the year towards enhancing capacities of the ice cream product portfolio and strengthening the smallholder dairy farmer value chain as well as storage capacities of the dairy sub-sector towards building a more sustainable supply chain. The portfolio developed under our dairy brands 'Kotmale' and 'Magic' is comprehensive meeting aspirations of nutrition as well as innovation. The strategic decision made to invest in enhancing sourcing and processing capacities has reaped the due dividends in terms of our farmer partners, the company and the industry as a whole. We are gratified that our forward-looking investment drive ensured the confidence and stability of our farmer base during the glut season that saw a 30% escalation in supply. The foundation is now set for our brands to own the dairy category as the most trusted dairy brands in Sri Lanka.

Our businesses covering agriculture processing, meats processing and confectionaries are on a sound footing and provide a solid growth platform for the food manufacturing sector. Driven by strong consumer brands that are household names across the country the Cargills non-dairy businesses are now reaching significant scale in both volume and profit contribution. The group envisages stronger backward linkages in these businesses and strategic partnerships that would enhance people, product and process capabilities in line with the growth potential of these businesses. The opportunities in the beverage segment on the back of consumer movement towards healthier fruit based products provides a strong growth platform for Kist, the pioneering Nectar brand in Sri Lanka.

The Restaurants sector is on a steady upward path 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. 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.

Your Company's strategic investment into Banking and Finance is making steady progress. From an operational perspective, the bank continued to enjoy rapid growth across all of its major sectors which helped substantially reverse preliminary losses accumulated during establishment stage. Improvements to the Bank's revenue streams supported drastic reductions in operating losses leading to progressive improvements to the Bank's bottom line over the second half of 2016.

Our drive to offer the modern trade experience beyond metropolitan areas continues contributing substantially to the development of the regional landscape and economies.

Chairman's Review

Reductions in operating losses together with the impact of deferred taxes enabled the Bank to also cross another notable milestone during the year, by recording first profits. Fulfillment of the Bank's Tier I capital requirement helped place Cargills Bank on solid ground. This capital infusion stands as further proof of the immense trust and confidence that our shareholders have placed in Cargills Bank. Our goal of uplifting and empowering people and communities from all walks of life is strengthened by the eco system built over the years. These synergies are now well positioned to be unlocked in our vision to bank on the Sri Lankan spirit.

Our approach to sustainability is driven by our employees who continue to add value to communities we serve and each day seek out new ways to contribute to social advancement through business. As a team we are deeply committed to compliance and social, environmental and local responsibility. Operating with integrity is a cornerstone for building trust. Our training and leadership development programs reinforce the mission of upholding the highest standards of integrity in all businesses.

The Group reported a 18.6% growth in turnover for the year ended to close at Rs. 84 Bn. The revenue growth is stemming from strong performances from all businesses reflecting the results of focused management efforts to rationalize our operations, streamline processes, drive efficiency and empower talented leadership. The Group reported a net-profit of Rs. 2,284 Mn for the year a resounding 35% growth from the previous year. A 1st interim dividend of Rs. 1.80 per share and 2nd interim dividend of Rs. 3.80 was paid on 17 January and 24 March respectively. Your Company continues to maintain a consistent dividend policy and expects to enhance its ROE in the forthcoming year.

Cargills has a unique culture grounded on three basic principles of helping to reduce the cost of living, enhancing youth skills and bridging regional disparity through Food with Love. We will continue to nourish and strengthen these foundational beliefs. We want to thank you for believing in us and investing in our future. We are a company of the future. As I stated earlier, we're operating from a strong foundation built by those before us and taking action aimed at strengthening our business this year and beyond. We'll continue to strengthen our outlets, restaurants and operations across Sri Lanka and build on the synergies of our eco system with digital capabilities, and we'll put them together in a way that saves customers time and money. And as they choose to shop with us, enjoy their meals with us and engage with our brands, we'll continue to build on our foundation of 173 years to create shared value for all.

(Signed)

Louis Page

Chairman

5 June 2017

Profile of Directors

Louis Page

***Chairman*

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 Deputy Chairman/Managing Director of the parent company, C T Holdings PLC.

Imtiaz Abdul Wahid

Managing Director/Deputy CEO

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

Sidath Kodikara

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, and is the Chairman of its Sri Lanka Chapter. He counts over 30 years of managerial experience in the hospitality and retail sector.

Prabhu Mathavan

***Director*

Mr. Prabhu S. 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 / CEO of Cargills Bank Ltd. He is also a Director of Lanka Clear (Private) Limited.

Profile of Directors

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 BAKER TILLY 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, Related Party Transactions Review Committee, and Member of the Remuneration Committee. Mr. Edirisinghe is the Chairman of the company's Audit Committee, Related Party Transactions Review 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 and Related Party Transactions Review Committee, and also serves on the boards of several other Group companies.

Anthony A Page

***Director*

Mr. Anthony Page counts over 40 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 Holdings PLC, Ceylon Theatres (Pvt.) Ltd. and C T Properties Limited. 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.

Deva Rodrigo

**Director*

Mr. Parakrama Devasiri 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 Taprobane Holdings PLC.

** Independent Non Executive*

*** Non Independent Non Executive*





Uncompromising dedication to succeed

The well-being and progress of the nation is our priority. Our journey of over 170 years has seen us succeed in building a strong foundation of trust and consistent transformation upon which we aim to reach new milestones in our quest to evolve to a global corporate role model in community-friendly national development

Management Discussion and Analysis

Operating Environment

The Sri Lankan economy grew at 4.4% in the year 2016 supported by the industrial and services sector while the agriculture sector contracted by 4.2% compared to a growth of 4.8% recorded in 2015. The adverse weather conditions that prevailed throughout the year as well as fragile demand for export commodities led to a decline in the agriculture sector. The services sector was propelled by growth in financial services and transportation while the manufacturing sector saw a growth led by the construction industry as well as mining and quarrying.

As per the expenditure approach estimates of the Central Bank, growth was bolstered by the investment drive, both in nominal and real terms. Investment growth was spurred by government infrastructure activities and the consequent expansion in private sector involvement in construction activities. Meanwhile, private consumption registered a slowdown due to the increase in interest rates and taxes, gradual increase in import prices of consumer goods and depreciation of the Sri Lankan rupee.

Domestic savings increased significantly as a result of improved private savings in the backdrop of a gradual tightening of monetary policy and a decline in government dis-savings. Further, net current transfers from the rest of the world continued to grow.

Floods attributed to heavy rainfall in the first quarter of the financial year followed by a prolonged drought in the latter part saw the agriculture sector contract during the period under review. The trend led to sharp price increases on the back of lower supply while loss of crops resulted in lower consumer demand from agriculture dependent regions of the economy due to direct impact on livelihoods. However, animal production, forestry and logging, fishing, sugar cane and other beverage crops contributed positively to the growth, offsetting the overall contraction in Agriculture activities to a certain extent.

Paddy prices in the open market remained low during the first half of the year, supported by the increased paddy supply and the reduction in the guaranteed paddy purchasing price. As proposed in the Budget 2016, the guaranteed purchasing price of paddy was reduced with a view to stabilising rice prices in the domestic market.

The dairy and livestock industry saw a growth of 2.6% during the year with the Country reaching a production of 384 million litres during the year. The Central Bank reports that current production meets 42% of the country's total demand for milk. During the period the farm gate price of milk was increased by Rs 5 to Rs 64 per litre as a method of incentivizing the dairy and live stock industry.

Supply of vegetables continued to increase in 2016. Total vegetable production increased marginally by 1.3 per cent to 1,648,501 metric tons in 2016, compared to 1,627,592 metric tons in 2015 despite a challenging Maha season. Responding

// The Sri Lankan economy grew at 4.4% in the year 2016 supported by the industrial and services sector while the agriculture sector contracted by 4.2% compared to a growth of 4.8% recorded in 2015. //



to the reduced vegetable supply in the Maha season, both up-country and low-country vegetable prices increased in May 2016. In addition, crop damages and interruptions of supplies caused by the heavy rain and flood in May 2016 further aggravated the level of vegetable prices. Meanwhile, vegetable cultivation in the intermediate season also declined due to weather related setbacks. Nevertheless, the supply of vegetables increased considerably in the Yala harvesting period, resulting in prices decreasing from August onwards. This turn around was largely due to the increased extent of land used for vegetable cultivation, following the failing of paddy cultivation in the Yala season, due to the drought. Towards the end of the year, however, following the seasonal pattern, vegetable prices increased again. During 2016, 21.1 mn kg of vegetables with a value of Rs. 3.9 billion were exported.

Fruit production continued to decline in 2016 although it was in high demand by exporters. Fruit production declined further by 6.0 per cent following the 15.6 per cent decline observed in the previous year. While the potential for the fruit industry is huge the inability to supply large quantities on a continuous basis is a major constraint. Establishing direct links between producers and exporters, and further development of the contract farming system are important to improve the fruit and vegetable value chain in Sri Lanka.

Wholesale and Retail trade grew by 2.5% during 2016 compared to the growth of over 5% recorded in 2015. The decline in agriculture related trading due to lower production as well as manufactured output is indicated as the cause for this slow down while the movements in export and import trade are also reflected in these numbers. The decline in the importation of food and drinks resulted in the contraction of the consumer goods imports volume by 12% in the year. The introduction of the Value Added Tax on imported milk powder saw the category decline during the latter part of the financial year. Meanwhile the more favorable business environment in terms of clarity and consistency on the application of VAT stimulated demand for agriculture and local commodities in modern trade.

The food products subsector, the largest subsector in the Central Bank's Factory Industry Production Index indicated a contraction of 3.2 per cent during 2016, reversing the positive performance observed in 2015. The manufacturing of dairy products, processed and preserved meat products, vegetable and animal oil products and value added tea decreased during the period. However, the manufacturing of bakery products, sugar, macaroni and noodles, prepared meals and dishes reported an increase during the year.

Management Discussion and Analysis

// The transformation that was ignited in 2015/16 reached top gear during the concluded financial year with the management taking bold and decisive steps towards an enhanced consumer experience //

The value added of accommodation, food and beverage service activities expanded by 4.0 per cent in 2016 compared to 1.9 per cent growth in 2015. Considering tourism related activities, the number of tourist arrivals increased by 14.0 per cent in 2016, although at a slower pace compared to 17.8 per cent growth in 2015. The earnings from tourism activities increased to US dollars 3.5 billion, recording a growth of 18.0 per cent continuing its expansion during the year. Increasing demand for restaurants and hotels facilities which was reflected by the increase in private consumption expenditure also contributed to the growth in accommodation and food services

Private Consumption Expenditure (PCE) on food and non-alcoholic beverages which makes the highest contribution to PCE recorded an increase of 5.1 per cent in 2016. In rupee terms, the food and beverages import index grew by 7.3 per cent in 2016 compared to 3.5 per cent growth in 2015. However, the import volume index related to this category contracted reflecting that the nominal increase was driven by the higher prices. Meanwhile, the food inflation of the National Consumer Price Index (NCPI, 2013 = 100) increased at a slower pace of 3.1 per cent during the year compared to 5.2 per cent in 2015. The share of the food and non-alcoholic beverages category in PCE was 27.9%.

Retail Operations Review

The transformation that was ignited in 2015/16 reached top gear during the concluded financial year with the management taking bold and decisive steps towards an enhanced consumer experience breaking away from its established positioning. The year saw 18 new stores being established which was a relatively slow rate of expansion backed by efforts to fine-tune our business model to create retail experiences while continuing to meet the demands of the middle and lower income groups. New concept stores that create dynamic retail experiences have been established in Kandana, Gampaha and Enderamulla through large formats while the ambiance and image of the trusted Food City brand has been reinforced through a new look as evident in the new supermarkets rolled out during the year.

Building on our foundation of saving consumer costs

Cargills Food City was built on a foundation of saving consumer costs and today we remain deeply committed to everyday low prices. To deliver on this promise, we have focused on driving lower prices consistently across the island through cost of goods savings and supply chain efficiencies, and by increasingly leveraging technology to change how we work. These savings help fund a portion of our multiyear strategy of incremental price investment to reinforce our customer value proposition.

In order to grow our business profitably, we're making strategic choices to simplify our portfolio and be more focused. We are intentionally focused on investing in markets, channels, and formats that position us to succeed in our quest to continue to reduce the cost of living while enhancing our direct relationship with farmer communities islandwide. During the year we remained focused on expanding price leadership, driving private brand penetration, and continually improving our fresh offering. In addition, e-commerce will be a key growth engine in the future, and we are rapidly developing our capabilities in this area, including the use of alliances.

Strategically we are focused on being the lowest cost operator. By driving savings through our cost analytics program in areas such as sourcing, supply chain, and operational efficiencies, we can fund growth and lower prices for customers. We've increased our vertical integration, improved logistics and leveraged new data tools to expand our cost advantage.



Our value-for-money promise is long established and provides instant reassurance to customers; be it on fresh food, own-label or branded products, our customers 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.

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. In the coming year the business is set to further consolidate its already strong supply chain and logistics operations toward achieving higher efficiency and economies of scale.

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.

Management Discussion and Analysis

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. During the year we enhanced our value chain and its visibility through farm gate packing of high-moving fresh produce. The GAP oriented practise enables our farmer base to meet international standards in sourcing visibility and freshness guarantees. Guided by our extensive force of field officers our farmer network is working towards GAP certification in a journey toward exceeding consumer expectation in an ever more demanding market environment.

The Cargills Sarubima programme that was established in 2008 with a token of 50 cents for every unit of purchase given back to the community of farmers has grown to set the benchmark in fairtrade in Sri Lanka. The programme sees real growth year on year in empowering farmers and their communities through a range of innovative engagement modalities that extend from scholarships for children to regional development projects that touch the heart of the people we serve as a corporate citizen.

CFC's seafood range has gained tremendous acceptance among consumers with the segment seeing double-digit growth over 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 has 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 generated through it.

Fast Moving Consumer Goods

Dairy Sub Sector

The Dairy sub-sector led by 'Magic' and 'Kotmale' brands is enjoying robust growth despite the successive increases in farm gate prices of fresh milk, a move that has made local dairy produce uncompetitive against the cheaper imported milk powder. Despite an overall decline evident in the dairy processing industry Cargills remains in the forefront of dairy value-addition having declared open its latest investments in the sector in April 2017 year under the auspices of H.E. the President of Sri Lanka.

Setting the foundation in support of the journey to self sufficiency

The Company is presently the second largest private-sector milk collector in the country with the average daily collection standing at over 125,000 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 26 chilling centres that reach 350 collection points islandwide. In the year under review 4 new chilling centres were added to the operation in Thambuththegama, Kekirawa, Kurunegala and Poonaryn.

In the year concluded, our total collection reached Rs. 42.5 Mn litres with direct revenue generation to small holder farmers totalling Rs. 2.8 Bn. Meanwhile the farm gate price of fresh milk was revised upwards in August 2016. 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 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 launched in 2015 was completed successfully during the year engaging 2,374 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.

To support this increase in supply and in line with the vision to achieve self-sufficiency in dairy milk the Company invested in a processing

plant that would provide the sub-sector the necessary buffer to maintain its sourcing capacity during the glut while maintaining its processing capacity during the lean season.

As a result the increased production that was seen in the last quarter of the financial year was well-managed with our farmer base continuing to enjoy a steady demand from our processing plants located in Gampaha, IDH and Bogahawatta. During the year we saw a 30% growth in milk supply and the visionary management style of the Company ensured that the growth was well supported with processing capacities. As a result farmers connected to our supply chain remained confident of their future in the industry.

During the year we saw a 30% growth in milk supply and the visionary management style of the Company ensured that the growth was well supported with processing capacities

Management Discussion and Analysis

Value-addition as the foundation to industry growth and brand building

During the year the winning 'Magic' range of impulse ice creams was strengthened with a new manufacturing line that has the capacity to deliver an enthralling experience to consumers. The exciting impulse category launched an all-new collection stick variants with intrusions that are on par with global ice cream trends. The delicious new flavours are a major hit across age categories as a result of its smooth texture and great taste which is attributed to real local fresh milk merging with the latest technology in food processing.

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 stirred yoghurt was also launched during the year with 3 variants and real fruit seeing a growing consumer demand due to its unique taste and consistent quality.

In line with the above investments the infrastructure of the production plants have been strengthened by expanding the effluent treatment plant. The reverse-osmosis systems and rain-water harvesting technology ensures the water resource is maximized at a time when climate change is impacting weather patterns and access to water.

// All key categories reported double-digit growth during the year resonating the Kist brand's strong equity among consumers across income tiers. //

Agrifoods



Our range of "Kist" nectars, cordials, jams, sauces and "Knuckles" bottled mineral 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 while 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 as part of its overall product innovation drive towards promoting the consumption of natural fruit based products expanded its 'Absolute Juice' range in response to an increasing consumer demand for healthy products made from natural fruit. The products have been very well received by an emerging consumer base that is focused on health and wellness.

Today consumers are increasingly aware of the health risks associated with consuming carbonated drinks with artificial flavours and colors. The popular Kist range was reformulated during the year to provide optimum taste and quality on a reduced sugar platform. Kist is constantly working on its recipes to address health concerns even while we provide a tasty and natural food experience for our consumers. Its range of natural juice products have no preservatives, no added sugar, flavours or colours while ultra-modern packaging technologies ensure highest standards in food safety and quality.

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 reaped the dividends of its collaboration with USAID in mobilizing 250 farmers from Mahavilachchiya, Anuradhapura and Kilinochchi wherein each farmer was 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. The success of the project is self-evident in that the company is now capable of sourcing its full requirement of passion fruit from Sri Lanka with zero dependency on pulp imports.

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 centralized 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 stabilize the supply chain.

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. Competitors continue to remain inconsistent in terms of product taste and quality which positions our brands 'Goldi' and 'Sams' as clear market leaders. During the year the 'Sams' range was re-launched while further variants were added to its popular meatballs range. The sub-sector remains the key exporter of processed meats from Sri Lanka with steady market demand from India and Maldives.

Confectionaries

The Confectionaries business reached stable ground having further quality and taste through the necessary 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 its focused range of products led to a consolidation in production and distribution. With the business reaching capacity steps have been taken to further rationalize its range towards a select positioning. These moves have yielded the anticipated results for the sub-sector and the business is now on a consistently positive trajectory.

Millers

The Group's trading and distribution operation that had been experiencing both internal and external challenges over the past several years reached steady ground during the year concluded. 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 launch of Ballantyne butter and the introduction of ambient Kraft wedges to the market saw the Millers' portfolio further strengthening in a market where imports trading contracted during the year. The VAT impact on milk powder imports impacted the business but strong diversification and rationalization of distributions costs meant that the business was on good stead as the year concluded.



Management Discussion and Analysis

Restaurants



The year concluded saw its phenomenal turn around in 2015 reaching a new height of success 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 the leading QSR operator in Sri Lanka.

The winning culture is now well restored in the entire KFC operation that spans 30 restaurants islandwide under a dedicated Management 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 and three new stores in Gampaha, Matara and Panadura reflect management confidence in the business.

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.

The delivery channel has also surfaced as key revenue driver for the business. On average delivery sales now take up approximately 9% of store turnover with the ever increasing trend of eat-out while at home.

TGI Fridays

TGI Friday's, the American franchise into its fourth 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 patronized by both local and foreign clientele for its authentic 'Friday-Feel' and delectable range of food and beverages coupled with a superior service and ambience. 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. The management however remains confident of the long term potential of this business amidst the consumption boom expected in the Colombo city centre backed by the rapid expansion of high-end tourism and luxury apartment lifestyles in its vicinity.

// Standardization of systems and processes while keeping people development at heart has been the winning formula of KFC Sri Lanka. //

Future

We're clearly living in a time of transformative change. The world is moving faster and the magnitude of the changes, and their influence on business are phenomenal. Consumption trends made possible by technology are fundamentally transforming the food and beverage industry. These changes are creating compelling ways for customers to save time and gain easy access to products and services they didn't have before. At Cargills we're harnessing the power of technology and the investments in our employees to create new ways of serving customers and provide our employees with more opportunities to grow their careers.

We've been preparing ourselves to take advantage of the opportunities presented and we have four objectives that we're focused on this year.

First, we want to make every day easier for busy families. Customers are time-crunched, so we want their consumption experience with us to be fast and easy — truly seamless for which we aim to invest in systems, processes and people with a view to drive the advantage of our extensive eco system.

Our second key objective is to change the way we work. We're focused on becoming more of a digital enterprise. We're working to increase productivity with more efficient internal processes and creating more real-time information at our finger tips, supported by more advanced analytics to understand customer behaviour and preferences. We're providing in-store and field level teams the tools required to gain insight into our performance. Our goal is to increase our speed, enhance customers experience and optimise productivity throughout the business.

We're also working to strengthen the performance mindset of our working culture while remaining grounded on the values that have earned Cargills its performance and corporate reputation. A strong and effective culture is foundational to success and we're shaping ours to drive high performance and create the platform to explore more opportunities for our diverse group of employees in an inclusive work environment.

Third, we will deliver results and operate with discipline. Our success was founded on affordable nutrition on the platform of price but increasingly we are focusing on working in innovative ways in the path towards a lower cost base. This is vital for our future. Our management is increasingly focused on allocating capital to drive long-term value for our shareholders in the quest for efficient and optimal growth.



Our fourth focus is aligned with our long standing foundation as one of the most trusted corporate entities in Sri Lanka. During this time of change, customers are watching the companies they spend their time and money with more closely than ever. Cargills has made significant investments in our team providing the career opportunities they deserve and skills necessary to be successful at Cargills and outside. Over the last several years our focus on sustainability has only stepped up. We're investing in making our supply chain safer and more transparent so customers can be confident that the products they purchase are sourced the right way. And, we have embraced the journey towards the concept of "shared value" creating a business model that is not just good for shareholders but better for everyone: customers, team members suppliers, partners communities and society in general. We've worked hard over the years to earn the trust of those we serve and do business with.

At Cargills we're not only thinking differently about retail, food manufacturing or restaurants we're thinking differently about Sri Lanka. Cargills is a powerful change agent, and we're committed to global responsibility initiatives that make our world better. Our work to advance environmental sustainability, to support rural economic empowerment, and to offer 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. We'll also remain steadfast in our commitment to compliance, ethics and doing business the right way. 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.

Financial Review

The Performance of the Group in the financial year concluded demonstrates its commitment to support efforts to reduce the cost of living and enhance quality of life whilst creating new opportunities for youth across Sri Lanka through direct and indirect livelihood generation.

For several years, our performance metrics emphasized three financial priorities: growth, expense leverage and returns. We are currently making strategic investments in our infrastructure and in the integration of digital and physical retail. These investments support long-term growth while we maintain our heritage of low prices and a legacy of value creation across all stakeholder groups.

During this time of increased investments, we are focused primarily on growth, balanced by the long-term health of the Company including expense leverage and returns. Our objective of balancing growth with returns means that we are focused on efficiently employing assets for return on investment and more effectively managing working capital to deliver strong free cash flow. We plan to provide returns to our shareholders through a consistent dividend policy that remains on par with Earnings per Share benchmarks set by listed peers.

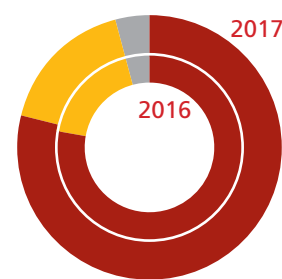
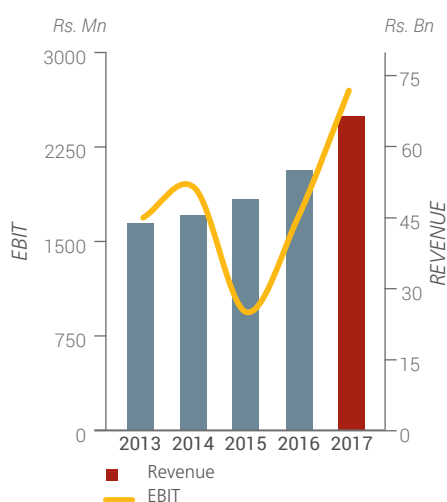
Businesses

The Retail business previously challenged by inconsistency in fiscal policy made a strong turnaround in the concluded financial year. Accordingly the sector registered a turnover growth of 19.8% over last year to reach Rs 66.4 Bn as at March 31st 2017. EBIT achieved a growth of 61.0% at Rs 2,707 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 1.1 Bn compared to Rs 771 Mn in 2015/16.

Retail Segment

Rs. Mn	2016/2017	2015/2016	Growth %
Revenue	66,435	55,450	19.81
EBIT	2,707	1,681	61.04
Interest	(803)	(401)	(100.25)
PBT	2,076	1,296	60.19
PAT	1,127	771	46.17
CAPEX	1,666	1,725	- 3.42

Retail Segment EBIT & REVENUE



Group Revenue Mix

	2017	2016
Retail	79%	78%
Fast moving consumer goods	17%	18%
Restaurant	4%	4%

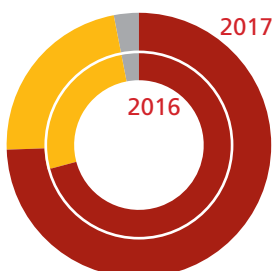
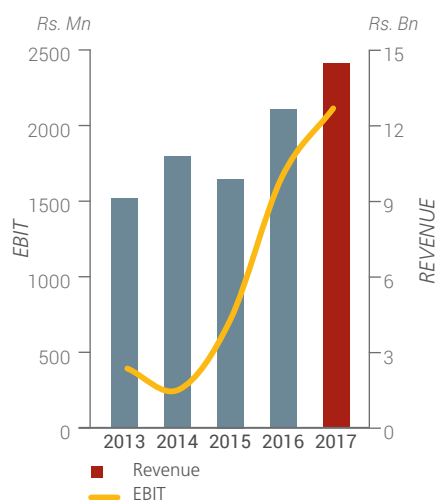
66,435Mn
19.81% Revenue

The FMCG Sector has continued its growth momentum with turnover reaching Rs 14.5 Bn with a growth of 13.6% over 2015/16. The double-digit growth of the dairy and agriculture processing sub-sectors is holding the manufacturing business in good stead. 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 reaching Rs. 2,117 Bn compared to Rs 1,657 Bn in the previous year. Sector profitability reached Rs 995 Mn, a 16.0% growth compared to Rs 858 Mn recorded the year before.

FMCG

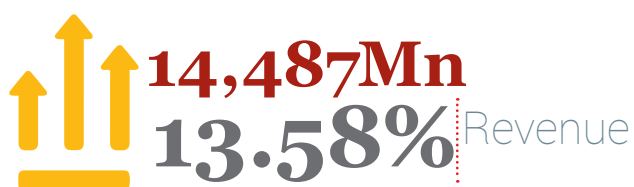
Rs. Mn	2016/2017	2015/2016	Growth %
Revenue	14,487	12,755	13.58
EBIT	2,117	1,657	27.76
Interest	(318)	(183)	(73.77)
PBT	1,816	1,485	22.29
PAT	995	858	15.97
CAPEX	1,463	458	219.43

FMCG Segment EBIT & REVENUE



Group Total Assets

	2017	2016
Retail	73%	71%
Fast moving consumer goods	24%	26%
Restaurant	3%	3%



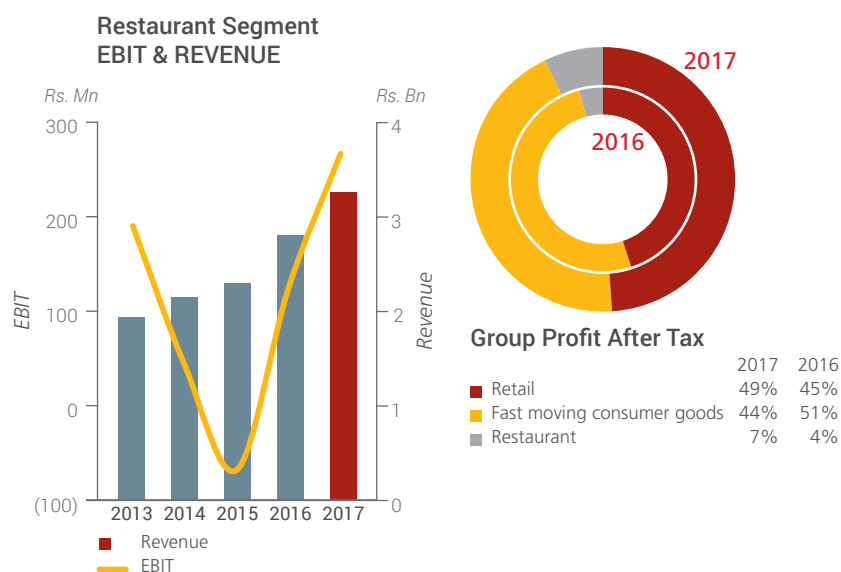
Financial Review

The Restaurants business is maintaining a steady upwards trend with topline reaching Rs. 3.3 Bn for the year which is a 16.2% 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. 267 Mn compared to a Rs. 125Mn last year while Segment profit reached Rs 162 Mn compared to Rs. 62 Mn the year before.

Restaurant Segment

Rs. Mn	2016/2017	2014/2015	Growth %
Revenue	3,269	2,812	16.25
EBIT	267	125	113.60
Interest	(4)	(20)	80.00
PBT	263	105	150.48
PAT	162	62	161.29
CAPEX	199	82	141.68

The strength and stability of our operations have historically supplied us with a significant source of liquidity. Our cash flows provided by operating activities, supplemented with our long-term debt and short-term borrowings, have been sufficient to fund our operations while allowing us to invest in activities that support the long-term growth of our operations. Generally, some or all of the remaining available cash flow has been used to fund the dividends on our common stock and consolidation of businesses. We believe our sources of liquidity will continue to be adequate to fund operations, finance global expansion activities, pay dividends and fund our consolidation efforts for the foreseeable future.



3,269Mn
16.25% Revenue

Operational discipline

We're keenly focused on being the lowest cost operator in food business. We've made good progress in cost of goods efficiencies and working capital productivity with strong inventory management. The strategic investments we made over the past two years in people, expertise, infrastructure and expertise are important to the long-term health of the business in our thrust towards increased efficiency. We're taking steps to remove excess costs from the system and to change how we work in order to rejuvenate our legacy of operational discipline coupled with excellence in service. We're also investing in technology to deploy resources more efficiently and leaning into shared services to centralize processes where appropriate.

Strategic Capital Allocation

Capital expenditures for new stores have been meaningfully reduced over the past few years. We're focused on strategic initiatives that will drive long-term value, including store remodels and customer initiatives. The goal: keep our valuable store fleet fresh and improve our customer proposition, with enhancements to in-store pickup, Online Grocery and the fresh food business. In addition, we'll continue to invest in e-commerce and the technology of the future to deliver the convenience customers expect.

Management believes ROI is a meaningful metric to share with investors because it helps investors assess how effectively Cargills is deploying its assets. Trends in ROI can fluctuate over time as management balances long-term potential strategic initiatives with possible short-term impacts.

We consider ROA to be the financial measure computed in accordance with GAAP that is the most directly comparable financial measure to our calculation of ROI. ROA was 4.6% for the fiscal year ended 31 March 2017 while ROI recorded 15.8% for the same period.

We are confident that over time, these financial priorities will help us drive sustainable top line and bottom line growth, and generate solid returns for shareholders. Cargills is uniquely positioned for long-term success. Our financial strength has allowed us to make investments in the right places to provide solutions for busy customers. We're focused on the customer and moving with speed to position the Group to win the future of the food business for customers and shareholders.

// We're focused on the customer and moving with speed to position the Group to win the future of the food business for customers and shareholders. //





Committed to strengthening our bond with suppliers

With our assistance, farmers are able to obtain higher yields from fewer acres and store crops affording them greater flexibility in marketing their harvest. We strive to nourish people and ideas and give back to the communities we work in alliance with by continuously improving nutrition, health and education and conserving non-renewable resources to the best of our ability. In making social responsibility an integral part of everything we do, our relationship with suppliers continues to grow from strength to strength.

Corporate Governance

1. Our Governance – an Introduction

Corporate governance at Cargills encompasses a set of systems, processes and practices in place to ensure that the company's affairs are being managed in a manner which ensures accountability, transparency and fairness in all transactions. We believe that sound corporate governance practices are essential to create sustainable value and to safeguard the interest of the stakeholders.

We are committed to sound corporate governance principles and constantly strive to embrace emerging best practices adopted worldwide. Over the years, we have strengthened our governance structure, practices and processes to meet the evolving governance need propelled by the rapid changes in the business environment.

2. Our Governance System

Cargills' corporate governance system as illustrated in the diagram below consists of 8 main pillars which are supported by standard principles, policies, structures, and practices that are cascaded down to all our operating subsidiaries.

// We are committed to sound corporate governance principles and constantly strive to embrace emerging best practices adopted worldwide. //



3. Our governance structure

The Group has put in place an internal governance structure with defined roles and responsibilities of every constituent of the system. The Board of Directors appointed by the Shareholders is primarily responsible for good governance. The Board delegates some of its responsibilities to the Board Committees to discharge its responsibilities in an effective manner.



Corporate Governance

3.1 Board of Directors

The Group currently has twelve Directors in the Board comprising nine non-executive Directors (of whom five are independent) and three executive directors.

3.1.1 Board Size and Composition

The Board of Directors comprises such number of directors as the Board deems appropriate to function efficiently as a body, subject to the Company's Articles of Association.

The Board is made up of a substantial majority of independent, non-Executive directors and the Board considers this to be the appropriate structure. The Board establishes principles and procedures to determine whether or not any particular director is independent in accordance with applicable regulations and the requirement of the CSE Listing Rules.

The Group policy is to have an appropriate mix of Executive, Non-Executive and Independent Directors in order to maintain the independence of the Board, and to separate its functions of governance and management. The Group Board periodically evaluates its composition and makes changes if necessary.

During the year under review, the Company added one more independent NED to its Board, taking the total of such to 5.

3.1.2 Board Independence and Conflict of Interest

The Group considers that Board independence is a key feature of good corporate governance. Our Board is well represented by the independent

directors who support the Executive Directors in governance and strategic management.

Independence of the Directors has been determined in accordance with the criteria of the CSE Listing Rules and present composition of Non-Executive Independent Directors is in line with the requirements of the CSE Listing Rules. The five independent Non-Executive Directors have submitted signed confirmations of their Independence.

Where the personal or business relationships or interests of Directors and executive officers may conflict with those of Cargills, they are required to disclose in writing the nature and extent of any interest they have in a material contract or material transaction with the Group.

3.1.3 Appointment of Directors

The Nominations Committee of the parent company (CTH) recommends any person to be a Director either to fill a casual vacancy or as an additional Director, subject to the provisions in the Articles of Association of the company. Any Director so appointed shall hold office until the next Annual General Meeting and shall then be eligible for election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

In considering candidates for directorship, the Board will take into account all factors it considers appropriate, including, among other things, breadth of experience, understanding of business and financial issues, ability to exercise sound judgment, diversity, leadership,

and achievements and experience in matters affecting business and industry.

The Nominations Committee considers the entirety of each candidate's credentials and believes that at a minimum each nominee should satisfy the following criteria: highest character and integrity, experience and understanding of strategy and policy-setting, sufficient time to devote to Board matters, and no conflict of interest that would interfere with performance as a director.

Details of new Directors are disclosed to the shareholders at the time of their appointment by way of public announcement as well as in the Annual Report (Please refer Board Profiles section of the Report)

3.1.4 Board Tenure, Retirement and Re-election of Directors

The Executive Directors are appointed and recommended for re-election subject to their prescribed retirement age whilst Non-Executive Directors are appointed and recommended for re-election subject to the age limit as per statutory provisions at the time of re-appointment.

At each Annual General Meeting one third of the Directors, retire by rotation on the basis prescribed in the Articles of Association of the Company and are eligible for re-election. The Directors who retire are those who have been longest in office since their appointment /re-appointment. In addition any new Director appointed to the Board during the year is required to stand for re-election at the next Annual General Meeting.

3.1.5 Membership of the other Boards

The Group, in assessing the performance of the individual Director, considers whether sufficient time and attention has been given by the Director to the affairs of the Group while holding board membership in other companies. The Group expects Directors to devote sufficient time in the affairs of the company though it does not impose limit on the number of board representations which a Director may hold in other companies.

Directors have demonstrated their commitment and effectiveness in discharging their duties and responsibilities and avoiding actual or potential conflicts of interest caused by serving on other boards.

3.1.6 Remuneration Policy of Directors

The Remuneration 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. Executive Director remuneration is reviewed periodically against market comparators.

Remuneration of Non-Executive Directors is determined in reference to fees paid by the comparable companies and is adjusted where necessary. The fees received by Non-Executive Directors are determined by the Board and reviewed annually.

3.2 Board Committees

The Group has the following Board Committees

- 1) Audit Committee
- 2) Nominations Committee
- 3) Remuneration Committee
- 4) Related Party Transaction Review Committee (RPTRC)

All committees have written charters detailing their responsibilities and the extent to which they have been delegated powers of the Board of Directors.

3.2.1 Audit Committee

The Audit Committee is appointed by the Board of Directors of the Company and reports directly to the Board. The Audit Committee comprises four members who are non-executive Directors who are deemed independent. The Chairman of the Audit Committee is a Fellow of the Institute of Chartered Accountants of Sri Lanka. The composition of the members of the Audit Committee satisfies the criteria as specified in the Standards on Corporate Governance for listed companies.

The Members of the Audit Committee:

Name / Independence

Mr. A. T. P. Edirisinghe FCMA, FCA (Chairman)	- Independent
Mr. Sunil Mendis	- Independent
Mr. E. A. D Perera	- Independent
Mr. Deva Rodrigo	- Independent (w.e.f 1 July 2016)

Duties & Responsibilities of the Audit Committee

- ♦ Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS;
- ♦ Overseeing of the Company's compliance with financial reporting requirements, information requirements of the Companies Act and SEC and other regulatory bodies.
- ♦ Overseeing the processes to ensure that the Company's internal controls and risk management processes are adequate, to ensure the various risk exposures are mitigated.
- ♦ Assessment of the performance and independence of the external auditors and make recommendation to the board pertaining to appointment, remuneration, re-appointment, and removal of external auditors.
- ♦ Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations;
- ♦ Pre-approve all audit and related services required by the group as well as non-audit services carried out by the external auditors.
- ♦ Report regularly to the Board with respect to the Committee's activities and make recommendations as appropriate.

Corporate Governance

Audit Committee Report

Meetings

The procedure in place is for the Group Managing Director (GMD), Group Chief Financial Officer (GCFO), Group Chief Risk Officer (GCRO) and sector Chief Financial Officers to attend all meetings when scheduled. The Audit Committee met three times during the year under review two of which were attended by the External Auditors of the Group. The Company Secretary acts as the Secretary to the Committee.

Besides this, procedures 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.

The audit committee discharged its functions in terms of the charter and ascribed to it in terms of the Act during the year under review as follows

Financial Reporting

The audit committee reviewed the quarterly and annual financial statements of the Group prior to publication to assure that the published financial statements fairly present the state of affairs of the Group. The Audit committee had discussions with the management and the external auditors on the annual financial statements. In all instances, the Audit Committee obtained a declaration from the GCFO 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 were 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 GCRO.

Internal Audit, Controls and Risk Management

The Audit Committee reviewed the Internal Audit reports containing details of the audit coverage, compliance to the laws, regulations, established policies and procedures.

The Risk Management report containing detailed risk Assessments and risk mitigation actions pertaining to different business units were reviewed by the Audit committee to give assurance that risk management process is carried out in an effective manner.

The committee also reviewed and approved the annual Internal Audit and Risk management plan for the financial year 2017/18.

External Audit

The Audit Committee obtained feedback from the external auditors on matters of importance such as the effectiveness of the internal controls over the preparation of the financial statements, significant issues

encountered during the audit, proposed treatments for any material audit issues identified, etc.

The Audit Committee also met with the external auditors along with the management to discuss the external auditors' final management report on the audit of the financial statement of the group for the year 2015/16.

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 obtained 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 2018.

(Signed)

A. T. P. Edirisinghe FCMA, FCA,
Chairman – Audit Committee
5 June 2017

3.2.2 Nominations Committee

The Nominations Committee of the parent company (CTH) acts as the nominations committee of Cargills (Ceylon) PLC.

Composition

The Nominations Committee of the parent company consists of the following members

- | | |
|--------------------------|---------------------------------|
| 1. Mr. Louis Page | - Chairman |
| | - Non Executive/Non Independent |
| 2. Mr. A T P Edirisinghe | - Independent |
| 3. Mr. Sunil Mendis | - Independent |
| 4. Mr. Ranjit Page | - Deputy Chairman |
| | - Executive Director |

Scope

Scope of the Nominations Committee would be to review all appointments to the Board and recommend to the Board of Directors for appointment.

Meetings

The Committee meets once each year or as required.

3.2.3 Remuneration Committee Report

The Remuneration Committee of Cargills (Ceylon) PLC consists of three Non – Executive Directors – Messrs. Sunil Mendis (Chairman), A .T. P. Edirisinghe and Deva Rodrigo. 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.

The committee met once during the year under review.

(Signed)

Sunil Mendis

Chairman – Remuneration Committee

5 June 2017

Corporate Governance

3.2.4 Related Party Transaction 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 four 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

Mr. A. T. P. Edirisinghe FCMA, FCA	- Independent
(Chairman)	
Mr. Sunil Mendis	- Independent
Mr. E. A. D Perera	- Independent
Mr. Deva Rodrigo (w.e.f. 1 July 2016)	- Independent

The Company Secretary acts as the Secretary to the Committee.

Scope

The Related Party Transactions Review Committee (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.

Meetings

The Related Party Transactions Review Committee (RPTRC) met three times during the year two of which were attended by the External Auditors of the Group. The meeting was also attended by the Group Managing Director of the Company, with the participation of Group Chief Financial Officer (GCFO) and Group Chief Risk Officer (GCRO).

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 nonrelated 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.

(Signed)

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

Related Party Transactions Review Committee
5 June 2017

4. Leadership

4.1. Board Leadership

The role of our Board of Directors includes setting the strategic direction of the Group, providing strong leadership and reporting to the shareholders on the stewardship of the Group.

The Board has a clear governance framework with defined responsibilities and accountabilities. Our Governance Framework ensures that policies and procedures set at Board level are effectively communicated across the whole business. These are designed to safeguard long-term shareholder value, through strategic execution and business performance delivery. Our governance framework supports integrated decision making and risk management.

We believe that an enlightened Board consciously creates a culture of leadership to provide a long-term vision and policy approach to improve the quality of governance. The Board's actions and decisions are aligned with the Company's best interests and focused towards creating sustainable value for all stakeholders.

The Group is conscious of the need to maintain an appropriate mix of skills and experience in the Board. Our Board at present comprises directors with diverse skills and vast experience in the field of business who are capable of steering the business towards achieving the company goals and good governance.

While the Board plays an oversight role over the Group, the Group CEO and his executive management are empowered to manage and lead the business on a day-to-day basis, guided by an approved delegation of authority.

4.1.1 Role of Group Chairman and Group CEO

Whilst the Group Chairman and Group Chief Executive Officer are collectively responsible for the leadership of the Group and for promoting the highest standards of integrity, transparency and accountability, there is a clear and effective division of accountability and responsibility between the Chairman and the Group Chief Executive Officer. Each plays a distinctive role but complementing each other to ensure that there is a balance of power and authority and no individual has unfettered powers of decision and control.

The Chairman is responsible for providing leadership to the Board and ensuring that proper order and effective discharge of Board functions are carried out at all times by the Board Members.

The Group CEO is responsible for developing, implementing strategies and the performance management of the business units. He is entrusted with leading the management in the day-to-day running of the business in order to achieve Group's long term goals.

Corporate Governance

4.1.2 Board Responsibilities

The Board oversees the affairs of the Company and provides leadership and guidance to the Senior Management Team. Collectively, the Board and the Senior Management Team ensure the long-term success of the Company and discharge their statutory and fiduciary responsibilities, both individually and collectively. The key functions and responsibilities of the Board are:

	Roles and Responsibility
Strategy	<ul style="list-style-type: none"> ◆ Providing direction, guidelines, and approval of , the Group's strategic direction and business plans as developed by the Management. ◆ Directing, monitoring and assessing the Group's performance against strategic and business plans. ◆ Approving and monitoring capital management including major capital expenditure, acquisitions and divestments. ◆ Reviewing and approving the annual operating plans and financial budgets.
Risk Management	<ul style="list-style-type: none"> ◆ Ensuring a process is in place to identify the principal risks of the Group's businesses. ◆ Reviewing, ratifying and assessing the integrity of the Group's systems of risk management, internal controls and compliance
Management	<ul style="list-style-type: none"> ◆ Appointment and terms of engagement of the Group Chief Executive Officer and ensuring that a process is in place such that the remuneration and conditions of service of Executives are appropriate. ◆ Ensuring that a process is in place for executive succession planning, and monitoring that process delegating authority to the Group CEO.
Performance	<ul style="list-style-type: none"> ◆ Evaluate the performance of the Board committees and individual Directors. ◆ Establish and review succession plans for Board membership. ◆ Review the performance of the Senior Management and the compensation framework for the Board, Executive Directors and Senior Management. ◆ Monitor corporate performance and evaluate results compared to the strategic and annual plans.
Corporate Governance	<ul style="list-style-type: none"> ◆ Establishing appropriate standards and encouraging ethical behaviour and compliance with the Group's policies. ◆ Monitoring the Company's compliance with corporate governance standards. ◆ Overseeing the process and framework for evaluating the adequacy of internal controls, risk management, financial reporting and compliance.
Reporting and disclosure	<ul style="list-style-type: none"> ◆ Approving and monitoring financial and other reporting, including reporting to shareholders and other stakeholders. ◆ Establishing procedures to ensure adherence to the Company's continuous reporting policy.

4.1.3 Board meetings

The Chairman establishes the agendas for the Board meetings in conjunction with the Group CEO. Each Director is free to suggest items for inclusion in the agenda. Board papers relating to agenda are provided to Board members in advance to allow the Directors to prepare for discussion of matters at the meeting. The Board reviews and approves the Strategic Plan and annual Operating and Financial plan for each business at the beginning of the year. Management presentations are made to the Board on monthly and year to date performance of each unit.

The Board met six times in the year under review.

5. Business Practices and Ethics

The essence of corporate governance lies in promoting and maintaining integrity, transparency and accountability across the organization. Good governance is embedded in the Group's culture creating an enabling environment for growth in a structured, predictable and sustainable manner.

The board continued to strive to ensure that ethics is the foundation of how the Company operates. Accordingly, the directors recognise their responsibility to set the tone from the top, by avoiding instances of conflict of interest and having the interests of the Company at the forefront of all decision making.

The Corporate Governance system at Cargills demands our employees to enhance their competence and capability levels to meet the expectations in managing the enterprise and its resources effectively with the highest standards of ethics.

The Group is committed to the interests of our employees, customers, suppliers and the community whilst focusing on providing value to our shareholders. The Group's Code of Conduct aims to promote and strengthen the reputation of Cargills by establishing a standard of performance, behaviour and professionalism for its people and stakeholders with respect to their professional and personal conduct.

6. Strategic and Performance Management

The Corporate Governance plays an important role in strategic and performance management of the Group. The primary role of Corporate Governance is to provide

entrepreneurial leadership, to set and implement strategy within a framework of effective internal controls, and to ensure the best performance of resources for stakeholders

The Corporate Governance, in the context of strategic management, refers to the set of internal rules and policies that determine how a company is directed. The Group's corporate governance guidelines clearly define, for example, which strategic decisions can be decided by managers and which decisions must be decided by the board of directors or shareholders.

The group has a robust strategic management process which involves all key internal stakeholders and led by the Group CEO.

6.1 Strategic Management

The Group considers strategic planning as an essential first step in the development of a results-based accountability system. The strategic planning process of the Group sets the strategic direction and integrates all business activities. The planning process in place considers all stakeholders in goal setting and aims at effective use of resources in order to optimize the deliverables to all stakeholders concerned. The careful analysis and scanning of external and internal environment of the company enables the effective selection of suitable strategies.

The Group understands that the way chosen strategies are implemented can have a significant impact on its success. The Company therefore takes utmost care in effectively communicating the strategies at all levels of the organization and makes

sure the employees are aware of their roles and responsibilities.

Constantly changing environment requires continuous review of both internal as well as external environment as new strengths, weaknesses, opportunities and threats may arise. If the new circumstances affect the company, corrective actions are taken as soon as possible in order to make sure the strategies are on track to provide desired results.

6.2 Performance Management

The structured performance management system of the Group enables the company to evaluate the performance of each business unit in the form of monthly reviews. The Company has a robust mechanism of building budgets at an integrated cross-functional level. The budgets are reviewed on a monthly basis so as to analyze the performance and take corrective action, wherever required.

The Group through its performance management system focuses on developing talents, organizing people to be more effective and motivate them to perform at their best. The system promotes targeted results in a transparent and systematic manner which ensures that the employees are productive, provide efficient services and demonstrate the required knowledge, skills, behaviour, competencies and engagement to perform their duties to the best of their ability.

The Company also continuously evaluates the performance of the employees periodically in order to identify gaps and take corrective actions. Employee evaluations and

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communication of the results thereof to those evaluated have become an essential aspect of their professional training.

The Group considers it a priority for the remuneration system to favour the strengthening of its human capital, as a key factor differentiating it from competitors. The Remuneration Committee plays an active role in making sure the remuneration to the Executive Directors and senior management are competitive to retain and motivate them.

The Board of Directors ensure that the amount of the remuneration of non-executive directors is such that it provides incentives to their dedication while not risking their independence.

7. Controls, Assurance and Risk Management

7.1. Systems of Internal Control and Internal Compliance

The Group has adequate Systems of Internal Controls in place to ensure the orderly and efficient conduct of its business, including adherence to company's policies, safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

The Internal Auditors independently evaluate the adequacy of internal controls and compliance and concurrently audit the majority of the transactions in value terms. The Group's Internal Audit and Risk Management functions report to board directly through Audit Committee assuring the Independence.

To ensure effective Internal Controls and Compliance the Group has laid down the following measures:

- ◆ The Standard Operating Procedures (SOPs) were developed and strictly enforced for all key processes in the value chain for every business sector. The SOP manuals are updated and validated periodically.
- ◆ All operations are executed through Standard Operating Procedures (SOPs) in all functional activities.
- ◆ Pre-approved level of authority and delegation are set for all material transactions which are reviewed periodically.
- ◆ The Group's Internal Audit carries out extensive transaction, process and compliance audits in a structured manner. The reports arising out of such audits are discussed at the business / functional unit levels and subsequently reviewed by the respective head of the business / service unit. The summarized version of the Audit Report is forwarded to the Audit Committee on a regular basis.
- ◆ The Audit Committee also assesses the effectiveness of the risk review process and systems of internal control on a regular basis.
- ◆ Group's Financial Reporting is carried out by the centralised corporate reporting unit independent from operations. The audit committee reviews all financial and related information that are reported and disseminated.
- ◆ The centralised legal department coordinates with all business sectors to ensure that the Group complies with applicable laws and regulations.

- ◆ The Group has a comprehensive risk management process to identify key risks and take necessary risk mitigation strategy.
- ◆ A quarterly self-certification programme requiring the Group Chief Financial Officer, Group Chief Risk Officer, Internal Audit Manager and the Legal Officer to confirm compliance with Financial Standards and regulations.
- ◆ The Group engages professional firms to carry out non audit services such as Fixed Assets verification, Stock verification and process documentation periodically.

7.2 Internal Audit

It is our policy to establish and support an Internal Audit (IA) function as a fundamental part of our corporate governance practices. Internal Audit is a service, providing an independent, objective assurance and consulting function and sharing our common goal of creating and enhancing value for our stakeholders, through a systematic approach in evaluating the effectiveness of our risk management, internal control and governance processes. The Group Internal Audit assists and supports management continuously by reviewing the internal controls. The Internal Audit function is independent of management and reports functionally to the Board, through the Audit Committee and administratively, to the Group CEO.

Group IA adopts a risk-based audit approach in developing its annual work plan ensuring that all risks, mapped to processes are captured in the audit universe. The Audit Committee reviews and approves the annual work plan prepared by the IA

and ensures that internal audit examinations cover the evaluation of adequacy and effectiveness of risk management and control processes encompassing the company's governance, operations, information systems, reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules and regulations. The Audit Committee also ensures that audit resources are adequately allocated to and focused on the areas of highest risk.

The Audit Committee meets with the internal auditors, and discusses the results of their audits, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing risk management, internal controls, regulatory and compliance issues. The Committee also receives periodic reports on the status of internal audit activities, key performance indicators' accomplishments and quality assurance and improvement programs.

7.3 External Audit

The Group engages the services of independent external auditors to conduct an audit and obtain reasonable assurance on whether the financial statements and relevant disclosures are free from material misstatements. The independent auditors directly report their findings to the Audit Committee which has the oversight responsibility of financial statement integrity and the reporting process.

KPMG is the External Auditor of the Group as well as of the all subsidiary companies. In addition to the normal audit services, KPMG and the other professional firms, also provided certain non-audit services to the Group. However, External Auditor would not engage in any services which may compromise the independence of the Auditor. All such services have been provided with the full knowledge of the Audit Committee and are assessed to ensure that there is no compromise on the independence of the External Auditor.

The Group conducts a performance appraisal of the External Auditors on an annual basis. Based on the evaluation results the Committee proposes the appointment of the External auditors to the Board for endorsement and approval of the shareholders. The endorsement is submitted to the shareholders for approval at the Annual General Meeting (AGM). The representatives of the independent auditors are expected to be present at the AGM and have the opportunity to make a statement on the Company's financial statements and results of operations if they desire to do so. The auditors are also expected to be available to respond to appropriate questions during the meeting.

There were no disagreements with the Company's independent auditors on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedures in the period under review.

7.4 Risk Management

The Group has an enterprise risk management framework through which it manages the risks facing the Group.

Cargills' Enterprise Risk Management (ERM) framework encompasses practices relating to the identification, analysis, evaluation, treatment, mitigation and monitoring of the strategic, Financial, external and operational risks to achieve our key business objectives. ERM at Cargills seeks to minimize the adverse impact of these risks, thus enabling the Group to leverage market opportunities effectively and enhance its long-term competitive advantage.

Please refer the Risk Management section and the Notes to the financial statements of the Annual Report for a detailed discussion of Group's Enterprise Risk Management process and the key risks identified.

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7.5 Information Technology Governance

Group recognises the fact that information technology (IT) has become an integral part of its business operations, as it is fundamental for the business processes, sustainability and growth of the Group. It also has a pivotal role to play in improving corporate governance practices of the Group as our critical business processes are automated and directors rely on information provided by IT systems for their decision making.

In addition to being a strategic asset to the company, IT also presents it with significant risks. The strategic asset of IT and its related risks and constraints should be well governed and controlled to ensure that it supports the achievement of strategic objectives of the Group.

The Information Technology Policy of the Group establishes an overall framework for the governance and management of the processes and actions relating to information technology (IT) within the Group. The framework is made up of processes designed to ensure effective and efficient use of IT in order to enable the Company achieve its objectives.

The diagram below illustrates the principles of IT Governance at Cargills.



The IT steering committee periodically reviews conformance to its governance principles and recommends corrective action as a part of continuous improvement plan of the IT governance of the Group.

The IT Governance in place provides for strategic direction of IT and the alignment of IT and the business with respect to services and projects.

The framework confirms that the IT infrastructure is designed to drive maximum business value from IT. It oversees the delivery of value by IT to the business, and assesses ROI.

Resource management practices provide high-level direction for sourcing and use of IT resources, oversee the aggregate funding of IT at enterprise level. Further they ensure there is an adequate IT capability and infrastructure to support current and expected future business requirements.

Performance measurement as a key component of IT Governance verifies the achievement of strategic IT objectives and provides for a review of IT performance and the contribution of IT to the business.

The IT department of the Company has adopted an integrated approach to meeting external, legal and regulatory compliance requirements.

The management of risks is a cornerstone of IT governance at Cargills, ensuring that the strategic objectives of the business are not jeopardized by IT failures, be it an operational crash, security breach, or a failed project.

7.6 Sustainability Governance

The Group believes that good governance is not just about rules and compliance, it is also about people and sustainability. The way in which businesses are governed, and the relationships between management, the board, shareholders and outside stakeholders impacts many of the challenges faced by society as a whole. We acknowledge the fact that the interconnection between businesses and society is going to be the key driving force behind the long term sustainable value creation for any business as such wider stakeholders' engagement is one of the key priorities for the group.

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

The adherence to the standard operating procedures pertaining to the sustainability by the business units are reviewed by the management regularly. The performance related to sustainability are tracked, measured and reported by the management in order to achieve continuous improvements in these areas.

8. Legal and Regulatory Compliance

The Group is fully compliant with all the mandatory provisions of the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange (CSE) and Rules of the Securities and Exchange Commission of Sri Lanka (SEC). The Group practices are in line

with the Code of Best Practices on Corporate Governance jointly issued by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Company employees actively monitor the regulatory environments in order to keep in touch with the regulatory changes. The Company acknowledges that it is compliant with all other financial, legal and regulatory compliance requirements.

9. Disclosure and Transparency

Disclosure, reporting and transparency are fundamental components of the Company's corporate governance framework which ensure accountability to stakeholders and support them in making informed decisions.

The Group has policies and procedures that govern the provision of timely, accurate and complete information to stakeholders, in a manner which gives all stakeholders equal access to information.

The Board of Directors, in conjunction with the Audit Committee where applicable, is responsible in ensuring the accuracy and timeliness of published information and in presenting an honest and balanced assessment of results in the quarterly and annual financial statements.

10. Stakeholders Engagement

The board values the Company's stakeholders and strives to take their concerns and interests into account when making business decisions. This not only enables it to anticipate and

manage risk effectively, but also helps it identify new business opportunities and improve Group's relationship with its stakeholders.

The Company seeks to engage all stakeholders in accordance with Group's Stakeholders engagement policy which is based on two way communication, transparency, active listening and equal treatment. This allows their legitimate interests to be taken into consideration when business decisions are made.

The shareholders are given the opportunity at the AGM to get updates from the Chairman and Group CEO on the Group's performance, to ask questions, and to express a view and vote on the various matters of Company business on the agenda. Shareholders may also ask questions to the Company's external auditors at the meeting. The Company encourages its shareholders to attend its AGM and is committed to dealing with shareholder queries in a respectful and timely manner whenever they are received by the Company.

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The Company is fully compliant with the disclosure requirements prescribed by the Section 7.6 of the CSE Listing Rules. The below table describes the Company's adherence to the Corporate Governance Rules as required by Section 7.10 of the Listing Rules of the Colombo Stock Exchange.

	CSE Rule	Status of Compliance	Details/Reference
7.10.1 Non-Executive Director (NED)			
a./b./c.	At least 2 members or one third of the Board, whichever is higher should be NEDs as at the conclusion of immediately preceding AGM. Any change to this ratio should be rectified within 90 days.	Compliant	Nine out of twelve Directors are NEDs
7.10.2 Independent Directors			
a.	At least 2 or one third of the NEDs, whichever is higher shall be independent.	Compliant	Five out of nine Non-Executive directors are determined to be independent
b.	Each NED should submit annually a signed and dated declaration of his/her independence or non-independence.	Compliant	All NEDs have submitted their confirmations on independence as per the criteria laid down in the listing rules
7.10.3 Disclosures Relating to Directors			
a./b.	The Board should determine the independence or otherwise of the NEDs and disclose in the annual report the names of the NEDs determined to be 'independent'	Compliant	Profile of Directors on page 23 and Note 01 on Page 59.
c.	A brief resume of the each Director with information on his/her area of expertise should be included in the annual report	Compliant	
d.	Upon appointment to the Board, a brief resume of the new director should be provided to the exchange for dissemination to the public.	Compliant	
7.10.5 Remuneration Committee			
a.1	Remuneration committee should comprise at least 2 independent NEDs or more than 2 NEDs majority of whom shall be independent.	Compliant	Remuneration committee Report on page 49. The aggregate remuneration paid to the Directors is given in the Note 34.1 to the financial statements.
a.2	One NED shall be appointed as chairman of the committee by the Board of Directors	Compliant	
b.	Remuneration committee shall recommend the remuneration of the CEO and Executive Directors to the Board	Compliant	
c.	The Annual Report should include the names of the Remuneration committee members, a statement of remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors		

	CSE Rule	Status of Compliance	Details/Reference
7.10.6 Audit Committee			
a.1	Audit Committee should comprise at least 2 independent NEDs or more than 2 NEDs majority of whom shall be independent.	Compliant	Audit Committee Report on page 48.
a.2	One NED shall be appointed as chairman of the committee by the Board of Directors	Compliant	
a.3	CEO and the CFO shall attend the AC meetings	Compliant	
a.4	The chairman of the AC or one member should be a member of a recognized professional accounting body	Compliant	
B	Functions of the AC		
b.1	Overseeing the preparation, presentation of the financial statements and adequacy of disclosures in accordance with SLFRS/LKAS	Compliant	
b.2	Overseeing the compliance with financial reporting requirements and information requirements as per laws and regulations	Compliant	
b.3	Overseeing the processes to ensure internal controls and risk management functions are adequate to meet the requirements of Sri Lanka Auditing Standards	Compliant	
b.4	Assessing the independence and performance of the external auditors	Compliant	
b.5	Making recommends to the Board pertaining to appointment or reappointment or removal of external auditors and to approve their remuneration and terms of engagement.	Compliant	
C	The annual report should include the names of the audit committee members, the basis for the determination of the independence of the external auditors and a report of the AC setting out the manner of compliance with the above requirements during the specified period	Compliant	

Note 01:

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

Mr. P. D. Rodrigo, and

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 Directors in another Company which has a significant shareholding in the Company, the Board has nevertheless determined as in the previous year to be independent considering their credentials and integrity

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Code of Best practice of Corporate Governance Issued Jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA - Sri Lanka)

	Principle	Status	Details/Reference
A. Directors			
A.1 The Board			
A.1.1	Regular Board meetings, at least once in every quarter and supply of information	In place	Corporate Governance Report – Section 4.1.3
A.1.2	The Board is to provide entrepreneurial leadership by undertaking responsibilities for <ul style="list-style-type: none"> ♦ Strategy formulation & implementation ♦ Skills and succession of the key management personnel ♦ Integrity of information, internal controls, business continuity and risk management ♦ Compliance with laws, regulations and ethical standards ♦ Consideration of all stakeholder interests in decision making ♦ Sustainable business development ♦ Adopting appropriate accounting policies and compliance with financial regulations 	In place	Corporate Governance Report – Section 4.1.2
A.1.3	The Board collectively and the directors individually must act in accordance with the laws of the country and obtain independent professional advice where necessary	In place	
A.1.4	All Directors should have access to the advice and services of the Company Secretary	In place	
A.1.5	All Directors should bring independent judgement to bear on issues of strategy, performance, resources and business conduct	In place	
A.1.6	Every Director should dedicate adequate time and effort to matters of the Board and the Company	In place	
A.1.7	Board induction and training	In place	
A.2 Chairman and Chief Executive Officer			
A.2.1	Justification for combining the posts of Chairman and CEO in one person	N/A	N/A
A.3 Chairman's Role			
A.3.1	The Chairman should conduct board proceedings in a proper manner and ensure, <ul style="list-style-type: none"> ♦ The effective participation and contribution of the Directors ♦ A balance of power between Executive and Non-Executive Directors ♦ The views of Directors on issues under consideration are ascertained ♦ The Board is in complete control of the Company's affairs and alerts to its obligations to all stakeholders 	In place	

	Principle	Status	Details/Reference
A.4 Financial Acumen			
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance	In place	
A.5 Board Balance			
A.5.1	At least 2 members or one third of the Board, whichever is higher should be NEDs as at the conclusion of immediately preceding AGM. Any change to this ratio should be rectified within 90 days.	In place	Corporate Governance Report – Section 3.1
A.5.2	Where the constitution of the Board of Directors includes only two NEDs, both such NEDs should be independent	N/A	N/A
A.5.3	Definition of independent Directors	In place	Corporate Governance Report – Section 3.1.2
A.5.4	Each NED should submit annually a signed and dated declaration of his/her independence or non-independence.	In place	Corporate Governance Report – Section 3.1.2
A.5.5	The Board should determine the independence or otherwise of the NEDs based on the guidelines provided	In place	Corporate Governance Report – Section 3.1.2
A.5.6	If an alternate Director is appointed by a NED such Director should not be an executive of the company. If an alternate Director is appointed by an independent Director such Director also should meet the criteria of independence	N/A	N/A
A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint one of the Independent NEDs to be the “Senior Independent Director” (SID)	N/A	N/A
A.5.8	The SID should make himself available for confidential discussions with other Directors who may have concerns	N/A	N/A
A.5.9	The Chairman should hold meetings only with NEDs as necessary and at least once in each year	In place	
A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes	In place	
A.6 Supply of information			
A.6.1	The management should provide the Board with appropriate and timely information	In place	
A.6.2	The minutes, agenda and papers required for a meeting should be provided to the Directors at least seven days before the meeting	In place	

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	Principle	Status	Details/Reference
A.7 Appointments to the Board			
A.7.1	A Nominations Committee should be established and its chairman and members should be disclosed in the Annual Report	In Place	Corporate Governance Report – Section 3.2.2
A.7.2	The Nominations Committee should annually assess the combined knowledge and experience of the Board.	In Place	
A.7.3	Upon the appointment of a new Director, a brief resume, the nature of expertise, details of directorship in other companies, independence/non independence in the Board of the new Director should be disclosed to shareholders	In place	
A.8 Re – Election			
A.8.1	NEDs should be appointed for specified terms subject to re-election/removal and their re-appointment should not be automatic	In place	Corporate Governance Report – Section 3.1.4
A.8.2	All Directors including Chairman should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years	In place	Corporate Governance Report – Section 3.1.4
A.10 Disclosure of Information in respect of Directors			
A.10.1	The Annual Report should disclose details of each Director such as qualifications, expertise, immediate family/material business relationship with other Directors, status of independence, directorship in other companies, membership in Board Committees and details of attendance to Board meetings and committee meetings if relevant.	In place	Profile of Directors on page 23.
A.11 Appraisal of Chief Executive Officer (CEO)			
A.11.1	At the commencement of every fiscal year, the Board in consultation with the CEO should set financial and non-financial targets for the year.	In place	
A.11.2	The performance of the CEO in meeting the set targets should be evaluated by the Board at the end of each fiscal year	In place	
B. Directors' Remuneration			
B.1 Remuneration Procedure			
B.1.1	The Board Should set up a Remuneration Committee	In place	Corporate Governance Report – Section 3.2.3
B.1.2	The Remuneration Committee should consist exclusively of NEDs and should have a Chairman appointed by the Board	In place	Corporate Governance Report – Section 3.2.3
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report	In place	Corporate Governance Report – Section 3.2.3
B.1.4	The Board as a whole should determine the remuneration of NEDs	In place	
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other EDs	In place	

	Principle	Status	Details/Reference
B.2 The level and make up of Remuneration			
B.2.1	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors and should avoid paying more than necessary	In place	Corporate Governance Report – Section 3.2.3
B.2.2	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies	In place	Corporate Governance Report – Section 3.2.3
B.2.3	The Remuneration Committee should be sensitive to remuneration and employment conditions elsewhere in the Company or Group of which it is a part, especially when determining annual salary increases.	In place	
B.2.4	The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels.	In place	
B.2.5	Executive share option should not be offered at a discount	N/A	
B.2.6	The Remuneration Committee should follow the given guidelines in designing schemes of performance related remuneration	In place	
B.2.7/ B.2.8	The Remuneration Committee should appropriately decide on compensation commitments of Directors	In place	
B.2.9	The Remuneration of NEDs should reflect the time commitment, responsibilities and market practices	In place	
B.3 Disclosure of Remuneration			
B.3.1	The Annual Report should include the names of the Remuneration committee members, a statement of remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors	In place	Remuneration committee Report on page 49. The aggregate remuneration paid to the Directors is given in the Note 34.1 to the financial statements.
C. Relations with shareholders			
C.1 Constructive use of Annual General Meeting (AGM) and conduct of general meetings			
C.1.1	The Company should count all proxy votes with respect to each resolution	In place	
C.1.2	The Company should propose a separate resolution at the AGM on each substantially separate issue	In place	
C.1.3	Chair persons of Board Committees should be available at the AGM to answer questions	In place	
C.1.4	The Notice for AGM and related papers should be sent to the shareholders before the meeting as per the relevant statute	In place	
C.1.5	A summary of proceedings governing voting should be circulated with every Notice of General Meeting	In place	

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	Principle	Status	Details/Reference
C.2 Communication with shareholders			
C.2.1	There should be a channel to reach all shareholders in order to disseminate timely information	In place	
C.2.2/ C.2.3/ C.2.4	The Company should disclose <ul style="list-style-type: none"> ♦ Policy and methodology for communication with shareholders ♦ How the above policy and methodology will be implemented ♦ The contact person for such communication 	In place	
C.2.5	A process to make all Directors aware of major issues and concerns of shareholders should be in place and disclosed.	In place	
C.2.6	The Company should decide the person to contact in relation to shareholders' matters	In place	
C.2.7	The process for responding to shareholder matters should be formulated by the Board and disclosed.	In place	
C.3 Major and Material Transactions			
C.3.1	Directors should disclose to shareholders all proposed material transactions including related party transaction	In place	
D. Accountability and Audit			
D.1 Financial Reporting			
D.1.1	The Board should present the interim, other price sensitive reports and reports to regulators	In place	
D.1.2	The Annual Report should contain a Report from Directors declaring, <ul style="list-style-type: none"> ♦ The Company has not engaged in any unlawful activities ♦ All material interests of Directors in contracts involving the company ♦ The equitable treatment of shareholders ♦ The business is a going concern ♦ The Review of internal controls and risk management 	In place	Annual Report of the Directors' on the affairs of the Company on page 119.
D.1.3	The Annual Report Should contain a statement of Directors' responsibility	In place	Statement of Directors' responsibilities on page 123.
D.1.4	The Annual Report should contain a "Management Discussion and Analysis"	In place	Management discussion and analysis on page 28.
D.1.5	The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary	In place	Annual Report of the Directors' on the affairs of the Company on page 119.
D.1.6	In the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting to notify shareholders of the position and of remedial action being taken.	In place	

	Principle	Status	Details/Reference
D.1.7	The Board should adequately and accurately disclose the related party transactions in the Annual Report	In place	Note 34 to the financial statements
D.2 Internal Control			
D.2.1	The Directors should, at least annually, conduct a review of the risks facing the Company and the effectiveness of the system of internal controls	In place	
D.2.2	Companies should have an internal audit function.	In place	
D.2.3/ D.2.4	The Board should maintain a sound system of internal controls and require Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls	In place	
D.3 Audit Committee			
D.3.1	The Audit Committee should be comprised of a minimum of two independent NEDs or exclusively of NEDS, a majority of whom should be independent	In place	Corporate Governance Report – Section 3.2.1
D.3.2	The Audit Committee should keep under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the auditors	In place	Corporate Governance Report – Section 3.2.1
D.3.3	The Audit Committee should have a written terms of reference, dealing clearly with its authority and duties	In place	
D.3.4	The annual report should include the names of the audit committee members, the basis for the determination of the independence of the external auditors and a report of the AC setting out the manner of compliance with the above requirements during the specified period	In place	Corporate Governance Report – Section 3.2.1
D.4 Code of Business conduct and ethics			
D.4.1	The company should disclose whether the code of business conduct and ethics for directors and key management personnel is in place and whether all directors and key management personnel have declared their compliance with such codes.	In place	
D.4.2	The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code	In place	

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	Principle	Status	Details/Reference
D.5 Corporate Governance Disclosures			
D.5.1	The Directors should include a corporate governance report In the Annual Report	In place	
E. Institutional Investors			
E.1 Shareholder Voting			
E.1.1	The Company should contact regular and structured dialogue with shareholders based on a mutual understanding of objectives	In place	Corporate Governance Report – Section 10
E. 2 Evaluation of governance disclosures			
E.2.1	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention	In place	
F. Other Investors			
F.1 Investing/Divesting Decisions			
F.1.	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions	In place	
F.2 Shareholder Voting			
F.2	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights	In place	
Sustainability Reporting			
G.1.1 – G.1.7	Disclosures on adherence to sustainability principles	In place	Sustainability report on page 77.

Enterprise Risk Management

// The Group continues to build the risk management capabilities that will help the business to deliver the growth plans in a controlled environment. //

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.

Our Enterprise Risk Management (ERM) framework encompasses practices relating to the identification, analysis, evaluation, treatment, mitigation and monitoring of the strategic, Financial, external and operational risks to achieve our key business objectives. ERM at Cargills seeks to minimize the adverse impact of these risks, thus enabling the Group to leverage market opportunities effectively and enhance its long-term competitive advantage.

The business risks of the Group are affected by a number of factors, not all of which are within the Group's control. The externally driven challenges, together with general business risk exposures such as corporate

reputation, security, environment, health and safety issues, product quality and information technology are constantly reviewed as part of the Group's Enterprise Risk Management programme.

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.

The Group continues to build the risk management capabilities that will help the business to deliver the growth plans in a controlled environment. During the period under review, the Group has introduced several improvements to the Risk Management, Internal Controls, Assurance and compliance processes to drive an integrated approach to the Enterprise Risk Management.

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.

Enterprise Risk Management

Our risk management framework works at various levels across the enterprise. The key roles and responsibilities regarding risk management in the Company are summarized as follows:

	Roles and Responsibilities
Board of Directors	Oversight role of monitoring entire Risk Management process with the support of the Audit Committee.
Audit Committee	<p>a) Oversight function in respect of</p> <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. <p>b) Reviewing the risk profile of major Investment proposals against the risk appetite and apprise the Board on the suitability of such business proposals.</p> <p>c) Reviewing the control and systems weaknesses highlighted by the external Auditors and apprising the Board of any significant deficiencies noticed.</p>
Risk Management & Compliance Team	<p>a) Developing Risk Management Policies and Framework.</p> <p>b) Carrying out comprehensive risk assessment across the organization.</p> <p>c) Implementation of appropriate risk mitigation strategies.</p> <p>d) Reporting on key risk exposures and the impact of the mitigation strategies on the exposure.</p> <p>e) Reviewing the effectiveness of the mitigation strategies and improve them wherever necessary.</p> <p>f) Monitoring and reporting on external compliance such as statutory, legal, employment and health and safety regulations.</p>
Internal Audit Team	<p>a) Developing and implementing effective systems of internal controls.</p> <p>b) Evaluating and providing assurance that risk management, control, and governance systems are functioning as intended.</p> <p>c) Reporting risk management issues and internal controls weaknesses identified, to the Audit Committee and Board of Directors.</p> <p>d) Monitoring and reporting on compliance related to company policies, procedures and code of conduct.</p>

Risk Management Process

The Group's approach to risk management is based on well-established processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting.

Risk management process consists of steps through which the Company identifies, analyses, evaluates, mitigates and communicates risks. Risk management at Cargills, like any other tool in the compliance process, functions as a method for streamlining the business.

Risk management is an iterative process that, with each cycle, contributes progressively to business improvement by providing management with a greater insights into risks and their impacts.

Business unit heads are primarily responsible for managing risk within each of their businesses and for ensuring that appropriate risk mitigation programs are in place and that they are compliant with the Group's risk management standards.

Risk Identification, Analysis and Evaluation

The risk management process begins with the identification of risks, i.e. the compilation of current and future existing and potential risks from internal and external environments. As the risk landscape is dynamic and changes constantly, the identification of risks is a continuous task for the risk owners.

The Company's risk identification process, employing various techniques, recognise all potential events that could adversely impact the achievement of business objectives including failure to capitalize on opportunities.

Risk identification is followed by risk evaluation whereby every identified risk is thoroughly analysed to understand its severity of impact and the likelihood of occurrence in order to assign a risk score to that particular risk. For this purpose, objective criteria or figures derived from past experiences are used for the evaluation.

The Methodological evaluation of risks at the Cargills Group distinguishes between qualitative and quantitative risks. Qualitative risks are long term developments and challenges with potentially adverse consequences for the Company and its subsidiaries. As concrete information is often not available, these risks can generally not be quantified precisely or indeed at all. In order to evaluate qualitative risks as systematically as possible, estimates are made about their magnitude and their significance.

The quantitative risks are those whose potential monetary impact on the Company and/or its subsidiaries can be estimated.

“Risk management at Cargills, like any other tool in the compliance process, functions as a method for streamlining the business.”

Enterprise Risk Management

The risk assessment is carried out using two scales, both from 1 to 5, the combination of which provides the total risk rating from 1 to 25. This step will assist in determining the significance of the risk to the organisation and is mapped to the risk heat map as indicated in the below table.

Occurrence/Likelihood	5	Almost Certain	5	10	15	20	25
	4	Likely	4	8	12	16	20
	3	Moderate	3	6	9	12	15
	2	Unlikely	2	4	6	8	10
	1	Remote	1	2	3	4	5
Scale		Very Low	Low	Medium	High	Very High	
		1	2	3	4	5	
Impact/Consequences							

Priority Level	1	2	3	4
Colour Code	Very High	High	Medium	Low
Score	16-25	10-15	5-9	1-4

Based on the risk score, the risks are prioritised and mitigation actions are implemented with the consent of the management.

This evaluation exercise also forms the basis for risk consolidation, in which individual risks of the same type are combined to form one total risk, which is then evaluated as a whole.

Risk Mitigation and Monitoring

The risks identified, analysed and evaluated are periodically discussed at the senior management level comprising business unit heads and Group functional heads in order to assign responsibility for the risks to the businesses. The assigned risk owners continuously monitor, evaluate and report on risks for which they bear responsibility.

The Group has in place general risk response strategy for mitigating risks, which categorises risks according to whether the Company will avoid, transfer, reduce or accept the risk. Depending on the nature of the risks and the risk scores calculated, the Group uses a wide variety of risk mitigation strategies including purchase of insurance covers, implementation of standard operating procedures, delegation of authority, annual strategic planning reviews, monthly operating reviews and hedging.

Continuous risk monitoring within the process identifies changes in individual risks and any necessary adjustments to risk management at an early stage. Steps are designed and implemented as necessary to create and roll out the measures required for risk management and monitoring. Group Risk Management function, through aggregation, prioritization as well as consultation process, compile a quarterly risk management report for the discussion at the Audit Committee which reviews whether appropriate controls and mitigation measures are in place or in progress in order to manage material risks.

Overview of key Risks Affecting the Business

Risk	Risk Mitigation Actions
Competition and Consolidation	
<ul style="list-style-type: none">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 benchmarked 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.

Enterprise Risk Management

Risk	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"> We minimise staff shortages through proper HR planning and recruitment processes. 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.
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"> 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.
Business Strategy	
<ul style="list-style-type: none"> 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 detail 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.

Risk	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"> ♦ 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.
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.

Enterprise Risk Management

Risk	Risk Mitigation Actions
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"> 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.
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.
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

Risk	Risk Mitigation Actions
Funding and Liquidity Risk	
<ul style="list-style-type: none"> 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.
Interest Rate Risk	
<ul style="list-style-type: none"> Steep upward movement in the interest rate could have severe impact to the financial performance of the Group. 	<ul style="list-style-type: none"> Interest rates movements are monitored by the treasury and appropriate steps are taken to mitigate the financial impact due to the interest rate fluctuations. Centralised treasury function enables pooling of funds and negotiating better rates.
Credit risk	
<ul style="list-style-type: none"> 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. 	<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	
<ul style="list-style-type: none"> 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 	<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.

Enterprise Risk Management

Risk	Risk Mitigation Actions
Commodity Price Risk	
<ul style="list-style-type: none"> 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 	<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 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
Sustainability	
<ul style="list-style-type: none"> Reputational Risk arising from adverse impacts to environment and to the human wellbeing. 	<ul style="list-style-type: none"> Manufacturing, retail and storage facilities are designed in such a way to prevent adverse impact to environment. We closely work with farmers in order to educate and encourage them towards achieving sustainable farming practices. The Company has stringent policies and procedures to minimise food wastages.

Sustainability Report

Our Sustainability Strategy

Sustainability: a Company-wide commitment

The Cargills Group upholds a company-wide commitment to leadership in sustainability. Maintaining a sound balance between economic success, protection of the environment, and social responsibility has been fundamental to our corporate culture for decades.

As a sustainability leader, Cargills aims to pioneer visionary solutions for sustainable development while continuing to shape its business responsibly and increase its economic success. This ambition encompasses all of the company's activities and is underpinned by 8,730 employees around the country, who have firmly embraced the principles of sustainable development in their daily work and think and act accordingly.

Management Commitment and Approach towards Environment, Economic and Social Sustainability

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. 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.

Sustainability Strategy

Cargills drives a sustainability agenda that is focused on agriculture-centric regional growth underpinned by productivity and quality enhancements which are key to ensuring sustainable supply chains and markets. Through this focus we have been able to develop agriculture and dairy entrepreneurs whilst also building a price stability for them by enhancing their competitiveness. Focused on bridging regional disparity the Cargills sustainability strategy is to empower farmers towards a more sustainable supply chain and market whilst developing the communities within which they work.

Through our processes that enhance efficiency and our relationships that convert to quality produce we are able to bring nutrition to Sri Lankan homes across Sri Lanka while they save and enhance their quality of life. Sri Lanka's modern trade sector is at a very nascent stage and accounts for about 15% of the total trade in the Country. However its impact is substantial in streamlining supply chains, enhancing food safety and quality standards, benchmarking farm gate prices for fresh produce and fronting rural township development. In an environment of steady economic growth and consistent policy, the Country's retail sector has potential to significantly contribute towards regional economic prosperity

Cargills national brands Magic, Kotmale, Kist, Kist Biscuits, Kist Knuckles, Goldi and Sams play a critical role in further strengthening the Cargills contribution to sustainable value creation. Across our businesses in the manufacturing sector we are linked

upstream with dairy, fruit and vegetable farmers. Our production facilities are ISO and GMP certified bringing in globally recognized environment, quality and food safety management systems that ensure our products are sustainable in every aspect of the value chain. Our sustainability strategy is making social responsibility an integral part of everything we do. It is a Company-wide commitment that channels our expertise and knowledge to create sustainable value for every direct and indirect stakeholder we touch.

// 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. //

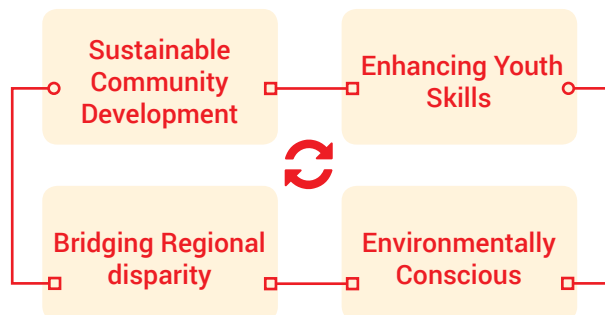
Sustainability Report

Approach

Cargills holds the firm view that its process of value creation must be first embedded in creating value for the community which is fundamental to sustainable business. Therefore community development becomes the core of the Cargills sustainability DNA which in turn is linked to its business investments and expansion wherein the strategic alignment of the Group continues to hold community empowerment and development as centric to its business model. Through such a process Cargills is of the firm view that it is able to generate sustainable long term value for its shareholders.

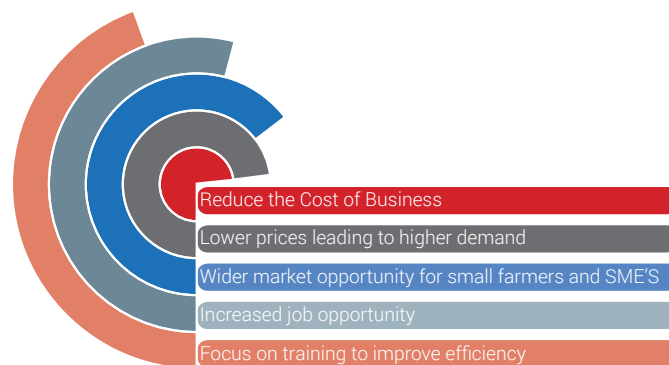


Accordingly the Cargills Sustainability agenda is built around the three key pillars highlighted its mission statement, i.e. Reducing the Cost of Living, Enhancing Youth Skills and Bridging Regional Disparity which priorities are well aligned with the crux of the Corporate sustainability approach of Community. The process also aligns with a commitment to ensure that the impact our businesses have on the environment is minimized through continuous review, monitoring and management of the natural resources we use and also impact during the course of business.



Aligning our Sustainability Agenda with the priorities of Sri Lanka

In 2017/18 Cargills further re-aligned its sustainability agenda to prioritize on the core focus of having a transformational impact on the food security of Sri Lankans within the context of an increasingly challenging macro economic environment. Accordingly reducing the cost of doing business towards impacting the cost of living while continuing to build sustainable markets for small farmers and SME's which in turn grows business opportunities has an eventual impact on the number of opportunities we can create for rural youth. The continued cycle of creating a skilled and trained work force has a further impact on business efficiency and we would continue to pass on the dividends of the value we create to across stakeholder groups.



As a company directly engaged with our agricultural communities across Sri Lanka emerging concerns regarding the sustainability of agriculture practices and its impact on the environment and good health of farmers and consumers alike is a critical issue that we grapple with.

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 continues the 'Save Our Soil' Project first launched 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 2300 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. The process eventually targets the introduction of GAP (Good Agricultural Practices) Certification for small farmers which elevates the total agriculture value chain of the Country towards a more sustainable and export-viable one.

Sustainability Culture

In order to successfully establish Cargills strategy and reach its goals, both of these dimensions must be ever-present in the minds and day-to-day actions of about 8,730 employees and mirrored in the company's business processes. To successfully implement our strategy and reach our targets, we rely on our products, cooperation with our partners, and the dedication of our people.

Cargills products deliver more value for its customers and consumers. Cargills achieves this through timely management review of sustainable business operating procedures and practice and keep track, measurement and report on our performance of the implementation of sustainability practices with a commitment of continual improvement.

Cargills is committed to establishing, promoting, maintaining and improving a culture of sustainability and environmental responsibility by staff, our supply chain, and broader stakeholders.

The people at Cargills make the difference – through their dedication, skills and knowledge. They make their own contributions to sustainable development, in their day-to-day business and in their local communities. They interface with customers and consumers and make innovation possible.

Endorsement of our Commitment to deliver sustainable Value

01. Ceylon Chamber of Commerce – Best Corporate Citizen Sustainability Award – 2016

- ◆ Best Corporate Citizen Sustainability Award – 1st runner up
- ◆ Top 10 Corporate Citizen Award
- ◆ Customer Relations
- ◆ Triple Bottom Line - Financial Performances
- ◆ Economic Contribution

02. GMP (Good Manufacturing Practices) Certificate by KFC and TGIF

GMP certificate issued by the Sri Lanka Standards Institution which comply with the requirements of Good Manufacturing Practices in relation to food companies.

03. National Productivity Award – Large Scale Business – Special Commendation for KFC

Sustainability Report

Statements of commitment on Environment, Economic and Social Sustainability

Cargills Ceylon PLC is committed to establishing, promoting, maintaining and improving a culture of sustainability and environmental responsibility by our team across our supply chain and through engagement with broader stakeholders.

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.

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.

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 is committed to work directly with small 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.

We are fully committed to ensuring that consumers can make informed choices about health and nutrition. Cargills approach to food safety and quality is comprehensive, preventive, and proactive. We are firm on fulfilling our responsibility to implement controls and measures at every level to make sure our products are second-to-none in food safety and quality.

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

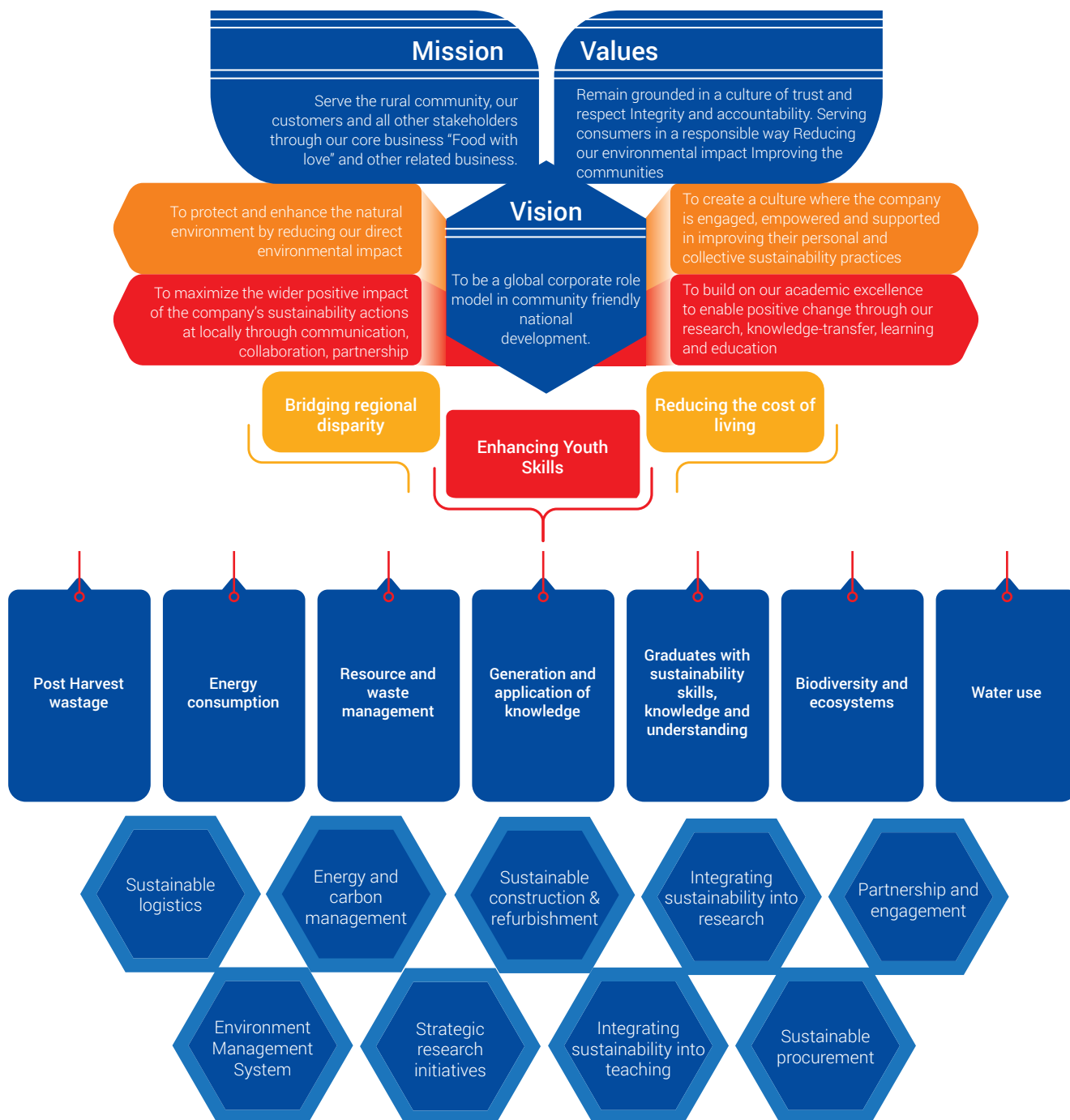
Cargills is committed to delivering sustainable economic performance and growth to all its stakeholders. By conducting our businesses in a sustainable and socially responsible manner Cargills provides both financial and non-financial value to our shareholders, business partners, employees, customers and local communities. We focus on providing timely management review of sustainable business operating procedures and practices, by tracking, measuring and reporting on our performance of our sustainability practices with a dedication to continuously improve in these areas.



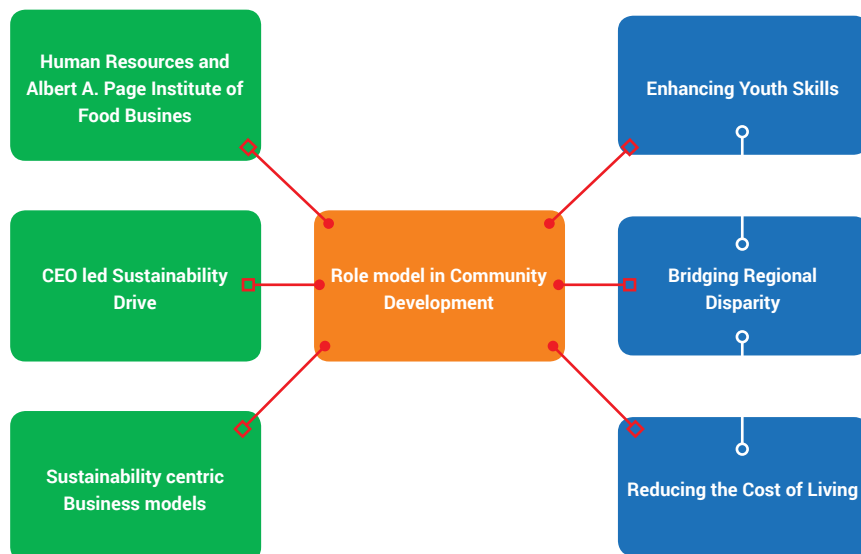
Fulfilling our purpose of nourishing people requires clean water, soil and air. As a food company, we are focused on a sustainable future that reduces demands on the environment as populations continue to grow.



Our Strategy at a Glance



Sustainability Report



Vision, Mission and Values of the Company

Our Vision

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

Our Mission

Serve the rural community, our customers and all other stakeholders through our core business "Food with love" and other related business, based on the three main principles of;

- Reducing the cost of living
- Enhancing Youth Skills
- Bridging regional disparity

By enhancing local and global markets.

Transformational Impact of the Corporate Vision

As Sri Lanka's foremost food retailing and fast moving consumer goods business, Cargills is conscious of its role in facilitating affordable nutrition

for all Sri Lankans. While our research and development initiatives help us develop more nutritious products our sustainable supply chain ensures these products reach every part of Sri Lanka safely and at an affordable price. Our direct links with farming communities and entrepreneurs provide us the strength to bring essential commodities to consumers minus the intermediary costs. This is why our products at our retail outlets and from our manufacturing facilities are of better quality and more affordable. Cargills uses its widespread retail and mass market distribution operation to provide essential commodities to consumers at a consistently affordable price thereby setting the benchmark for affordable and safe nutrition across the island.

As much as 69% of our workforce are below the age of 30, providing the Company a tremendous opportunity to create employment outside the commercial hub and enhance job-

oriented skills among young men and women from across the island. 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 sustainability initiatives. AAPi collaborates with civil society partners to identify and train young men and women who lack the necessary skill-sets to gain employment in the private sector. Many go on to be a part of Team Cargills thereby ensuring career prospects that are both stable and upward mobile.

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. The direct income that flows through to regional Sri Lanka through the conduit of commerce that is the Cargills business models runs into billions of rupees annually projecting what is a Vision to transform the communities that we work with is indeed a daily reality.

Objectives of the Sustainability Strategy

01. Addressing the concerns of existing and potential investors and issues related to stakeholders.
02. Continuous monitoring of Sustainability target achievements.
03. Assessing the risks relevant to society, environment and economic growth; to identify the impact across the value chain.
04. Develop a forum for sharing best practices of Sustainability across the group.
05. Serving consumers in a responsible way; reducing our environmental impact, and improving the communities where we live and work.

Sustainability strategy of the Group is directly formulated under the guidance of the Group CEO with the direct involvement of top level management of the Group.

1. A Sustainability Council led by the CEO drives the sustainability agenda in the areas identified.
2. Multi-company Sustainability Team works with the CEO to action the plans.
3. Steps are being taken to make Business Leaders accountable for Corporate Sustainability Performance and the company reviews includes sustainability KPI's along with financial and operational KPI's at monthly/quarterly business reviews.

// 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. //



Sustainability Report

Our Stakeholders

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:

	Employee	8730 team members across 25 districts and over 300 places of work. 69% below the age of 30. The Albert A. Page Institute strives to enhance their skills towards higher productivity and proficiency that empowers them.
	Customers	Touching millions of customers and impacting their quality of life through a sustainable food value chain that is modeled to reduce costs. Our food value chains reduce waste and sets the benchmark for food safety and quality thereby setting new standards of health and safety for consumers.
	Shareholder	1846 shareholders who have continued to believe in a business model pegged on long term value and sustainable growth.
	Suppliers and traders	More than 600 suppliers and service providers are connected to our food value chain have been empowered towards successful entrepreneurship through a sustainable and growing market while being guided by our team towards achieving the quality, food safety and packaging standards that can take them to the next level
	Farmers and small enterprises	Over 25,000 farmers and over 200 SME's are directly linked markets through the Cargills value chain. The direct revenue we generated for our farmers exceeded Rs. 5.2 Bn in 2016/17. The impact of creating a market oriented value chain has had far reaching impact towards reducing wastage and bringing food to the table at the right price.
	Civil society and Interest Groups	Cargills currently operates over 50 projects in partnership with civil society organizations. In response to the call to action on the impact of chemical and fertilizer usage by farmers on consumer health Cargills continues to aggressively drive "SOS: save our soil" programme to educate, train and build Good Agriculture Practices among its farmers base taking small farmers towards GAP certification.
	Local Community	Cargills gives back 50 cents for each kilo gram and litre of produce collected from farmer communities across Sri Lanka. This goes back to empower the community towards education of farmer children, community development projects and as means of paying tribute to Farmer Citizens. In 2016/17 Cargills gave back over 5 Billion to local communities.

Stakeholder Identification and Engagement process

We believe that market transformation and the conversion to a fully sustainable supply chain can only be achieved through partnership and collaboration with all stakeholders, including customers, shareholders, our team, the government, suppliers, civil society groups and NGOs.

Without broader stakeholder action, there are limits to the progress we can make as one company. By working together through public/private partnerships, our goal is to create a sustainable food industry that will provide for Sri Lanka today and for generations ahead. We hold the view that each integral part of the supply chain must work together with our direct and indirect stakeholders to transform the industry.

Stakeholder engagement model:

Identifying the key stakeholders and stakeholder groups is based on two dimensions of 1) the stakeholder's influence on the organisation and 2) the impact to the stakeholder. These two dimensions are plotted using a simple rating scale, resulting in the grouping of stakeholders in 4 quadrants of prioritization elaborated later on in this report.

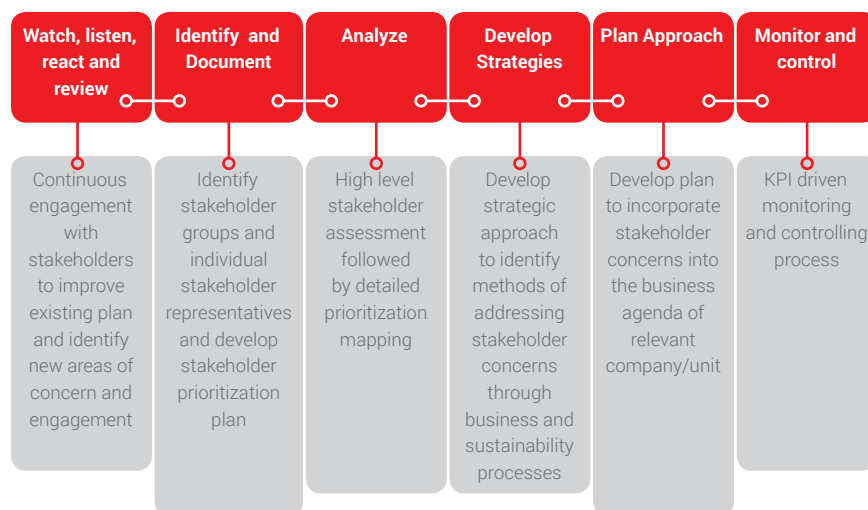
The stakeholder engagement plan forms part of a regular cycle to ensure current developments and any changes are captured within a reasonable time. Accountabilities in terms of the engagement plan is assigned to specific people to ensure the necessary focus and attention is placed on the engagement process. Regular feedback and updates to the business owner and

leadership team is incorporated in the plan to enable the process and create the necessary visibility.

Identifying the legitimate concerns and interest of key stakeholders is critical to the sustainability process and the business continuity of the Group. With regard to the identified important stakeholders, to establish clarity on what the material issues are for those stakeholders the company adopts a process of constant communication and clarification to achieve clear visibility of the real concerns, needs and level of impact. The typical concerns that surface are outlined in this section by stakeholder group and a defined mechanism currently exists to feed stakeholder concerns into strategic planning to ensure alignment.

The material needs identified by important stakeholders is moderated by the company's leadership, and those ones which can and should be addressed in the opinion of the leadership team, including the Board of Directors, form an input into the strategy process of the company.

Stakeholders are interested in the outcome of engagement, and the corresponding link to the business strategy, business model, risks, opportunities and key performance indicators. All business sectors endeavor to provide a balanced view to stakeholders, clearly showing how stakeholder engagement has informed how the business is conducted. A feedback system is in place to continuously improve existing plans and identify new concerns and areas of engagement.



Sustainability Report

Stakeholder identification and their impact

Customers:

Spread across the 25 districts of Sri Lanka through our retail business and reaching millions of consumers through a variety of distribution channels our customers expect us to deliver value for money safe quality food and beverages in the most socially conscious and environmentally responsible manner. Customers include end consumer and B2B

Employees

Cargills places great value on the youth of Sri Lanka as an asset base if correctly guided and trained that can lead Sri Lanka's development to the next level. Cargills has therefore undertaken the enhancement of youth skills as one of its core values. Our young team of which 69% is below the age of 30.

Shareholders

The shareholders of Cargills have placed much trust and confidence in the innovative, forward looking strategies of Cargills. Our business approach of ensuring sustainable value for all stakeholders has been supported by our shareholders who have in turn been benefited with increased value and return on investment. It is in the consistent engagement with these shareholders that Cargills is strengthened to further pursue its policy of ensuring that value generated by the company creates consistent and sustainable value for shareholders and all stakeholders alike.

Suppliers, producers and Trading partners

For Cargills to achieve its goal of reducing the cost of living and thereby positively impacting the nutrition of our Country it must engage with its medium and large scale suppliers and contractors and ensure that they are stakeholders to the same vision. Our farmer partners play a major role in the core business agenda of the Group meeting our consumer expectation of enjoying fresh quality produce while creating sustainable markets for the local agriculture sector which underpins our sustainability focus. To achieve this, our supplier partners expect a partnership approach to our relationships on a foundation of trust that exceeds contractual roles. We seek to foster this through transparency and knowledge and resource sharing that enables long term value creation.

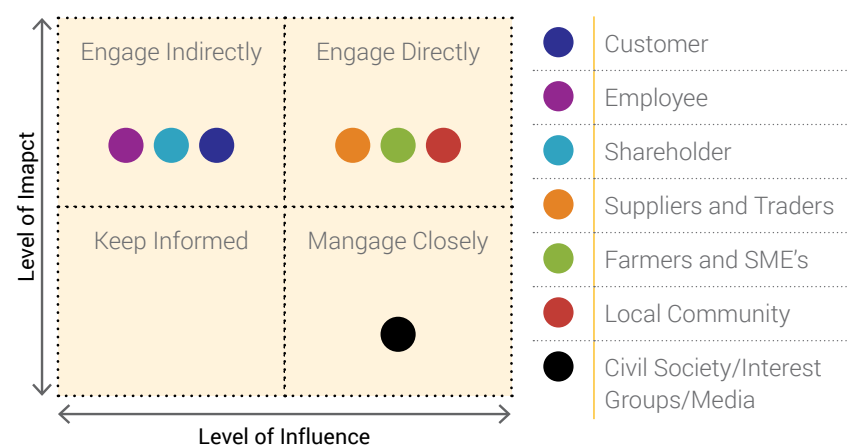
Local Community, Non- Government Organizations and Government

Cargills strongly believes in establishing effective engagement with the communities we work with, the diverse civil society organizations that support our communities and the public sector so that the dividends of the business can be effectively passed on to the community. As a result Cargills has sealed alliances with both NGO sector and Government organizations towards sharing our knowledge and strengths while building our business model to further empower our local communities. Through Cargills Sarubima we meet the expectation of giving back to the communities that drive our business success in sustainable and meaningful ways.

Media and Interest Groups

Cargills maintains a healthy relationship with Media and interest groups with the best interest of Consumers, shareholders and all stakeholders alike. The expectation of transparency and providing information in the most responsible manner is a priority for our Group while ensuring all regulatory and governance standards are adhered to.

Stakeholder Prioritization



Stakeholder Engagement Methods and Emerging Concerns

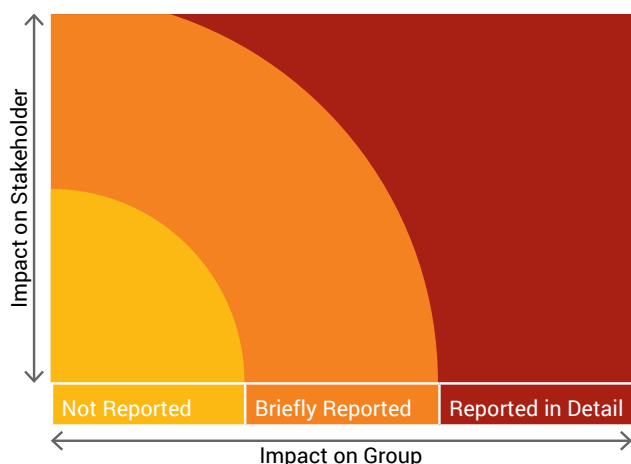
Stakeholder	Frequency	Methods	Areas of Concern
Customers	On going	Local promotional activities, Social Media, Hot line for inquiries and complaints, Immaculate follow-up procedure with regard to any concerns raised Field visits	Price, cost of living Food safety and health Sustainability
	Monthly/ Quarterly	Consumer research both internal and by independent parties	Service standards, product assortment and choice
	Annually	Trade Fairs, events	Brand connection with daily living
Employees	On going	Training, mentoring, Orientation programme conducted across tiers, Daily briefing by immediate supervisors, Open-door policy practiced at CEO/Director level	Career path and opportunity for growth Goals and objectives for rewards and recognition
	Monthly/ Quarterly	Periodical staff news letters/posters/letters from top management, Periodical briefings at locations by higher management, On-site HR engagement	Corporate information and development Grievance voicing
	Annually	Annual staff conventions held regionally	Team interaction and team building
Shareholders	On going	Dissemination of information through CSE and media, Open door policy for investor inquiries, investor meetings and calls	Business developments sustainability
	Monthly/ Quarterly	Quarterly report, Investors calls, meetings and road shows	Business expansion plans and risk management
	Annually	Annual General Meetings, Annual report	Financial Performance Governance, transparency and disclosure
Suppliers, producers and Trading partners	On going	Daily engagement, monthly meetings, Digital platform for engaging farmers, field visits by extension teams	Markets, price, quality and enhancing their capacity for growth
	Monthly/ Quarterly	Partnership meetings conducted on monthly, monthly farmer group meetings	Industry developments
	Annually	Joint business planning, Sarubima activities	Company Goals and objectives towards growth

Sustainability Report

Stakeholder	Frequency	Methods	Areas of Concern
Local Community, Non- Government Organizations and Government	On going/ Monthly/ Quarterly	Continuous engagement through periodical briefings and meetings with officers of governmental departments	Business sustainability
			Market impact
		Frequent meetings with Non-governmental organizations towards achieving goals that are priority to the community	Community impact
		Continuous engagement with the community members through 'Sarubima' program	Employee and stakeholder welfare
	Annually	Annual Cargills Sarubima activities	Good governance and sound business practices
Media and Interest Group	On going	Press releases, media briefing and disclosures	Business sustainability
			Market impact
			Community impact
			Employee and stakeholder welfare
	Monthly/ Quarterly	Quarterly reports , media briefings	Good governance and sound business practices
	Annually	Annual reporting and evenings	

Materiality

Taking into consideration the key sustainability concerns of the stakeholder Groups identified above the Group reviews its material aspect boundaries by stakeholder segment within the context of each business sector, namely Retail, FMCG and Restaurants. Accordingly the aspect boundaries may differ in priority by business sector but remains material at Group level and is within that scope reported as per below criteria.

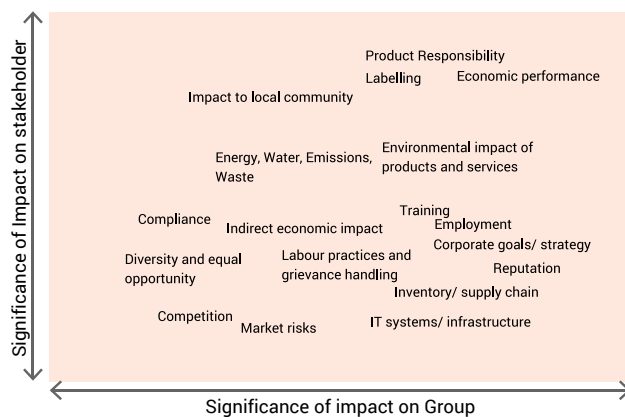


The key topics and concerns raised by stakeholders are mapped to the GRI G 4 standards wherein KPI's not raised in the reporting standard also emerge as material aspects to the Report. Herein aspects covered in the Risk Management process that emerge as material and are outside the scope of GRI standards are also considered in the assessment of materiality. The process continues to be fine-tuned towards achieving a more holistic picture of the Group's alignment with critical issues, concerns, risks and opportunities that impact our stakeholders and the Group's various business segments and their performance

Material Issues

Material issues ranked on impact to stakeholders and impact to the company have been mapped and material aspects that are outside the scope of the organization have been identified in this process. The Group's Enterprise Risk Management (ERM) framework encompasses practices relating to the identification, analysis, evaluation, treatment, mitigation and monitoring of the strategic, Financial, external and operational risks to achieve our key business objectives. ERM at Cargills seeks to minimize the adverse impact of these risks, thus enabling the Group to leverage market opportunities effectively and enhance its long-term competitive advantage. Accordingly all business risks have also been mapped against the GRI G-4 Indicators and risk aspects outside the scope of GRI have been included as material to the Group. As such Competition and consolidation, reputation, business strategy, inventory and supply chain, IT systems and infrastructure, funding and liquidity risks, market risks which include interest rates, FOREX and commodity market fluctuations as well as natural disaster emerge as aspects that are evaluated but are outside the scope of the GRI.

This year's report provides a more detailed insight into the material issues pertaining to the organization, a greater level of understanding on the level of impact to stakeholders and the Group by Sector and increased alignment with the GRI G-4 indicators with regard to reporting KPI's and encompasses the considerations that arise from the Risk Management process. Aspect boundaries have been set against this back drop and level of materiality is illustrated in the diagrams set out below.



Sustainability Report

Financial Capital

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.

G4-EC1 Direct Economic Value Generated and distributed

The Economic Value statement depicts the generation of wealth and its distribution among the stakeholders by acting responsibly in all our business activities and social engagements across our value chain. It includes economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. It also indicates the re-investments for the replacement of assets and amounts retained for growth and development of the operation. The direct economic value generated by the Group is Rs. 20.3 Bn compared to last years total value of Rs 16.2 Bn.

G4-EC2 Financial Implications and Opportunities due to Climate Change

In the year concluded the Company's Retail sector experience implications attributed to climate change with 06 outlets affected by flood situation resulting in a total impact of Rs. 102.1 Mn. Further Manufacturing sector was impacted with one plant being non-operational for a period of 14 days resulting in a financial loss.

G4-EC9 Proportion of Spending on local suppliers

In 2015/16 this indicator was disclosed covering the operations of the Retail Sector based on significance to the total turnover of the Group. 'Local' is defined as products directly sourced from Sri Lanka based suppliers including individuals such as farmers and small cottage level industries up to entities registered in Sri Lanka. This captures the proportion of procurement expenditure by the Retail sector on local supplier excluding all direct imports. Accordingly in 2015/16 the proportion of spending on local suppliers was 94%. The disclosure level for the year ended captured for the entire Group. As such the proportion of spending on local suppliers for the period ended March 31st 2017 was Rs. 56.9 Bn, which is 92.7 of spending on suppliers.



Human Capital

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.

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.

G4-EC3 Organization's defined benefit plans

The Company provides two types of benefits being statutory and social. In terms of statutory benefits employees who have an unbroken service of 5 years are entitled to Gratuity. Social benefits cover a range of health, personal grievances as well as motivation and performance related incentives such as: medical, personal Insurance, death benefit, gifts (birthday/ new born/ wedding etc), staff loans, ex gratia payments, bonus, discounts on purchases of groceries from supermarkets.

G4-EC5 Ratios comparing the wages paid to the minimum wage by gender

Wages are determined in an equitable and fair manner for employees based on the roles and responsibilities entrusted to the individual. It is the Company's policy to maintain uniform standards which will ensure equitable payments throughout all divisions and sectors of the Company based on contribution, skills, experience, responsibilities, length of service, capacity for growth with consideration to cost of living, general business conditions and industry norms. There is no discrepancy between minimum wages paid by gender.

G4-LA 2 Employment benefits

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.

The benefits offered to permanent employees are as follows:

- ◆ Medical
- ◆ Personal Insurance
- ◆ Death Benefit
- ◆ Gifts (Birthday/ New born/ Wedding etc)
- ◆ Staff loans
- ◆ Ex Gratia payments
- ◆ Bonus
- ◆ Discounts on staff purchase

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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.
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Sustainability Report

G4-LA 3 Parental Leave

Of the total cadre 4,220 employees were entitled to parental leave during the year while 162 exercised parental leave with 108 of them reporting back to work at the conclusion of the leave period. Retention rate of employees who took parental leave was 85%.

Total number of employees that were entitled to parental leave	4,220
Total number of employees that took parental leave	162
Total number of employees who returned to work after parental leave ended	108
Return to work and retention rates of employees who took parental leave	85%

G4-LA 6 Occupational Health and Safety

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.

Policy on Health & Safety

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

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

- The provision and maintenance of machinery, equipment and work system to be safe and healthy.
- Arrangements for ensuring safety and eliminating risks to safety and health in connection with use, handling, storage and transport of articles and substances.
- The provisions of such information, training and supervision to ensure the health and safety at work of employees and others.

- The control of the place of work maintaining it in a safe condition.
- The provision of a safe means of access and egress from the place of work.
- Taking measures in preventing all health and safety hazards at work for all.
- Ensuring health and safety instructions are strictly adhered to by all employees

The total number of injuries at the work place was 79 during the year with no Occupational diseases recorded and zero lost day rate. In the year concluded training on Occupational Health & Safety modules was carried out as part of the regular and continuous Training curriculum and calendar.

	Male	Female
Total Number of Injuries	69	10

G4-LA 10 Training and Education

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.

G4-LA 10 Training and Education: Type and Scope

The training and education programmes implemented cover executive, non-executive as well as management training. The scope of training includes orientation to the Company, technical skills, soft skills, grooming, personality development as well as leadership training for identified talent pool. Training while is largely implemented through AAPI where necessary external resources and programmes are adopted.

- ♦ Orientation
- ♦ Language skills
- ♦ Skills development for Non Executives
- ♦ Retention oriented motivational training
- ♦ Feedback oriented refresher courses
- ♦ Targeted skills development
- ♦ Customer engagement
- ♦ Management through job rotation exposure
- ♦ Management trainee programme
- ♦ Potential employee development and grooming
- ♦ Advanced leadership programmes
- ♦ International Grocers Alliance certification

ALBERT A. PAGE INSTITUTE OF FOOD BUSINESS

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

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

Independent Grocers Alliance Online Training

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

Sustainability Report

G4-LA 12 Diversity and Equal 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 05 Differently abled 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.

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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.
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Percentage of employees based on Employment category

Employment Category and gender	2016		
	Male (%)	Female (%)	Total (%)
Non - Executive	42%	40%	82%
Executives	12%	6%	18%
Total	54%	46%	100%

Employees by Age Category	%
Below 30	69%
30 - 50	27%
Above 50	4%
Total	100%

G4-LA 13 Remuneration for men and women

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 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.

Cargills does not discriminate between gender in remuneration and all employees are rewarded and recognized based on performance irrespective of gender.

G4-LA 14 Supplier Assessment for Labour Practices

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.

The nature of the manufacturing sourcing process is less complex than that of the retail supplier network. Accordingly steps would be taken to incorporate such governance practices in the manufacturing sector and subsequently the restaurants business over the course of the next financial year.

G4-LA 15 Labour Practices Grievance Mechanism

The Group has a formal grievance handling process across business sectors which includes a 24 hour hotline, location visits, detailed recording of grievances and aggressive follow up process. Accordingly during the year 61 grievances are reported of which 100% was addressed and resolved.

G4-HR 3 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. Cargills is committed to maintain a work place free from discrimination and harassment. Employees are encouraged to air their voice over concerns and grievances to the HR department. There have been no incidents of discrimination reported during the year.

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.

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Cargills does not discriminate between gender in remuneration and all employees are rewarded and recognized based on performance irrespective of gender.
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Sustainability Report

G4-HR 4 Freedom of Association

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 an open door policy is encouraged. There is one union in function in the Group which represents the interests of 32 employees.

G4-HR 5 Child Labour

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. There is no direct risk of child labour deployment in any operation within the Group.

G4-HR 6 Forced or 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.

G4-HR 10 Supplier Human Rights and Assessment

Cargills has put in place supplier contracts based on the International Finance Corporation (IFC) Environmental and Social Standards on Human rights 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.

The nature of the manufacturing sourcing process is less complex than that of the retail supplier network. Accordingly steps would be taken to incorporate such governance practices in the manufacturing sector and subsequently the restaurants business over the course of the next financial year.

Social and Relationship Capital

G4-EC8 Significant indirect economic impact and the extent

Cargills through its direct sourcing of fresh produce from agriculture communities is well integrated with agriculture communities. Our team works directly with over 10,000 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 other collection locations. In 2015/16 Cargills expanded the scope of the fund to contribute 50 cents back for every kilogram and litre of fresh produce and fresh milk sourced from our rural communities.

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 charter their own course of development. Therefore decisions on how collection would be disbursed are made jointly by Cargills and the Community.

Accordingly for the year concluded as at March 31, 2017 Rs 25,538,181 was collected to the Cargills Sarubima Fund and a total of 224 students have been selected.

Type of the Scholarship	Number of Students
Grade 5	40
A/L	92
University	52
Vocational Training	36
Piriven Education	1
Other	3
Total	224

Sarubima fund collected in the 2016/17

Based on the farmer meetings held, briefing conducted with farmers, scholarship applications received and internal consultations. The fund disbursement will be as follow:

Activity	Value Rs.	No.
Educational Scholarships	10,749,000	224
Community Projects	11,996,813	49
Farmer Citizen Awards	1,640,000	68

49 community development projects were identified and prioritized by community in line with local needs and aspirations. In 2015 Cargills went a step further to recognize Farmer Citizens from among agriculture and dairy farmer communities. Farmers are selected on the basis of their contribution to agriculture, sustainable agriculture practices in line with Save Our Soil Programme, contribution to and leadership in the community etc. The following selection criteria was followed in shortlisting the winners. The process of shortlisting and interviewing was carried out by an independent panel Chaired by Dr. Sunil Nawaratne, Prof. Terence Abesinghe, and comprising Dr. Hemantha Wijerathna.



Sarubima Scholarship Programme 2016



Sarubima Farmer Awards 2016 - Independent Panel interviewing Farmers.

Sustainability Report

Selection of Agri Farmers for Sarubima Farmer Awards				
	Attribute	Earned Marks	Total Marks	Description of the Attribute
A	Good Farmer			
A1	Eco Friendly			
	Preparation to be organic		04	Willingness to minimize chemicals
	Attempts to eliminate chemical usages			
	Experiences on traditional seeds			Whether they have tried any traditional seeds
A2	Sustainability			
	Duration as a Farmer		04	Minimum 10 years
	Crop diversification			
	Risk mitigation			Crop diversification, Readiness or the ways that overcame the environmental hazards (droughts, heavy rains, pests)
	Practicing a crop calendar			Knowledge and practice on the appropriate crop calendar
A3	Resource Optimization			
	Water management		04	
	Land usage			
	Methods of using the excess harvest			By products, Making animal food
	Methods of minimizing wastages			When plucking, packing, transporting
	Prevention of soil erosion			Land preparation methods
A4	Innovations			
	Introducing their own methods for pest controlling		04	Innovative techniques that use
	Using traditional methods of pest controlling			
A5	Cost minimization			
	Cost benefit analysis		04	Efforts that have taken to increase the profit
	Income sustainability			Ratio of Inputs and outputs
				Animal husbandry and using excess harvest or by products for animal food

Selection of Agri Farmers for Sarubima Farmer Awards				
	Attribute	Earned Marks	Total Marks	Description of the Attribute
B	Good Citizen			
B1	Attitudinal		10	The feeling and the approach towards farming (not having negativity and being positive to what s/he is doing).
B2	Role in the community		10	
	Caring for the villagers			Donations for the religious places, donations for people who need food/vegetables
	Job opportunities that have created			Seasonal or permanent
	Memberships in the village Societies/Clubs			Saving/Farming/Sports/Mutual helping
	Willingness to introduce farming to others			How many have followed him/her? To how many villagers s/he has introduced the farming?
B3	Encouraging community harmony Leadership qualities		10	What kind of decisions have taken by talking to adjoining farmers; which have positive impact on the farming community.

G4-SO 1 Operations that engage local communities and their impact

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. The following centres and locations directly engage local communities in their day to day business activities.

Locations Cargills engage with Local Communities				
Banduragoda	Dambulla	Jaffna	Meesalai	Rikillagaskada
Bandarawela	Galewela	Kalugamuwa	Narangoda	Thambuththegama
Bogahawatta	Hatton	Kilinochchi	Norochcholai	Thanamalvila
Bogawanthalawa	Hanguranketha	Lindula	Nuwaraeliya	Wattegama
Boralanda	Heattipola	Masskeliya	Raththota	Yatawatte

In 2016/17 Cargills enhanced its vegetable and fruit collection from farmer communities to 39.9 Mn Kg returning Rs. 3.3 Bn as revenue directly generated to small holder vegetables and fruit farmers.

In the year concluded the Group's milk collection reached 29.7 Mn litres sourced from 20 chilling centres that connect to over 15,000 dairy farmers who have achieved cumulative revenue of Rs 1.9 Bn during the year.

Sustainability Report

G4-SO 4 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.

G4-SO 5 Anti-Corruption

In the year concluded there were no incidents reports with regard to any bribery or corruption.

G4-SO 7 Anti-Competitive Behaviour

In the year concluded there were no incidents reports with regard to any anti-competitive behaviour.

G4-SO 8 Supplier Assessment for Impacts on Society

Steps were taken during the year to review the performance of suppliers in relation to their social impact. Accordingly supplier contracts are being revised to include social performance indicators and thereafter conduct periodical audits to ensure compliance.

G4-PR 1 Products and services for which Health and Safety impacts are assessed and improved

Fostering a companywide culture that drives continuous improvement towards the safety and well-being of our Customers

As the leader in Retail and Consumer Goods in Sri Lanka our goal is to ensure that our customers enjoy the best possible products and services at the best possible price with minimum implications on the wellbeing of all our stakeholders. Cargills uses its widespread retail and mass market distribution operation to provide essential commodities to consumers at a consistently affordable price. Cargills applies effort at every step in the process from where food is produced through where it is purchased to ensure we provide the safest and most high quality products and services to our customers. Our food processing plants are equipped with comprehensive ISO and SLS certification to ensure that our superior taste is complemented by superior safety and quality.

During the year Fruit juice, Fruit nectar, drinking yoghurt and set yoghurt were among the key products evaluated and sugar levels were reduced as per the following percentages.

Product	% of Sugar Reduction
Pasteurized milk	10 %
Drinking Yoghurt	11 %
Set Yogurt	9%
Plain Stirred Yogurt	15%
Nectar Category	55.6 %

G4-PR 3 Products and service labelling

Cargills is fully committed to ensuring that consumers can make informed choices about health and nutrition. Details about the ingredients and nutritional information for each of our products is shown on product packaging as per the following table.

Instruction for storage are met	Disposal logo are met	Complete list of ingredients in descending order
Yes (%)	Yes (%)	Yes (%)
95	66	84

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). As a Group the products and services labelling standard meets 80% of the GRI standard and we are aggressively working towards 100% compliance as per the GRI.

G4-PR 4 Products and service labelling non compliance

Cargills has taken proactive steps to report over and above the regulatory requirement in terms of nutritional information, flavours, additives, colouring, anti-oxidants, preservatives, stabilizers, net content, storage instructions, ingredients, disposals methods etc. 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 as well as product information. 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. There have been no incidents of non-compliance recorded in terms of products and service labelling.

G4-PR 5 Customer satisfaction surveys

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 through a process of continuous research that are customer centric. In the year concluded 2,499 customers have been interviewed for the purpose of product development, product evaluation and improvement. 25 new product development surveys were carried out during the year. Research has been carried out covering 10 food and beverage categories.

Number of Surveys on Existing Products	Number of Surveys for NPDs	Total	Sample Size
16	26	42	2499

G4-PR 9 Compliance

Cargills has a formal process to address any matters of non-compliance with laws and regulations concerning the provision and use of products and services. In the year concluded no major incidents of non-compliance have been reported and 100% rectified through an aggressively practiced management system of root-cause identification and rectification.

Sustainability Report

Natural Capital

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.

G4- EN 3 Energy consumption within the organization

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.

In this report we have adjusted the performance measurements reported in 2015/16 to provide a better reflection on the consumption as a proportion of the size and scale of our operations and to provide greater clarity and context to energy consumption in comparable terms.

Electricity	KHw	87,923,865
Furnace Oil	Litres	2,243,554
Liquid Petroleum Gas	Kg	305,657
Diesel	Litres	246,003

G4- EN 8 Total Water Withdrawal by Source

Water is a key in each of our manufacturing process and in particular to our water bottling business. It is a critical resource 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.

We have adjusted the performance measurements reported in 2015/16 to provide a better reflection on the consumption as a proportion of the size and scale of our operations and to provide greater clarity and context to energy consumption in comparable terms.

Total ground water withdrawn	m ³	56,341
Water withdrawn from approved supplier/bowser	m ³	243,408
Water withdrawn from water board	m ³	463,609

G4- EN 11 and 12 Biodiversity

The Group is committed to conserving bio diversity and wherever possible enhancing it through adherence to local and Government laws while also adhering to best practices related to conservation and protection. The Group has identified one location as an area of high biodiversity located on the Knuckles mountain range.

The Kist Knuckles Water bottling facilities is located in Katoologya Estate in close proximity to knuckles mountain range with unique topographical features at more than the elevation of 1 000 meters above mean sea level. The entire land of approximately 40 acres comprises of a tea Plantation on the lower division of the estate while the utilized spring water source is at the top of a small mountain which is of completely a natural forest with highly dense bio diversity. The population density of the area is extremely low and future possibility for development industrialization or urbanization is remote since the area is bordering a natural forest reserve.

The said water source is replenished entirely by the rainfall of more than 3000 mm/year, which is widely distributed throughout the year. There are several springs emerging from the high mountain area and coalescence at downstream resulting small tributaries, which contribute to the flow of Hulu Ganga. Considering overall hydro geological and environmental setup, the use of the source spring for bottling water is of negligible impact to the long term sustainability of the environment if the spring. Steps have been taken to utilise the source within safe limits while the management and maintenance of the facility is done with extreme sensitivity to the environment.

G4- EN 22 Total Water discharged by quality and destination

The Group's production plants are aligning with 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. Currently the Group is able to report performance for this indicator covering its dairy sector in view of significance of discharge. The discharge of water by the sector has reduced from 200,275 m³ to 140,875 m³ due to active measures taken to reduce and reuse water resources. The water quality discharged is in line with the Central Environmental Authority approved quality standard for agricultural processes.

G4- EN 29 Compliance

Cargills has a formal process to address any matters of non-compliance with laws and regulations concerning the impact to the environment. In the year concluded there were no fines or penalties imposed on the Group for non-compliance with environmental regulations and laws.

G4- EN 31 Overall

The Group invested Rs.1,409,326 in initiating the following sustainable practices in managing natural resources including utilization of water and energy. These efforts included the switch to more efficient equipment as well as methods to conserve utilization through focused and planned management.

G4- EN 32 Supplier Environmental Assessment

Steps were taken during the year to review the performance of suppliers in relation to their environmental impact. Accordingly supplier contracts are being revised to include environmental performance indicators and thereafter conduct periodical audits to ensure compliance.

G4- EN 34 Environmental Grievance Mechanism

Cargills has a formal process to address any grievances on environment impacts. In the year concluded no major grievances on environment impacts been reported; except 07 miner complains. However, Cargills has resolved through an aggressively practiced management system of root-cause identification and rectification.

The Group currently receives and records environmental related grievances through the formal external communication channels that include location hotlines, online feedback forms, emails and letters. These grievances are channeled to the relevant locations to be addressed and handled on a case by case basis. The Company takes all such grievances seriously and are recorded and well managed currently. However steps are being taken to further formalize the process to ensure better monitoring and follow up as well as to incorporate preventive steps in future business planning.

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 1000 farmers have been trained and their land tested to determine optimum levels of input usage.

GAP Certification

On the foundation of SOS Cargills has introduced transparency in its supply chain wherein produce can be traced to its farmer while crop record books are also maintained to monitor levels of inputs per cultivation cycle. Cargills thereby has established the first level of good agriculture practices among the farmers engaged with the Company to set them on course to GAP certification. Cargills is represented in the committee formed by the Department of Agriculture, which consult public (including farmers), academics, researchers and relevant stakeholders with the objective of reducing chemical usage for agriculture which will reduce the environmental and social impact. A certification process has been implemented and 3 Cargills farmers are now GAP certified.

Sustainability Report

Intellectual Capital

The creation of value in today's information age economy is increasingly dependent on the effective use of intellectual capital factors, which include knowledge, relationships, and intellectual property. Cargills places tremendous importance on our talented employee base in terms of enhancing their skills and expertise through focused training programmes and cross functional exposure. Further steps are taken to legally protect the Group's intellectual capital based on brand and brand identity protection through streamlined registration processes in line with the IP laws and regulations of the country.

Manufactured Capital

The transformation that was ignited in 2015/16 reached top gear during the concluded financial year with the management taking bold and decisive steps towards an enhanced consumer experience breaking away from its established positioning. The year saw 18 new stores being established which was a relatively slow rate of expansion backed by efforts to fine-tune our business model to create retail experiences while continuing to meet the demands of the middle and lower income groups. New concept stores that create dynamic retail experiences have been established in Kandana, Gampaha and Enderamulla through large formats while the ambiance and image of the trusted Food City brand has been reinforced through a new look as evident in the new supermarkets rolled out during the year.

Sustainability Indicators in Summary

The following summary of performance is based on the Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) and the Global Reporting Initiative (GRI) G4 Guidelines 'In Accordance – Core' criteria published by GRI. The GRI criteria has also been aligned with UN Sustainable Development Goals and IFC Sustainability Performance Standards.

GRI G4- Context Index					
General Standard Disclosures					
	Description	Page Reference	External Assurance	UNSDG	IFC
Strategy and Analysis					
G4-1	Statement from the most senior decision maker of the organisation	20-22	None		
Organizational Profile					
G4-3	Report the Name of the Organization	2	None		
G4-4	Report the primary brands, products, and services	12-19	None		
G4-5	Report the location of the organization's headquarters	Inner back cover	None		
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	Inner back cover	None		
G4-7	Report the nature of ownership and legal form	Inner back cover	None		
G4-8	Report the markets served	28	None		
G4-9	Report the scale of the organization	10-11	Yes		
G4-10	Report employees by contract and gender	91	Yes	5, 8	
G4-11	Report the percentage of total employees covered by collective bargaining agreements	96	None		
G4-12	Describe the organization's supply chain	7	None		
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	2	None		

Sustainability Report

GRI G4- Context Index					
General Standard Disclosures					
	Description	Page Reference	External Assurance	UNSDG	IFC
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	54	None		
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	96	None		
G4-16	List memberships of associations	96	None		
G4-17	List all entities	2	None		
G4-18	Aspect Boundaries	89	None		
G4-19	List all the material Aspects identified in the process for defining report content		None		
G4-20	Report the Aspect Boundary within the organization	89	None		
G4-21	Aspect Boundary outside the organization	89	None		
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	2	None		
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	2	None		
Stakeholder Engagement					
G4-24	Provide a list of stakeholder groups engaged by the organization	86	None		
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	86	None		
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	87	None		
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	89	None		

	GRI G4- Context Index				
General Standard Disclosures					
	Description	Page Reference	External Assurance	UNSDG	IFC
Report Profile					
G4-28	Reporting period (such as fiscal or calendar year) for information provided	2	None		
G4-29	Date of most recent previous report	2	None		
G4-30	Reporting cycle	2	None		
G4-31	Provide the contact point for questions regarding the report or its contents	Inner back cover	None		
G4-32	Report the 'in accordance' option	2	None		
G4-33	External Assurance	113	None		
Governance					
G4-34	Report the governance structure of the organisation	45	None		
Ethics and Integrity					
G4-56	Describe the organization's values and codes of ethics	4	None		

Specific Standard Disclosures						
Material Aspect	DMA and Indicators	Description	Page Reference	External Assurance	UNSDG	IFC
Category: Economic						
	G4-EC1	Direct economic value generated and distributed	90	Yes		
	G4-EC2	Financial implications of climate change	90	Yes		
	G4-EC3	Organisations defined benefit plans	91	Yes		
	G4-EC5	Ratios comparing the wages paid to the minimum wage by gender	91	Yes	5, 8	
Indirect Economic Impacts	G4-DMA			Yes		

Sustainability Report

Specific Standard Disclosures						
Material Aspect	DMA and Indicators	Description	Page Reference	External Assurance	UNSDG	IFC
Procurement Practices	G4- EC8	Significant Indirect Economic Impacts and the extent	97	Yes	3, 4, 6, 11	
	G4-DMA G4-EC9	Proportion of spending on local suppliers at significant locations of operations	90	Yes		
Category: Environmental						
Energy	G4-DMA					3
	G4-EN3	Energy consumption within the organisation	102	Yes	7, 12, 13	3
Water	G4-DMA					4
	G4-EN8	Total water withdrawal by source			12	4
Bio-Diversity	G4-DMA		102	Yes		6
	G4-EN11	Operation sites near to protected areas	102	Yes	12, 15	6
	G4-EN12	Significant impact of operating in these protected areas	102	Yes	12, 15	
Effluents and Waste	G4-DMA					3
	G4-EN22	Total water discharge by quality and destination	103	Yes	6, 14	3
Overall	G4-DMA					
	G4-EN31	Total environment expenditure and investment by type	103	Yes	13	
Supplier Environmental Assessment	G4-DMA					
	G4-EN32	Percentage of new suppliers that were screened using environment criteria	103	Yes	12	
Environmental Grievance Mechanisms	G4-DMA					
	G4-EN34	Number of grievances on environment impacts filed ,addressed, and resolved through formal grievance methods	103	Yes		

Specific Standard Disclosures						
Material Aspect	DMA and Indicators	Description	Page Reference	External Assurance	UNSDG	IFC
Category: Social						
Employment	G4-DMA					
	G4-LA2	Benefits provided to full time employees only	91	Yes	8	
	G4-LA3	Return to work and retention rates after parental leave by gender	92	Yes		
Occupational Health and Safety	G4-DMA					
	G4-LA6	Type and Rates of work related injuries, job related diseases,lost days and absenteeism and total no. of work related fatalities by region and gender	92	Yes	8	
Training and Education	G4-DMA					
	G4-LA10	Programs for skills management and lifelong learning.	92	Yes		
Diversity and equal opportunities	G4-DMA					2
	G4-LA12	Breakdown of diverse employees per employee category	94	Yes	5, 8, 10	2
Equal remuneration for women and men	G4-DMA					
	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category	95	Yes	5, 8, 10	
Supplier Assessment for Labour practices	G4-DMA					
	G4-LA14	Percentage of new suppliers that were screened during labour practices criteria	95	Yes		
Labour Practices Grievance Mechanisms	G4-DMA					
	G4-LA15	Number of grievances about labour practices filed,addressed and resolved through form	95	Yes		

Sustainability Report

Specific Standard Disclosures						
Material Aspect	DMA and Indicators	Description	Page Reference	External Assurance	UNSDG	IFC
Category: Human Rights						
Non-discrimination	G4-DMA					
	G4-HR3	Total number and percentage of significant investment agreements and contracts tha include human rights clauses or that underwent human rights screening	95	Yes	16	
Freedom of Association and Collective Bargaining	G4-DMA					2
	G4-HR4	Operations and suppliers identified as having significant risk for incidents of rights to exercise freedom of associations and collective bargaining may be violated and measures to support these rights	96	Yes	16	2
Child Labor	G4-DMA					2
	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour and measures to eliminate all forms of such risks	96	Yes		2
Forced or Compulsory Labour	G4-DMA					2
	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced /compulsory labour and measure to eliminate all forms of such risks	96	Yes		2
Supplier Human Rights and Assessments	G4-DMA					
	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	96	Yes		

Specific Standard Disclosures						
Material Aspect	DMA and Indicators	Description	Page Reference	External Assurance	UNSDG	IFC
Category: Society						
Local Communities	G4-DMA					
	G4-S01	Percentage of operations that engage local communities and their impacts assessed and development programs	99	Yes	1, 2, 3, 4, 6, 11	
	G4-S04	Communication and training on anti-corruption policies and procedures	100	Yes	16	
	G4-S05	Confirmed incidents of corruptions and actions taken	100	Yes	16	
Anti-Competitive Behavior	G4-DMA					
	G4-S07	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	100	Yes	16	
Supplier Assessment for impacts on society	G4-DMA					
	G4-S08	Percentage of new suppliers that were screened using criteria for impacts on society.	100	Yes		

Sustainability Report

Specific Standard Disclosures						
Material Aspect	DMA and Indicators	Description	Page Reference	External Assurance	UNSDG	IFC
Category: Product Responsibility						
Customer Health and Safety	G4-DMA					
	G4-PR1	Percentage of significant Products and services categories for which health and safety impacts are assessed for improvements	100	Yes	9	
Product and Service Labelling	G4-DMA					
	G4-PR3	Type of information needed and % of significant categories subject to such information requirements	101	Yes		
	G4-PR4	Total number of incidents of non-compliance concerning products & service information and labelling by types of outcomes	101	Yes	16	
	G4-PR5	Results of surveys measuring customer satisfaction	101	Yes	9	
Compliance	G4-DMA					
	G4-PR9	Significant fines for non-compliance concerning the provision and use of products and services	101	Yes	16	



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INDEPENDENT ASSURANCE REPORT TO THE CARGILLS (CEYLON) PLC

We have been engaged by the directors of The Cargills (Ceylon) PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2017. The Sustainability Indicators are included in the The Cargills (Ceylon) PLC's Integrated Annual Report for the year ended 31 March 2017 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	10 - 11

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Information provided on following capitals.	
♦ Financial	90
♦ Human	90-96
♦ Social and Relationship	97-101
♦ Intellectual	102-103
♦ Natural	104
♦ Manufactured	104

Our conclusions:

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

Reasonable Assurance Sustainability Indicators

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2017 are, in all material respects, prepared and presented in accordance with the Global Reporting Initiative (GRI) G4 Content Index Guidelines.

Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2017, have not in all material respects, been prepared and presented in accordance with the GRI G4 Content Index Guidelines.

Management's responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the GRI G4 Content Index Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of

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
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan ACA

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

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA

Principals - S.R.J. Perera FCMA(UK), LL.B. Attorney-at-Law, H.S. Goonewardene ACA
Ms. C.T.K.N. Perera ACMA (UK)

Sustainability Report



the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the GRI G4 Content Index Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- ♦ interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- ♦ enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- ♦ enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- ♦ enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;



- ♦ comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- ♦ reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- ♦ reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the GRI G4 Content Index Guidelines and for no other purpose or in any other context.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.

(Signed)

CHARTERED ACCOUNTANTS

Colombo

5 June 2017





Devoted to serving you better

We exist to serve the Rural Community, our Customers and all other stakeholders food with love. From a single seed sown in a farmer's field to a dinner table halfway across Sri Lanka, we merge ideas with the objective of satisfying our nation's needs. To get there, we collaborate with customers to create better products and services, streamline supply chains, save energy, reduce costs and move goods to every corner of Sri Lanka with a view to reduce the cost of living, improve quality of life, enhance youth skills and bridge regional disparities by enhancing local and global markets.

Financial Report

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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 2017 which were approved by the Board of Directors on 5 June 2017.

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 meat, dairy ice cream, yoghurt, cheese, milk, nectars & fruit juices, jams, cordials, sauces, and biscuits.
- Operates the 'Kentucky Fried Chicken' and 'TGIF' franchise restaurants in Sri Lanka
- Operates a Hotel in the hill-country.
- Production, import and distribution of agricultural seeds.

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 Flows and Notes to the financial Statements of the Company and the Group for the financial year ended 31 March 2017 given on pages 126 to 200 form an integral part of the Annual Report of the Board.

Auditors' Report

The auditors' report is set out on page 124.

Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on the pages 132 to 191.

Results and Dividends

	Group		Company	
	2017	2016	2017	2016
For the year ended 31st March	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit for the year after taxation amounted to	2,284,196	1,690,581	1,866,293	779,182
After deducting the amount attributable to non controlling interest of	(144,012)	(66,595)	-	-
The profit attributable to shareholders was	2,140,184	1,623,986	1,866,293	779,182
To which profit brought forward from previous year is added	7,864,611	6,885,400	5,427,045	5,214,851
Super gain tax	-	(55,898)	-	-
Change in ownership interest that do not result in loss of control	3,518	-	-	-
Other comprehensive income	(33,113)	(17,507)	(19,676)	4,212
Transfer from revaluation reserve	-	-	199,228	-
Movement due to change in shareholding of equity accounted investee	(1,751)	-	-	-
Expense on right issue of equity accounted investee	(145)	-	-	-
Reversal of subsidiary dividend	-	(170)	-	-
Leaving an amount available to the Company for appropriation of	9,973,304	8,435,811	7,472,890	5,998,245

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

Results and Dividends	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 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 2016

Final Rs. 1.30 per share applicable to Financial Year 2014/15	-	291,200	-	291,200
Interim Rs. 1.25 per share for Financial Year 2015/16	-	280,000	-	280,000

Dividend paid for the year ended 31st March 2017

Final Rs. 1.30 per share applicable to Financial Year 2015/16	504,000	-	504,000	-
Interim Rs. 1.80 per share for Financial Year 2016/17	403,200	-	403,200	-
Interim Rs. 3.80 per share for Financial Year 2016/17	851,200	-	851,200	-

Leaving an unappropriated balance to be carried forward of	8,214,904	7,864,611	5,714,490	5,427,045
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A 1st interim dividend of Rs.1.80 per share (Rs. 403.20 Mn) was paid on 17 January 2017 and a 2nd interim dividend of Rs. 3.80 per share (Rs. 851.20 Mn) was paid on 24 March 2017 for the year ended 31st March 2017. A final dividend has not been proposed for the year ended 31st March 2017.

Reserves

After the above mentioned appropriations, the total reserves of the Group stands at Rs 13,826 Mn (2016 – Rs. 13,991 Mn), while the total reserves of the Company stands at Rs.9,375 Mn. (2016- Rs.9,274 Mn).

Stated Capital

Stated Capital of the company as at 31st March 2017 was Rs.131 Mn. The detail of the stated capital is given in note 21 to the financial statements on page 171.

Capital Expenditure

The Group's capital outlay on property, plant and equipment amounted to Rs. 3,327 Mn (2016 - Rs. 2,265 Mn) while the capital outlay of the Company on property, plant and equipment amounted to Rs. 55 Mn (2016 - Rs. 37 Mn). Details are given in note 12 to the financial statements on page 153.

The movement of property, plant and equipment during the year is given in note 12 to the financial statements on page 153.

Investment Property

The carrying value of land and building classified as investment property of the Group and Company as at 31st March 2017 amounted to Rs. 4,777 Mn and Rs. 3,274 Mn respectively. Details of investment property held by the Group and the company are disclosed in note 13 to the financial statements on page 157.

Market Value of Properties

The land and buildings of the Group were revalued as at 31st March 2016. Details are given in note 12 to the financial statements on page 153. 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 203 in the financial statements.

Shareholdings

The Company is a subsidiary of C T Holdings PLC and there were 1,846 registered shareholders as at 31st March 2017 (31st March 2016 - 1,877).

An analysis of shareholdings according to the size of holding and the names of the 20 largest shareholders is given on page 204 and 205.

Directorate

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

Messrs L R Page and S E C Gardiner retire by rotation in terms of the Company's Articles of Association and being eligible offer themselves for re-election.

Mr. Deva Rodrigo (appointed a Director in terms of Section 211 (1) and (2) at the last AGM held on 1 July 2016) retires in terms of Section 210 (1) having surpassed the age of seventy years, and offers himself for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 7 of 2007.

Messrs. A. T. P. Edirisinghe, Sunil Mendis, and E. A. D. Perera too are due to retire in terms of Section 210 (2) (b) of the Companies Act No. 7 of 2007 having surpassed 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 34.1 on page 191 to the consolidated financial statements.

Directors' Interests in Contracts

Directors' interests in transactions of the company are disclosed in note 34.3 to the financial statements on pages 192 to 193 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.

Statement of Compliance with Related Party Transactions Rules

Directors' hereby confirm that the Company is in compliance with section 9 of the Listing Rules of the Colombo Stock Exchange in respect of the related party transactions entered into by the company during the year.

Interests Register

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

As at 31st March	2017	2016
Mr. Louis Page	36,760	36,760
Mr. Ranjit Page	15,000,093	14,961,900
Mr. Imtiaz Abdul Wahid	4,000	4,000
Mr. Sidath Kodikara	124,000	124,000
Mr. Prabhu Mathavan	500	500
Mr. Priya Edirisinghe	50,000	50,000
Mr. Sanjeev Gardiner	20,000	20,000
Mr. Sunil Mendis	20,000	20,000
Mr. Anthony A Page	276,157	276,157
Mr. Joseph Page	455,000	455,000
Mr. Errol Perera	10,000	10,000
Mr. Deva Rodrigo	-	-

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

Donations

During the year donations amounting to Rs.138,052 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 145. As far as the directors are aware, the auditors do not have any relationship (other than that of an auditor) with the company or any of its subsidiaries other than those disclosed in the above note.

Events after the Reporting period

Events after the Reporting period of the Company are given in note 33 to the financial statements on page 191.

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)

Ranjit Page

Deputy Chairman /CEO

(Signed)

Imtiaz Abdul Wahid

Managing Director/Deputy CEO

(Signed)

Sarath Dissanayake

Company Secretary

5 June 2017

Statement of Directors' Responsibility

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 124.

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 judgements 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 are 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

5 June 2017

Independent Auditors' Report



KPMG
(Chartered Accountants)
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Internet : www.kpmg.com/lk

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, 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 126 to 200 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, 2017, 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:

- The basis of opinion and scope and limitations of the audit are as stated above
- 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, 2017, 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. 07 of 2007.

(Signed)
CHARTERED ACCOUNTANTS
Colombo

5 June 2017

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.

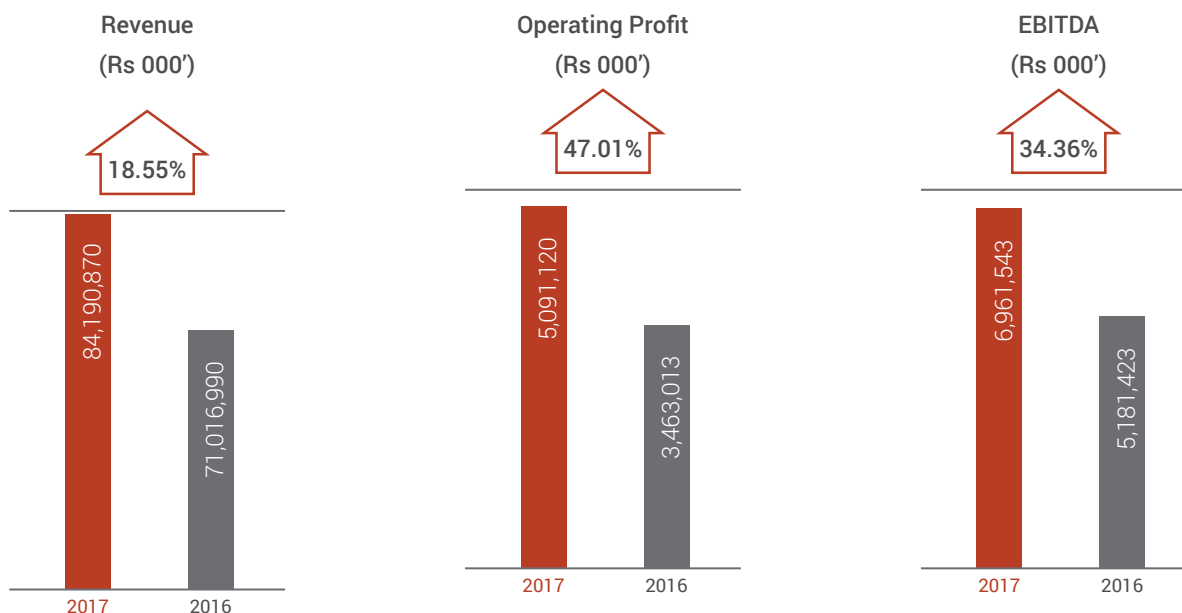
M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan ACA

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

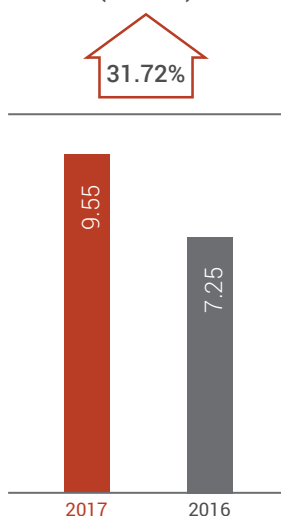
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA

Principals - S.R.I. Perera FCMA(UK), LL.B. Attorney-at-Law, H.S. Goonewardene ACA
Ms. C.T.K.N. Perera ACMA (UK)

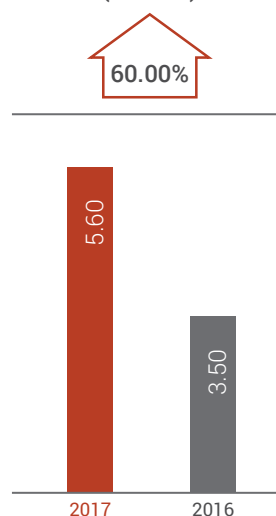
Financial Highlights



Basic Earnings Per Share
(Rs 000')



Dividends Per Ordinary Share
(Rs 000')



Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group		Company	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Revenue	4	84,190,870	71,016,990	42,189	33,623
Cost of sales	5	(74,142,258)	(63,038,486)	(40,733)	(28,603)
Gross profit		10,048,612	7,978,504	1,456	5,020
Other income	6	1,689,076	1,534,581	3,270,523	1,618,485
Distribution expenses		(2,331,738)	(2,305,334)	(17,547)	(14,376)
Administrative expenses		(3,860,214)	(3,347,313)	(575,293)	(523,567)
Other expenses		(454,616)	(397,425)	(134,589)	(74,086)
Results from operating activities		5,091,120	3,463,013	2,544,550	1,011,476
Net finance costs	7	(1,125,102)	(604,144)	(662,286)	(194,518)
Changes in fair value of investment property	13	166,336	53,016	71,638	62,059
Share of profit/ (loss) of equity accounted investees and gain on dilution of equity accounted investee	15.4	21,780	(25,877)	-	-
Profit before taxation	8	4,154,134	2,886,008	1,953,902	879,017
Income tax expense	9	(1,869,938)	(1,195,427)	(87,609)	(99,835)
Profit for the year		2,284,196	1,690,581	1,866,293	779,182
Other comprehensive income(OCI)					
Revaluation of property plant and equipment	12	-	921,100	-	65,849
Net loss on available-for-sale investments	15.3	(5,324)	(8,570)	(5,327)	(8,526)
Actuarial gain/(loss) on employee benefits	27.4	(49,644)	(22,743)	(27,328)	5,850
Equity accounted investee - share of OCI and share of OCI of gain on dilution of equity accounted investee	15.4	1,581	(2,164)	-	-
Tax on other comprehensive income		13,833	(10,917)	25,697	166
Other comprehensive income for the year, net of tax		(39,554)	876,706	(6,958)	63,339
Total comprehensive income for the year		2,244,642	2,567,287	1,859,335	842,521
Profit attributable to:					
Equity shareholders of the parent		2,140,184	1,623,986	1,866,293	779,182
Non-controlling interest		144,012	66,595	-	-
Profit for the year		2,284,196	1,690,581	1,866,293	779,182
Total comprehensive income attributable to:					
Equity shareholders of the parent		2,101,747	2,483,440	1,859,335	842,521
Non-controlling interest		142,895	83,847	-	-
Total comprehensive income for the year		2,244,642	2,567,287	1,859,335	842,521
Earnings per share					
Basic (Rs.)	10	9.55	7.25	8.33	3.48
Diluted (Rs.)	10	9.55	7.25	8.33	3.48

Figures in brackets indicate deductions

The accounting policies and notes from pages 132 to 200 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March	Note	Group		Company	
		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	12	21,875,935	20,266,084	2,707,562	2,981,795
Investment property	13	4,777,192	3,543,564	3,274,803	5,443,351
Intangible assets	14	1,325,507	1,077,423	116,299	-
Investments in subsidiaries	15.1	-	-	5,108,990	1,773,945
Investment in associates	15.2	5,143,229	2,305,653	5,121,439	2,325,378
Prepayment on leasehold land and building	16	171,534	24,500	147,909	-
Deferred tax assets	17	56,680	62,642	-	-
Total non-current assets		33,350,077	27,279,866	16,477,002	12,524,469
Current assets					
Inventories	18	8,336,609	7,194,778	4,740	9,986
Trade and other receivables	19	4,500,808	3,571,892	650,915	633,499
Amounts due from related companies	20	747,847	1,015,944	766,706	1,294,595
Other financial assets	15.3	609,790	1,004,306	25,554	57,360
Cash and cash equivalents	24	1,570,868	2,144,349	53,142	203,816
Total current assets		15,765,922	14,931,269	1,501,057	2,199,256
Total assets		49,115,999	42,211,135	17,978,059	14,723,725
EQUITY					
Stated capital	21	130,723	130,723	130,723	130,723
Other equity	22	(2,761,159)	(2,251,743)	-	-
Reserves	23	8,372,364	8,377,688	3,660,492	3,847,002
Retained earnings		8,214,904	7,864,611	5,714,490	5,427,045
Total equity attributable to equity holders of the parent		13,956,832	14,121,279	9,505,705	9,404,770
Non-controlling interest		415,091	383,539	-	-
Total equity		14,371,923	14,504,818	9,505,705	9,404,770
LIABILITIES					
Non-current liabilities					
Borrowings	25	2,570	198,300	-	-
Deferred tax liability	17	1,039,963	777,550	136,731	155,370
Deferred income	26	73,382	84,863	-	-
Employee benefits	27	779,767	638,004	338,695	255,724
Put liability	22	2,761,159	2,251,743	-	-
Total non-current liabilities		4,656,841	3,950,460	475,426	411,094
Current liabilities					
Trade and other payables	28	12,074,704	10,937,305	441,809	382,882
Current tax liability		2,132,378	1,472,988	167,736	109,872
Amounts due to related companies	20	196	3,622	14,170	38,892
Dividends payable	29	69,409	32,715	66,389	32,192
Borrowings	25	15,810,548	11,309,227	7,306,824	4,344,023
Total current liabilities		30,087,235	23,755,857	7,996,928	4,907,861
Total liabilities		34,744,076	27,706,317	8,472,354	5,318,955
Total equity and liabilities		49,115,999	42,211,135	17,978,059	14,723,725

Figures in brackets indicate deductions.

The accounting policies and notes from pages 132 to 200 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)

Mr. 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)

Mr. Ranjit Page
Deputy chairman / CEO

(Signed)

Mr. Imtiaz Abdul Wahid
Managing director/Deputy CEO

5 June 2017
Colombo

Statement of Changes in Equity

Group	Attributable to equity holders of parent								Non controlling interest	Total
	Stated capital	Capital reserve	Revaluation reserve	General reserve	Available for sale reserve	Other equity	Retained earnings	Total		
	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 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)
	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 22)	-	-	-	-	-	(277,432)	-	(277,432)	-	(277,432)
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
Balance as at 1 April 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
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	2,140,184	2,140,184	144,012	2,284,196
Other comprehensive income	-	-	-	-	(5,324)	-	(33,113)	(38,437)	(1,117)	(39,554)
Total comprehensive income	-	-	-	-	(5,324)	-	2,107,071	2,101,747	142,895	2,244,642
Transactions with owners of the company, recognised directly in equity										
Put option over non controlling interest (note 22)	-	-	-	-	-	(509,416)	-	(509,416)	-	(509,416)
Adjustment resulted in decrease of subsidiary shareholding	-	-	-	-	-	-	3,518	3,518	6,058	9,576
Movement due to change in shareholding of equity accounted investee	-	-	-	-	-	-	(1,751)	(1,751)	-	(1,751)
Expense on right issue of equity accounted investee	-	-	-	-	-	-	(145)	(145)	-	(145)
Transfer of revaluation reserve	-	-	-	-	-	-	-	-	-	-
Deferred tax on revaluation	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(1,758,400)	(1,758,400)	(117,401)	(1,875,801)
Balance as at 31 March 2017	130,723	7,928	7,908,678	485,500	(29,742)	(2,761,159)	8,214,904	13,956,832	415,091	14,371,923

* 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 132 to 200 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 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						
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
Balance as at 1 April 2016	130,723	3,385,912	485,500	(24,410)	5,427,045	9,404,770
Total comprehensive income						
Profit for the year	-	-	-	-	1,866,293	1,866,293
Other comprehensive income	-	18,045	-	(5,327)	(19,676)	(6,958)
Total comprehensive income	-	18,045	-	(5,327)	1,846,617	1,859,335
Transactions with owners of the company, recognised directly in equity						
Transfer of revaluation reserve	-	(199,228)	-	-	199,228	-
Dividends	-	-	-	-	(1,758,400)	(1,758,400)
Balance as at 31 March 2017	130,723	3,204,729	485,500	(29,737)	5,714,490	9,505,705

The figures in brackets indicate deductions.

The accounting policies and notes from pages 132 to 200 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 March	Note	Group		Company	
		2017	2016	2017	2016
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash flows from operating activities					
Profit before taxation		4,154,134	2,886,008	1,953,902	879,017
Adjustments for:					
Depreciation	12	1,799,712	1,682,156	37,440	35,965
Employee benefits	27	143,944	118,748	58,047	45,643
Amortisation of intangible assets	14	70,711	36,254	34,046	-
Amortisation of prepayment on leasehold land and building	16	2,480	874	1,605	-
Amortisation of deferred income	26	(11,481)	(11,481)	-	-
Profit on sale of property, plant and equipment and investment property	6	(33,856)	(24,846)	(3,788)	(3,475)
Change in fair value of investment property	13	(166,336)	(53,016)	(71,638)	(62,059)
Impairment of Property Plant and Equipment	12	(198)	922	-	-
Impairment of/(reversal of impairment for) inventories	18	47,901	(19,838)	-	-
Impairment of/(reversal of impairment for) trade receivables	19	(6,647)	4,418	1,461	(1,500)
Net finance costs	7	1,125,102	604,144	662,286	194,518
Dividend income	6	(636)	(720)	(2,419,233)	(827,104)
Impairment of investment in associate	15.4	42,994	36,005	63,044	38,125
Share of associate results and Gain on dilution of investment in associate	15.4	(21,780)	25,877	-	-
Loss from disposal of investments in subsidiary		-	-	1,696	-
Operating profit before working capital changes		7,146,044	5,285,505	318,868	299,130
Changes in working capital					
- (Increase) / decrease in inventories		(1,156,952)	(957,356)	5,246	19,232
- (Increase) / decrease in trade and other receivables		(1,197,139)	(481,967)	(32,825)	629
- (Increase) / decrease in related company receivables		268,097	(58,811)	201,889	1,651,446
- Increase / (decrease) in trade and other payables		1,085,800	2,852,200	58,925	(50,969)
- Increase / (decrease) in related company payables		(3,426)	3,622	(612)	(89,677)
Cash generated from operations		6,142,423	6,643,193	551,491	1,829,791
Taxes paid		(929,957)	(487,118)	(4,903)	(249,288)
Interest paid	7	(1,401,649)	(797,599)	(783,688)	(326,178)
Gratuity paid	27	(55,735)	(24,289)	(26,514)	(9,640)
Net cash generated from/(used in) operating activities		3,755,083	5,334,187	(263,614)	1,244,685

For the year ended 31 March	Note	Group		Company	
		2017	2016	2017	2016
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash flows from investing activities					
Addition to property, plant and equipment	12	(4,507,225)	(2,200,773)	(58,299)	(21,983)
Addition to investment property	13	-	-	(13,614)	(525,392)
Addition to intangible assets	14	(185,599)	(77,945)	(150,345)	-
Finance income received	7.1	276,547	193,455	121,402	131,660
Addition to Investment in Associate	15.2	(2,533,105)	(1,276,000)	(2,533,105)	(1,276,000)
Dividend received	6	636	720	2,419,233	827,104
Proceeds from disposal of property, plant and equipment		69,501	31,451	298,680	3,475
Addition/disposal to other financial assets		389,192	(89,048)	26,480	(31,171)
Addition to prepaid leases	16	(153,349)	-	(153,349)	-
Disposal / (acquisition) of controlling interest in subsidiaries net of cash		(143,108)	-	-	-
Proceed from sale of investment property		-	-	2,254,000	-
Investment in new share issue of subsidiary		-	-	(3,437,000)	-
Proceed from disposal of investments		9,576	-	100,259	-
Net cash used in investing activities		(6,776,934)	(3,418,140)	(1,125,658)	(892,307)
Cash flows from financing activities					
Net proceeds from/(repayment of) short term borrowings		4,516,595	439,575	3,857,500	1,240,700
Net proceeds from/(repayment of) long term borrowings		(198,181)	(532,622)	-	-
Dividend paid		(1,839,107)	(601,454)	(1,724,203)	(566,412)
Net cash generated from/(used in) financing activities		2,479,307	(694,501)	2,133,297	674,288
Increase / (decrease) in cash and cash equivalents		(542,544)	1,221,546	744,025	(1,304,573)
Movement in cash and cash equivalents					
At the beginning of the year		(1,116,906)	(2,338,452)	(1,499,507)	(2,526,173)
Movement during the year		(542,544)	1,221,546	744,025	1,026,666
At the end of the period		(1,659,450)	(1,116,906)	(755,482)	(1,499,507)

The figures in brackets indicate deductions.

The accounting policies and notes from pages 132 to 200 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 2017 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 and 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 2017 is 1,941 (1,870 as at 31st March 2016).

The staff strength of the Group as at 31st March 2017 is 8,730 (8,738 as at 31st March 2016).

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', 'Nabisco', 'Tang' and 'Toblerone' etc.
 5. Production, import and distribution of agricultural seeds.

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, which are measured on an alternative basis on each reporting date in the Statement of Financial Position:

Item	Basis of measurement	Note No.
Property Plant and Equipment	Cost / Revaluation	12
Financial Investments Available-for-sale	Fair Value	15.3
Employee Benefits	Liability is recognised as the present value of the defined benefit obligation.	27
Investment Properties	Fair Value	13
Put liability	Present value of exercise price	22

2.2 Statement of Compliance

The Consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31st March 2017 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 shareholder's 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.

These financial statements, except for information on cash flows have been prepared following the accrual basis of accounting.

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 for Financial Statements as set out in the Annual Report of the Board of Director's,

"Statement of Directors' Responsibility", and 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 2017 (including comparatives) were approved and authorised for issue on 5 June 2017.

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 Judgements, 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 judgements, 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

Notes to the Financial Statements

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 judgements, 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 judgements, estimates and assumptions involving uncertainty of respective carrying amounts of such assets and liabilities are as given in related Notes.

Note 17 – Deferred taxation
Note 27 – Employee benefits
Note 22 – 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.

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 2017 except for the company stated in the note 15.5. 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'.

3.1.3 Non-Controlling Interests

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

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

Acquisition of non-controlling interests 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.

3.1.4 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.

3.1.5 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.

Investments in Associates are 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'.

3.1.6 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

Notes to the Financial Statements

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.

3.1.7 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 unrealised 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. Foreign currency differences are generally recognised in profit or loss.

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'.

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:

- 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
- Financial liabilities at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

Notes to the Financial Statements

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-recognise 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;
- ♦ 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.

3.3.8.1 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.

3.3.8.2 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.

3.3.8.3 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,

Notes to the Financial Statements

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.

3.3.9 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 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.

3.5 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.

3.6 Employee Benefits

3.6.1 Defined contribution plans -Employees' Provident Fund and Employees' Trust 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.

3.7 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.

3.8 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.

3.9 Leases

3.9.1 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.

3.9.2 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.

3.10 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.

Statement of Profit or Loss and Other Comprehensive Income

Expenditure Recognition

3.11 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.

3.12 Leases

3.12.1 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.

3.12.2 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.

3.13 Tax Expenses

3.13.1 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.

3.14 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 24.

Notes to the Financial Statements

3.15 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 2017 and have not been applied in preparing these Consolidated Financial Statements. The Group plans to apply these standards on the respective effective dates.

SLFRS 9 - Financial Instruments:

SLFRS 9, issued in 2014, replaces the existing guidance on LKAS 39 – Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018. The impact on the implementation of the above standard has not been quantified yet.

SLFRS 15 - Revenue from contracts with customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 on 'Revenue' and LKAS 11 on 'Construction Contracts'.

SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018. The impact on the implementation of the above standard has not been quantified yet.

SLFRS 16 – Leases

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.

SLFRS 16 is effective for annual Reporting periods beginning on or after January 01, 2019.

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

4. Revenue

Accounting Policy

Revenue Recognition

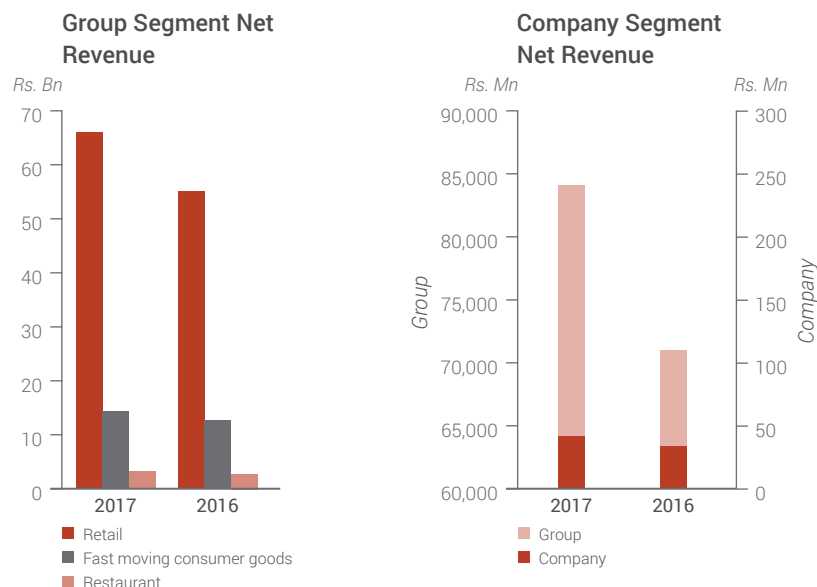
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

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.

For the year ended 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Gross revenue	91,385,958	76,824,682	46,479	34,982
Revenue related taxes	(7,195,088)	(5,807,692)	(4,290)	(1,359)
Net revenue	84,190,870	71,016,990	42,189	33,623

The Group primarily has three business segments namely, Retail, Fast Moving Consumer Goods (FMCG) and Restaurant, segmental information are disclosed in note 30.



5. Cost of sales

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

Notes to the Financial Statements

6. Other Income

Accounting Policy

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 of 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.

For the year ended 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Dividend income	636	720	2,419,233	827,104
Rental income	38,056	34,248	207,452	191,851
Profit on sale of property, plant and equipment and investment property	33,856	24,846	3,788	3,475
Income from services	-	-	595,190	594,090
Merchandising income	1,471,436	1,396,115	3,172	-
Foreign exchange gain	7,321	9,385	-	-
Amortisation of deferred income				
- Capital grant	11,481	11,481	-	-
Sundry income	126,290	57,786	41,688	1,965
	1,689,076	1,534,581	3,270,523	1,618,485

7. Net finance costs

For the year ended 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
7.1 Finance income				
- Interest income	276,547	193,455	121,402	131,660
	276,547	193,455	121,402	131,660
7.2 Finance cost on;				
- Short term loans	982,936	463,535	639,375	203,484
- Bank overdrafts	270,501	189,268	142,092	116,159
- Other loans and bank charges	147,552	144,121	2,221	6,535
- Staff security deposits	660	675	-	-
	1,401,649	797,599	783,688	326,178
Net finance cost	1,125,102	604,144	662,286	194,518

Borrowing cost capitalised by the Group and the Company on qualifying assets during the financial year and year 2016 are nil.

8. Profit before taxation

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

For the year ended 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Staff costs (note 8.1)	5,538,136	4,870,513	273,446	214,029
Auditors' remuneration				
- Audit	7,677	6,859	760	699
- Non audit services	5,782	1,719	635	609
Depreciation on property, plant and equipment (note 12)	1,799,712	1,682,156	37,440	35,965
Amortisation/impairment of intangible assets (note 14)	70,711	36,254	34,046	-
Foreign exchange gain (note 06)	(7,321)	(9,385)	-	-
Impairment / (reversal) for inventories (note 18)	47,901	(19,838)	-	-
Directors' emoluments (note 34.1)	277,704	232,032	38,743	36,311

Notes to the Financial Statements

8. Profit before taxation (contd.)

For the year ended 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
8.1 Staff costs				
Salaries, wages and other costs	4,956,317	4,371,863	194,964	151,421
Pension costs - Employee benefits (note 27.3)	143,944	118,748	58,047	45,643
Defined contribution plan cost - EPF and ETF	437,875	379,902	20,435	16,965
	5,538,136	4,870,513	273,446	214,029
Number of employees as at 31 March	8,730	8,738	1,941	1,870

9. Income tax expense

Accounting Policy

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.

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 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.

	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
For the year ended 31 March				
Current income tax				
Current tax charge (note 9.1)	1,263,108	862,020	80,551	86,010
Dividend tax	328,190	124,622	-	-
Over provision of current tax of previous years	(3,568)	-	-	-
Deferred income tax (note 9.2)	282,208	208,785	7,058	13,825
	1,869,938	1,195,427	87,609	99,835

- (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, 31 March 2016 and 31 March 2017 although tax returns continue to be filed based on concessionary tax rate.

- (b) During the year the group and the company paid Economic Service Charge (ESC) amounting to Rs. 171.08 Mn (2016 - Rs. 130.91 Mn) and Rs. 0.57 Mn (2016 - nil) respectively.

Notes to the Financial Statements

9. Income tax expense (contd.)

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

For the year ended 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Profit before taxation	4,154,134	2,886,008	1,953,902	879,017
Aggregate disallowed expenses	3,531,876	2,573,471	973,925	453,735
Aggregate allowable expenses	(2,969,731)	(2,604,297)	(145,815)	(134,696)
Aggregate other income	(430,452)	(240,749)	(2,616,828)	(1,024,297)
Adjusted business profit	4,285,827	2,614,433	165,184	173,759
Tax losses incurred	60,840	313,428	-	-
Taxable income from other sources	236,688	199,775	122,170	131,660
Adjusted profit (a)	4,583,355	3,127,636	287,354	305,419
Tax losses brought forward	1,792,865	1,628,580	-	-
Tax losses added (note 9.1.1)	60,840	313,428	-	-
Tax losses of disposed subsidiary	-	-	-	-
Tax losses utilised (b)	(65,429)	(76,398)	-	-
Adjustment on finalisation of liability	12,753	(72,745)	-	-
Tax losses carried forward	1,801,029	1,792,865	-	-
Qualifying payment relief	-	-	-	-
Taxable income (a+b)	4,517,926	3,051,238	287,354	305,419
Income tax @ 28%	1,261,425	833,139	80,244	84,367
Income tax @ 12%	1,014	607	-	-
Income tax @ 10%	362	-	-	-
Income tax @ 40%	307	28,274	307	1,643
Current tax charge	1,263,108	862,020	80,551	86,010
9.1.1 Tax losses added				
Tax losses incurred by continuing operations	60,840	313,428	-	-
	60,840	313,428	-	-

For the year ended 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000

9.2 Deferred income tax

Deferred tax expense arising from;

Operating lease liability	(20,972)	(25,178)	-	-
Accelerated depreciation for tax purposes	310,106	337,743	22,639	23,905
Provisions	2,273	(7,646)	-	-
Employee benefits	(25,602)	(26,314)	(15,581)	(10,080)
Benefit arising from tax losses	13,188	(10,428)	-	-
Deferred income	3,215	2,737	-	-
Increase / (decrease) in future tax rate	-	(62,129)	-	-
Deferred tax charge / (release)	282,208	208,785	7,058	13,825

Deferred tax has been computed taking into consideration the tax rates effective from 1 April 2016 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.

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

As at 31 March	2017		2016	
	Temporary difference Rs. '000	Tax effect on temporary difference Rs. '000	Temporary difference Rs. '000	Tax effect on temporary difference Rs. '000
Deductible temporary differences	40,551	11,354	1,914	536
Tax losses	245,088	29,411	209,664	31,206
	285,639	40,765	211,578	31,742

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".

Notes to the Financial Statements

10. Earnings per share (EPS)

Accounting Policy

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

For the year ended 31 March	Group		Company	
	2017	2016	2017	2016
Profit attributable to equity shareholders of the parent (Rs. '000)	2,140,184	1,623,986	1,866,293	779,182
Weighted average number of ordinary shares	224,000,000	224,000,000	224,000,000	224,000,000
Basic earnings per share (Rs.)	9.55	7.25	8.33	3.48

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

11. Dividend per share

For the year ended 31 March	Group				Company			
	2017		2016		2017		2016	
	Rs.	Rs. '000	Rs.	Rs. '000	Rs.	Rs. '000	Rs.	Rs. '000
Dividends for the year								
1st Interim - paid	1.80	403,200	1.25	280,000	1.80	403,200	1.25	280,000
2nd Interim - paid	3.80	851,200	-	-	3.80	851,200	-	-
Final - proposed	-	-	2.25	504,000	-	-	2.25	504,000
	5.60	1,254,400	3.50	784,000	5.60	1,254,400	3.50	784,000

1st interim dividend of Rs. 1.80 per share (Rs. 403.20 Mn) was paid on 17 January 2017 and 2nd interim dividend of Rs. 3.80 per share (Rs. 851.20 Mn) was paid on 24 March 2017 for the year ended 31st March 2017.

12. Property plant and equipment

Accounting Policy

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.

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 and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Cost model

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Revaluation Model

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. Revaluation of free hold land and buildings are done by professionally qualified independent valuers once in every three years. The Group revalued all its freehold land and buildings as at 31 March 2016.

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.

Repairs and 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 and Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

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.

Notes to the Financial Statements

12. Property plant and equipment (contd.)

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' or expense in the Statement of Profit or Loss in the year the asset is de-recognised.

The revaluation surplus included in equity in respect of an item of property, plant and equipment will be transferred directly from revaluation reserve to retained earnings when the asset is de-recognised.

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;

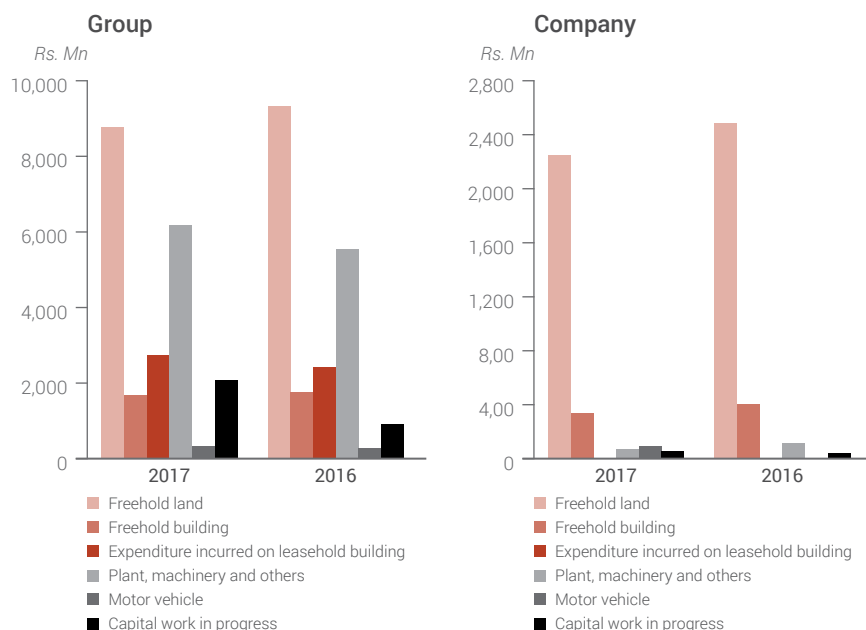
Class of asset	% per annum	Period
Buildings	2	50 years
Improvement of leasehold properties	10 – 25	4 -10 years
Motor vehicles	25	4 years
IT equipment and software	20 – 33.3	3 -5 years
Office and other equipment	20	5 years
Air condition and refrigeration	10 – 20	5 -10 years
Plant and machinery	10 – 20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

	Freehold land	Freehold building	Expenditure incurred on leasehold building	Plant, machinery and others	Motor vehicles	Total 2017	Total 2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group							
Cost / revaluation							
As at 1 April	9,364,308	2,320,109	5,250,439	12,946,085	997,021	30,877,962	27,742,803
Additions	451,797	75,285	790,919	1,814,724	194,373	3,327,098	2,264,911
Revaluation	-	-	-	-	-	-	921,100
Acquisition of subsidiary	-	-	-	7,176	19,672	26,848	-
Disposals	-	-	-	(79,432)	(84,440)	(163,872)	(34,990)
Impairment	-	-	-	(237)	-	(237)	(15,862)
Transfer to investment property	(1,008,492)	(64,535)	-	-	-	(1,073,027)	-
As at 31 March	8,807,613	2,330,859	6,041,358	14,688,316	1,126,626	32,994,772	30,877,962
Depreciation / Impairment							
As at 1 April	-	562,741	2,827,642	7,394,827	730,980	11,516,190	9,877,359
Charge for the year	-	83,012	463,094	1,128,375	125,231	1,799,712	1,682,156
Acquisition of subsidiary	-	-	-	6,230	15,541	21,771	-
Disposals	-	-	-	(51,022)	(77,205)	(128,227)	(28,385)
Impairment	-	-	-	(220)	(215)	(435)	(14,940)
Transfer to investment property	-	(5,735)	-	-	-	(5,735)	-
As at 31 March	-	640,018	3,290,736	8,478,190	794,332	13,203,276	11,516,190
Carrying value							
Capital work in progress	-	-	-	-	-	2,084,439	904,312
Carrying value as at 31 March	8,807,613	1,690,841	2,750,622	6,210,126	332,294	21,875,935	20,266,084
Company							
Cost / revaluation							
As at 1 April	2,488,292	450,734	3,536	194,576	136,156	3,273,294	3,172,646
Additions	-	-	-	6,260	48,800	55,060	37,362
Revaluation	-	-	-	-	-	-	65,849
Disposals	(236,292)	(64,535)	-	-	(15,243)	(316,070)	(2,563)
As at 31 March	2,252,000	386,199	3,536	200,836	169,713	3,012,284	3,273,294
Depreciation / Impairment							
As at 1 April	-	42,934	1,250	138,076	128,906	311,166	277,764
Charge for the year	-	8,156	882	18,435	9,967	37,440	35,965
Disposals	-	(5,735)	-	-	(15,243)	(20,978)	(2,563)
As at 31 March	-	45,355	2,132	156,511	123,630	327,628	311,166
Carrying value							
Capital work in progress	-	-	-	-	-	2,684,656	2,962,128
Carrying value as at 31 March	2,252,000	340,844	1,404	44,325	46,083	2,707,562	2,981,795

Notes to the Financial Statements

12. Property plant and equipment (contd.)



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

Freehold lands and buildings owned by the Group are revalued once in three years by an independent professional valuer. The latest revaluation was carried out by Mr. Tissa Weeratne, (Chartered Valuation Surveyor, UK, FIVSL) 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 25.3 to the financial statements.

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

As at 31 March	Land		Building	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Group				
Cost	2,404,751	2,036,153	1,443,714	1,368,429
Accumulated depreciation	-	-	(405,362)	(377,889)
Net book value	2,404,751	2,036,153	1,038,352	990,540
Company				
Cost	1,812	85,081	39,961	39,961
Accumulated depreciation	-	-	(9,996)	(9,197)
Net book value	1,812	85,081	29,965	30,764

Depreciation to the value of Rs. 1,449.41 Mn (2016 - Rs. 1,348.36 Mn) and Rs. 350.30 Mn (2016 - Rs. 333.8 Mn) has been charged respectively to the cost of goods sold and distribution, administration and other expenses of the Group. The total depreciation cost amounting to Rs. 37.44 Mn (2016 - Rs. 35.97 Mn) is included in the 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. 2,649.38 Mn (2016 - 2,354.35 Mn) and that of the Company is Rs. 225.87 Mn (2016 - Rs. 224.14 Mn).

13. Investment property

Accounting Policy

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.

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.

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.

Any difference at the date of the change in use between the carrying amount of the property and its fair value is recognised as a revaluation of property, plant and equipment and is not transferred to profit or loss at the date of transfer and subsequent disposal, any existing revaluation surplus that was recognised under revaluation model to the property will be transferred to retained earnings.

Notes to the Financial Statements

13. Investment property (contd.)

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.

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.

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.

	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
As at 1st April	3,543,564	3,490,548	5,443,351	4,855,900
Additions	-	-	-	525,392
Reclassification to PPE	1,067,292	-	-	-
Disposal	-	-	(2,253,800)	-
Changes in fair value during the year	166,336	53,016	71,638	62,059
	4,777,192	3,543,564	3,261,189	5,443,351
CWIP addition	-	-	13,614	-
As at 31st March	4,777,192	3,543,564	3,274,803	5,443,351

In accordance with LKAS 40, fair value of the above Investment Properties were ascertained as at 31 March 2017 by Mr. T Weeratne (FIV), an independent professional valuer.

Rental income earned from investment properties by the Group and Company amounts to Rs. 36.72 Mn (2016 - Rs. 28.39 Mn) and Rs.120.00 Mn (2016 - Rs. 108.38 Mn) respectively. Direct operating expenses incurred on investment property by Group and Company amounts to Rs. 19.34 Mn (2016 - Rs. 19.46 Mn) and Rs. 39.47 Mn (2016 - Rs. 43.50 Mn). The fair value measurement for all the investments properties has been categorised as a level 3 fair value based on the inputs to the valuation techniques used.

Location	Method of valuation	Effective date of valuation	Property valuer	Land extent	No of buildings	Significant unobservable inputs	Group		Company	
							2017 Valuation Rs. '000	2016 Valuation Rs. '000	2017 Valuation Rs. '000	2016 Valuation Rs. '000
Canal Row, Colombo 01	Open market value	31/03/2017	Mr. Tissa Weeratne*	15 Perches	1	Market value per perch	-	-	343,000	325,000
Vauxhall street	Open market value	31/03/2017	Mr. Tissa Weeratne*	1.5 Acres	2	Market value per perch	2,344,300	2,253,800	-	2,253,800
Braybrooke place	Open market value	31/03/2017	Mr. Tissa Weeratne*	78 Perches	2	Market value per perch	647,600	627,800	647,600	627,800
Cargills Square-Jaffna	Income approach	31/03/2017	Mr. Tissa Weeratne*	Leasehold	1	Rental per square foot	558,137	555,966	925,600	922,000
Staple Street - Colombo 02	Open market value	31/03/2017	Mr. Tissa Weeratne*	82 Perches	3	Market value per perch	-	-	786,688	776,750
Moratuwa	Open market value	31/03/2017	Mr. Tissa Weeratne*	78.6 Perches	-	Market value per perch	-	-	263,300	255,500
Dematagoda	Open market value	31/03/2017	Mr. Tissa Weeratne*	84 Perches	-	Market value per perch	-	-	295,000	282,500
Dawson street	Open market value	31/03/2017	Mr. Tissa Weeratne*	94 Perches	-	Market value per perch	800,280	-	-	-
Nittambuwa	Open market value	31/03/2017	Mr. Tissa Weeratne*	112 Perches	-	Market value per perch	118,875	102,250	-	-
Boralesgamuwa	Open market value	31/03/2017	Mr. Tissa Weeratne*	2.5 Acres	5	Market value per perch	308,000	-	-	-

* Mr. Tissa Weeratne, (Chartered Valuation Surveyor, UK, FIVSL)

Notes to the Financial Statements

14. Intangible assets

Accounting Policy

Intangible Assets

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

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.

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.

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.

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.

	Goodwill		Franchise fee		Software		Brand name		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group										
Gross value										
As at 1 April	396,571	396,571	184,174	180,671	115,655	41,213	661,865	661,865	1,358,265	1,280,320
Additions	133,196	-	11,694	3,503	173,905	74,442	-	-	318,795	77,945
As at 31 March	529,767	396,571	195,868	184,174	289,560	115,655	661,865	661,865	1,677,060	1,358,265
Amortisation/Impairment										
As at 1 April	138,978	138,978	95,021	81,022	46,843	24,588	-	-	280,842	244,588
Amortisation for the year	-	-	14,537	13,999	56,174	22,255	-	-	70,711	36,254
Disposal	-	-	-	-	-	-	-	-	-	-
As at 31 March	138,978	138,978	109,558	95,021	103,017	46,843	-	-	351,553	280,842
Carrying value as at 31st March	390,789	257,593	86,310	89,153	186,543	68,812	661,865	661,865	1,325,507	1,077,423

	Software		Total	
	2017	2016	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000

Company

Gross value

As at 1 April	-	-	-	-
Additions	150,345	-	150,345	-
As at 31 March	150,345	-	150,345	-

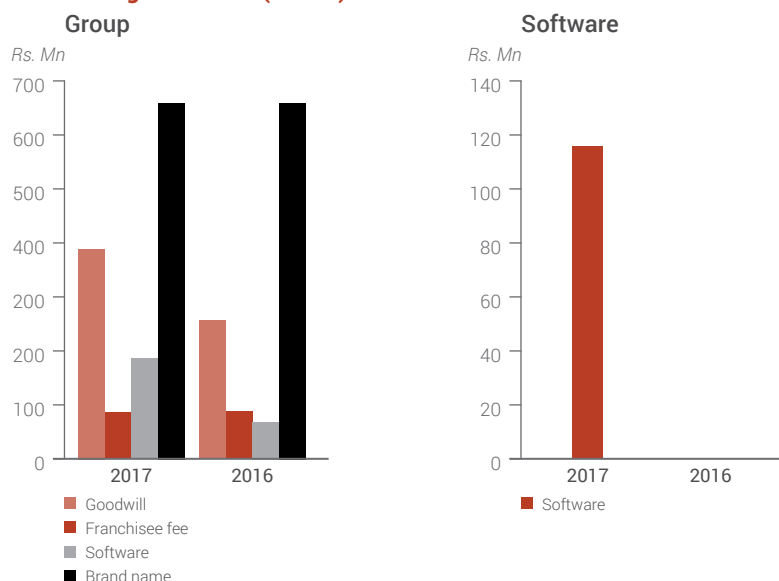
Amortisation/Impairment

As at 1 April	-	-	-	-
Amortisation for the year	34,046	-	34,046	-
Disposal	-	-	-	-
As at 31 March	34,046	-	34,046	-

Carrying value as at 31st March	116,299	-	116,299	-
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Notes to the Financial Statements

14. Intangible assets (contd.)



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 Kotmale Holding 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. 15.85 Mn (2016 - 15.31 Mn) have been included in cost of goods sold and Rs. 54.86 Mn (2016 - 20.94 Mn) in administrative and other expenses of the group. Amortisation of intangible assets of Rs. nil (2016 - nil) have been included in cost of goods sold and Rs. 34.05 Mn (2016 - nil Mn) in administrative expenses of the Company.

15. Investments

As at 31 March	No of Shares	Holding %	Group		Company	
			2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
15.1 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	23,501,001	100	-	-	2,350,100	100
The Empire Investments						
Company (Private) Limited	77,600,000	100	-	-	776,000	-
Kotmale Holdings PLC	54,315	0.17	-	-	3,437	105,392
Frederick North Hotel Company Limited	31,100,000	100	-	-	311,000	-
			-	-	5,108,990	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 Statement of the said subsidiary has been consolidated with Cargills (Ceylon) PLC.

Cargills Agrifoods Limited, CPC Lanka Limited, Cargills Quality Dairies (Private) Limited (CQD), Cargills Distributors (Private) Limited (CDL), Cargills Food Processors (Private) Limited (CFP), Millers Limited and Cargills Quality Confectionaries (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 a 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 subsidiary of CQF and CCP.

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 – In the previous year, subsequent to a voluntary offer, (made on 14th January 2015) Cargills (Ceylon) PLC made an announcement to exercise its option in terms of sec.246 of Companies Act No.7 of 2007 to compulsorily acquire all the shares in the subsidiary Kotmale Holdings PLC (KHP) not already owned by the Company and its wholly owned subsidiaries Cargills Quality Food Ltd (CQF) and Cargills Quality Dairies (Pvt) Ltd (CQD) at that time. Consequent to this offer, the remaining shares of KHP amounting to 852,712 shares were acquired at a total cost of Rs. 54.14 Mn (at Rs 62.50 per share) by the Company in terms of the said sec. 246 of the Companies Act. This action was based on legal advice received that the aforesaid section could be read on a standalone basis. The Securities and Exchange Commission of Sri Lanka (SEC) subsequently informed the Company that the said Section 246 cannot be read on a standalone basis and should be read as a part of Part VIII of the Companies Act which deals with 'Amalgamations'. Accordingly, the SEC directed that the Company and KHP give the former minority shareholders of KHP the opportunity to continue as shareholders of KHP if they so desire. Accordingly on 18 July 2016 the Company (jointly with KHP) wrote to the shareholders as directed by the SEC. Applications were received from shareholders holding 18,512 shares requesting to continue as shareholders of KHP, while holders of 297 shares requested for fresh Cheques to complete the disposal of their shares. Additionally the shareholders who did not encash their previous pay orders also continue to remain as shareholders of the KHP. In a separate transaction, on 3 March 2017, the Company and CQF transferred 1,459,864 shares and 29,539,097 shares respectively held in KHP to CQD. Accordingly, as at 31 March 2017, the Company directly and through subsidiaries holds 31,246,778 shares representing 99.51% of the issued share capital of KHP.

In March 2017 the following group companies issued shares to Cargills (Ceylon) PLC for the following values –

- ♦ Dawson Office Complex (Private) Limited, issued 23,500,000 shares for a cash consideration of Rs. 2,350,000,000
- ♦ The Empire Investments Company (Private) Limited issued 77,600,000 shares for a cash consideration of Rs. 776,000,000
- ♦ Frederick North Hotel Company Limited issued 31,100,000 shares for a cash consideration of Rs 311,000,000.

The financial statements of the said companies have been consolidated as 100% subsidiaries of the Company

Notes to the Financial Statements

15. Investments (contd.)

15.1.1 Acquisition of Subsidiary

On 11 August 2016, wholly owned subsidiary of the Company, Cargills Agrifoods Limited acquired 1,460,002 ordinary shares representing 100% stake of Ceylon Agro Development Company (Private) Limited at a total purchase consideration of Rs. 160mn. The Ceylon Agro Development Company (Private) Limited is engaged in producing and distribution of agricultural seeds.

(i) Acquisition-related costs

The Group incurred acquisition-related costs of Rs. 1.11 Mn on due diligence costs. These costs have been included in 'administrative expenses'.

(ii) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Note	Rs.000
Property plant and equipment	12	5,077
Inventories		32,780
Trade and other receivables		47,296
Cash and cash equivalents		17,749
Non current portion of finance lease liabilities	25.2	(2,452)
Employee benefits	27.1	(3,910)
Trade and other payables		(51,599)
Current tax liability		(1,617)
Current portion of finance lease liabilities	25.2	(2,417)
Short term loans		(13,246)
Bank overdraft		(838)
Total identifiable net assets acquired		26,823

(iii) Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Property, plant and equipment

Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Inventories

Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	Rs.000
Consideration transferred	160,019
Value of identifiable net assets acquired	(26,823)
Goodwill	133,196

The goodwill is attributable mainly to the skills and technical talent of the work force and the synergies expected to be achieved from integrating the company into the Group's existing businesses. None of the goodwill recognised is expected to be deductible for tax purposes.

(v) Net cash outflow on acquisition of subsidiaries

	Rs.000
Consideration paid in cash	160,019
Less: cash and cash equivalent balances acquired	(16,910)
	143,108

As at 31 March	No of Shares	Holding %	Group		Company	
			2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
15.2 Investment in associate						
Unquoted						
C T Properties Ltd	54,100,000	21.76	408,525	140,640	403,596	140,640
Cargills Bank Limited	350,696,905	39.71	4,734,704	889,013	4,717,843	908,738
			5,143,229	1,029,653	5,121,439	1,049,378
Investment Advance						
Cargills Bank Limited			-	1,276,000	-	1,276,000
			-	1,276,000	-	1,276,000
			5,143,229	2,305,653	5,121,439	2,325,378

15.2.a An impairment amounting to Rs.63.04 Mn (2016 - Rs. 38.13 Mn) and Rs 42.99 Mn (2016 - Rs.36.01 Mn) has been recognised in relation to investment in associate of C T Properties Limited in the Company and Group respectively.

Notes to the Financial Statements

15. Investments (contd.)

15.3 Other financial assets

15.3.1 Available for sale financial instruments

As at 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Other Quoted equity investments				
Lanka IOC PLC	6,500	8,061	6,500	8,060
Sierra Cables PLC	145	199	29	39
Aitken Spence PLC	19,661	26,616	19,661	26,616
	26,306	34,876	26,190	34,715
Increase/(Decrease) in fair value of investments	(5,324)	(8,570)	(5,327)	(8,526)
	20,982	26,306	20,863	26,189

15.3.2 Other non equity investments

Call deposits / Fixed deposit	461,490	847,828	4,691	31,171
Re-purchase agreements	127,318	130,172	-	-
	588,808	978,000	4,691	31,171
	609,790	1,004,306	25,554	57,360

The market value of quoted short term investments of Group as at 31 March 2017, as quoted by the Colombo Stock Exchange amounted to Rs. 20.98 Mn (2016 - Rs. 26.31 Mn)

15.4 Investment in associates

	Group	
	2017 Rs. '000	2016 Rs. '000
As at 1 April	1,029,653	1,093,699
Acquisition	2,533,105	-
Transfer from investment in advanced and amounts due from related companies	1,602,000	-
Gain on dilution of investment in associate	-	38,327
Share of profit/(loss) incurred	21,780	(64,204)
Share of other comprehensive income	1,581	(2,367)
OCI share of gain on dilution of investment in associate	-	203
Movement due to change in shareholding of equity accounted investee	(1,751)	-
Expense on right issue of equity accounted investee	(145)	-
Impairment	(42,994)	(36,005)
As at 31 March	5,143,229	1,029,653

15.5 Summarised financial information of associates

For the year ended 31 March	Group			
	C T Properties Limited		Cargills Bank Limited	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Revenue	105,900	55,164	1,194,681	770,443
Operating expenses	(93,168)	(36,292)	(1,237,695)	(1,094,224)
Finance expenses	(103,053)	(25,577)	-	-
Income tax expense	(6,436)	54	70,483	8,074
Share of non controlling interest	-	-	(1,455)	(118)
Profit/(Loss) for the year	(96,757)	(6,651)	26,014	(315,825)
Other comprehensive income/(expenses)	(6)	(28)	(3,715)	(11,813)
Total comprehensive income/(expenses)	(96,763)	(6,679)	22,299	(327,638)
Group's share of profit / (loss)	(15,122)	(1,039)	36,902	(63,165)
Group's share of other comprehensive income	-	(4)	1,581	(2,363)
Group's share of total comprehensive income	(15,122)	(1,043)	38,483	(65,528)

As at 31 March	Group			
	C T Properties Limited		Cargills Bank Limited	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Total assets	2,755,394	2,808,274	21,416,906	14,253,284
Total liabilities	(781,015)	(1,847,132)	(10,674,122)	(9,336,033)
Minority interest	-	-	(89,305)	(77,735)
Net assets	1,974,379	961,142	10,653,479	4,839,516
Ownership interest	21.76%	15.63%	39.71%	18.22%
Group's share of net assets	429,715	150,211	4,230,507	881,734
Goodwill	31,375	26,434	504,197	7,279
Impairment	(52,565)	(36,005)	-	-
	408,525	140,640	4,734,704	889,013

Notes to the Financial Statements

15. Investments (contd.)

15.5.a Company invested Rs. 1,276 Mn and Rs. 2,533 Mn in Cargills Bank Limited and accordingly 88,000,000 and 174,696,905 additional shares were issued on 10 May 2016 and 30 June 2016. As a result, during the year the holding percentage of the Company in Cargills Bank Limited increased from 18.22% to 39.71%.

In March 2017 CT Properties Limited issued 32,600,000 ordinary shares at Rs 10.00 each to the Company by converting Rs. 326,000,000 debt due to the Company. As a result, the holding percentage of the Company in CT Properties Ltd increased from 15.63% to 21.76%.

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

16. Prepayment on leasehold land and building

	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Gross value				
As at 31 March	188,349	35,000	153,349	-
Amortisation				
As at 1 April	9,625	8,751	-	-
Amortisation for the year	2,480	874	1,605	-
As at 31 March	12,105	9,625	1,605	-
Balance as at 31 March	176,244	25,375	151,744	-
Current portion of the prepayment	4,710	875	3,835	-
Non- current portion of the prepayment	171,534	24,500	147,909	-
	176,244	25,375	151,744	-

Property	Lease period	Lease Value Rs. '000
Cargills (Ceylon) PLC		
Wellawatte land	From 5 Sep. 2016 to 22 Aug. 2056	153,349
Cargills Quality Dairies (Private) Limited		
Banduragoda land and building	From 12 Feb. 2002 to 22 May 2045	35,000

17. Deferred tax

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
As at 1 April	62,642	74,742	777,550	569,951	-	-	155,370	141,711
On revaluation surplus of the building	-	(13,872)	-	-	-	-	-	-
Transfer between deferred tax assets & liabilities	(6,375)	(39,288)	(6,375)	(39,288)	-	-	-	-
Revaluation	-	-	-	10,432	-	-	(18,045)	(1,804)
De recognition on disposal of subsidiaries	-	-	-	-	-	-	-	-
Release / (charge) for the year	413	41,060	268,788	236,455	-	-	(594)	15,463
As at 31 March	56,680	62,642	1,039,963	777,550	-	-	136,731	155,370

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	(22,540)	(44,313)	1,331,914	1,000,036	-	-	134,594	111,956
- Temporary difference of revaluation surplus of building	(13,023)	(23,314)	154,736	144,444	-	-	96,972	115,016
- Temporary difference on provisions	3,705	7,282	(34,070)	(32,766)	-	-	-	-
- Temporary difference of employee benefits	4,625	3,356	(212,184)	(174,018)	-	-	(94,835)	(71,602)
- Temporary difference on deferred income	-	-	(20,546)	(23,761)	-	-	-	-
- Temporary difference of carry forward tax losses	83,913	119,631	(22,530)	-	-	-	-	-
- Temporary difference of operating lease liability	-	-	(157,357)	(136,385)	-	-	-	-
- Temporary difference of increase in future tax rates	-	-	-	-	-	-	-	-
	56,680	62,642	1,039,963	777,550	-	-	136,731	155,370

Reversal/(origination) of deferred tax

Total expense released/(charged) to profit or loss	211	32,337	(282,419)	(241,121)	-	-	(7,058)	(13,825)
Total expense Released/(charged) to OCI	202	(5,149)	13,631	(5,766)	-	-	25,697	166
	413	27,188	(268,788)	(246,887)	-	-	18,639	(13,659)

Deferred tax assets of Rs. 48.09 Mn, Rs. 7.48 Mn and Rs. 1.10 Mn respectively arising from the subsidiaries Cargills Quality Foods Company (Private) Limited, Cargills Food Services (Private) Limited and Ceylon Agro Development (Private) Limited have been recognized.

18. Inventories

Accounting Policy

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.

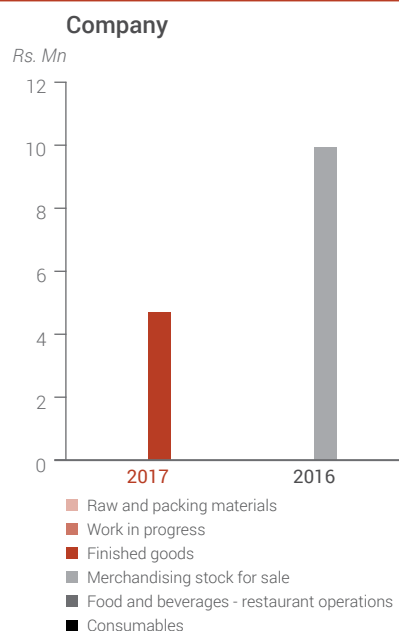
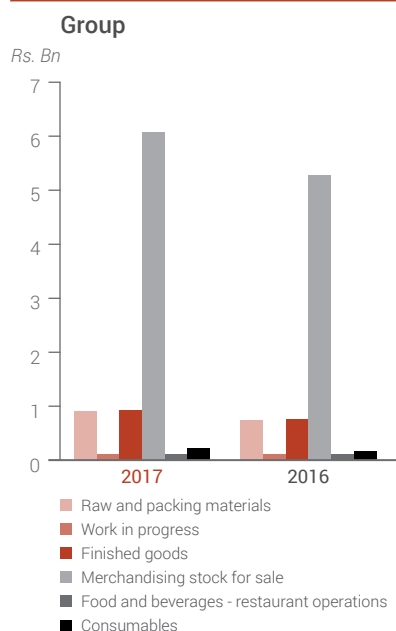
Notes to the Financial Statements

18. Inventories (contd.)

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

Raw and 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

As at 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Raw and packing materials	914,777	747,444	-	-
Work in progress	62,798	57,362	-	-
Finished goods	931,764	763,611	-	-
Merchandising stock for sale	6,087,135	5,291,602	4,740	9,986
Food and beverages - restaurant operations	63,338	59,259	-	-
Consumables	170,985	139,472	-	-
	8,230,797	7,058,750	4,740	9,986
Provision for obsolete inventories	(56,819)	(8,918)	-	-
	8,173,978	7,049,832	4,740	9,986
Goods in transit	162,631	144,946	-	-
	8,336,609	7,194,778	4,740	9,986



The details of inventories mortgaged for banking facilities obtained have been given in the note 25.3 to the financial statements.

19. Trade and other receivables

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Trade receivables	2,222,701	1,893,377	9,662	10,510
Impairment of trade receivables	(89,317)	(95,964)	(5,534)	(4,074)
	2,133,384	1,797,413	4,128	6,436
Prepayments and deposits	1,327,131	1,120,079	608,367	584,280
Other receivables	387,152	259,923	14,201	8,696
Loans and advances (note 19.1)	26,860	17,691	17,068	11,503
Tax recoverable (note 19.2)	626,281	376,786	7,151	22,584
	4,500,808	3,571,892	650,915	633,499

The details of trade receivable mortgaged for banking facilities obtained have been given in the note 25.3 to the financial statements.

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

	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
As at 1 April	17,691	13,086	11,503	10,261
Loans granted	40,513	28,672	33,052	10,323
	58,204	41,758	44,555	20,584
Repayments	(31,344)	(24,067)	(27,487)	(9,081)
As at 31 March	26,860	17,691	17,068	11,503

19.2 Tax recoverable

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

Notes to the Financial Statements

20. Amounts due from/due to related companies

As at 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Amounts due from subsidiaries				
Cargills Foods Company (Private) Limited	-	-	6,056	12,390
Cargills Agrifoods Limited	-	-	2,691	-
Cargills Quality Foods Limited	-	-	-	-
Cargills Quality Dairies (Private) Limited	-	-	7,591	-
CPC (Lanka) Limited	-	-	1,014	184
Dawson Office Complex (Private) Limited	-	-	-	257,897
Cargills Quality Confectionaries (Private) Limited	-	-	-	1,902
Millers Limited	-	-	9,042	2,360
Kotmale Dairy Products (Private) Limited	-	-	762	2,795
Kotmale Holdings PLC	-	-	3,424	5,097
	-	-	30,580	282,625
Amounts due from holding company				
C T Holdings PLC	-	836	-	-
	-	836	-	-
Amounts due from other related companies				
Cargills Bank Limited	11,501	19,411	2,624	18,955
Ceylon Hotels Corporation PLC	266	228	-	-
Ceylon Theatres (Private) Limited	5,662	31,951	5,478	31,923
C T Land Development PLC	148	4,838	-	4,790
C T Properties Limited	728,024	956,302	728,024	956,302
Galle Face Hotel Company Limited	502	65	-	-
Kandy Hotels Company (1938) PLC	861	1,074	-	-
United Hotels Corporation Limited	856	1,239	-	-
CT Real Estate (Private) Limited	27	-	-	-
	747,847	1,015,108	736,126	1,011,970
Total amount due from related companies	747,847	1,015,944	766,706	1,294,595

As at 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Amounts due to holding company				
C T Holdings PLC	-	107	-	-
Amounts due to subsidiaries				
Cargills Quality Foods Limited	-	-	12,629	7,635
Cargills Agrifoods Limited	-	-	-	12,285
Cargills Food Services (Private) Limited	-	-	357	714
Cargills Quality Dairies (Private) Limited	-	-	-	9,650
Cargills Food Processors (Private) Limited	-	-	860	8,608
Cargills Quality Confectionaries (Private) Limited	-	-	128	-
	-	-	13,974	38,892
Amounts due to other related companies				
Ceylon Printers PLC	-	391	-	-
CT Real Estate (Private) Limited	-	3,124	-	-
CT Land Development PLC	196	-	196	-
	196	3,515	196	-
Total amount due to related companies	196	3,622	14,170	38,892

21. Stated capital

Accounting Policy

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

As at 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 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

Notes to the Financial Statements

22. Other equity/Put liability

Accounting Policy

Written put options over NCI

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 judgements 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.

Subsequent measurement

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

As at 31 March	Group	
	2017 Rs. '000	2016 Rs. '000
Put option over Non Controlling Interest (NCI)	2,761,159	2,251,743

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.

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 11.9%
- ♦ Pricing date as 31 March 2017
- ♦ A 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).

23. Reserves

Accounting Policy

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.

As at 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Capital reserves				
Revaluation reserve	7,908,678	7,908,678	3,204,729	3,385,912
Capital reserve	7,928	7,928	-	-
	7,916,606	7,916,606	3,204,729	3,385,912
Revenue reserves				
General reserve	485,500	485,500	485,500	485,500
Available for sale reserve	(29,742)	(24,418)	(29,737)	(24,410)
	455,758	461,082	455,763	461,090
	8,372,364	8,377,688	3,660,492	3,847,002

Notes to the Financial Statements

24. Cash and cash equivalents

	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
As at 31 March				
Cash at bank and in hand	1,570,868	2,144,349	53,142	203,816

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

Cash and bank balances	1,570,868	2,144,349	53,142	203,816
Bank overdraft	(3,230,318)	(3,261,255)	(808,624)	(1,703,323)
	(1,659,450)	(1,116,906)	(755,482)	(1,499,507)

25. Borrowings

	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
As at 31 March				
Current				
Current portion of long term loan	198,300	537,529	-	-
Current portion of finance lease liabilities (note 25.2)	921	-	-	-
Short term loans	12,381,009	7,510,443	6,498,200	2,640,700
Bank overdraft	3,230,318	3,261,255	808,624	1,703,323
	15,810,548	11,309,227	7,306,824	4,344,023
Non-current				
Bank borrowings (note 25.1)	-	198,300	-	-
Finance lease liabilities (note 25.2)	2,570	-	-	-
	2,570	198,300	-	-
Total borrowings	15,813,118	11,507,527	7,306,824	4,344,023

25.1 Bank borrowings

	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
As at 1 April	735,829	1,289,319	-	-
Loans received / (transferred)	-	-	-	-
Repayments	(537,529)	(553,490)	-	-
As at 31 March	198,300	735,829	-	-
Falling due within one year	(198,300)	(537,529)	-	-
	-	198,300	-	-
Repayment during 1-2 years	-	198,300	-	-
Repayment during 2-5 years	-	-	-	-
	-	198,300	-	-

25.2 Finance lease liabilities

On Acquisition of subsidiary	4,869	-	-	-
Repayments	(711)	-	-	-
	4,158	-	-	-
Lease interest in suspense	(667)	-	-	-
As at 31 March	3,491	-	-	-
Lease payable with in one year	(921)	-	-	-
Payable within 1-2 year	2,570	-	-	-

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

Notes to the Financial Statements

25. Borrowings (contd.)

Institution and facility	Principal amount	Amount outstanding	Repayment terms and interest rate	Security offered
	Rs. '000	Rs. '000		
Cargills (Ceylon) PLC				
Bank overdraft				
Commercial Bank of Ceylon PLC	300,000	49,365	On demand, based on monthly AWPLR+1.0%	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+1.0% p.a.	Clean Basis
Nations Trust Bank	200,000	18,758	On demand, based on weekly AWPLR+1.0%	Clean Basis
Deutsche Bank	45,000	37,454	On demand, based on market rates	Clean Basis
Muslim Commercial Bank Limited	675,000	652,554	Through own funds, interest rate will be reviewed on a monthly basis and the new rate will be determined on a mutually agreed basis	Clean Basis
Sampath Bank PLC	100,000	23,995	On demand, based on monthly AWPLR+1.0%	Clean Basis
Cargills Bank Limited	-	26,498	On demand, at prevailing market interest rates	No securities, balance consists of unrepresented/unrealised cheques. Bank balance is credit
		808,624		
Short term loans				
Commercial Bank	900,000	900,000	1-12 months, commencing from 20.03.2017, based on the prevailing market rates	Corporate guarantee from C T Holdings PLC
Seylan Bank	1,000,000	-	1-3 months, based on market rates (re priced monthly)	Clean Basis
Hatton National Bank	1,154,000	1,154,000	1-4 months, commencing from 27.03.2017, based on weekly AWPLR+0.75%	Clean Basis
Hatton National Bank	521,000	521,000	1-4 months, commencing from 28.03.2017, based on weekly AWPLR+0.75%	Clean Basis
Hatton National Bank	325,000	220,000	1-4 months, commencing from 30.03.2017, based on weekly AWPLR+0.75%	Clean Basis
Sampath Bank	403,200	403,200	1-6 months, commencing from 16.03.2017, based on prevailing money market rates	Clean Basis

Institution and facility	Principal amount	Amount outstanding	Repayment terms and interest rate	Security offered
	Rs. '000	Rs. '000		
Sampath Bank	1,396,800	925,000	1-6 months, commencing from 03.03.2017, based on prevailing money market rates	Clean Basis
Nations Trust Bank	2,800,000	875,000	1-3 months, commencing from 31.03.2017, to be negotiated prior to each drawdown	Clean Basis
Bank of Ceylon	1,500,000	1,500,000	1-12 months, commencing from 29.03.2017, on case by case basis decided by treasury department	Clean Basis
People's Bank	1,000,000	-	1-3 months, based on 06 months SLIBOR+1.25%	Clean Basis
		6,498,200		
		7,306,824		
Cargills Agrifoods Limited				
Bank overdraft				
Commercial Bank	100,000	78,583	On demand, based on monthly AWPLR+1%	Corporate guarantee for Rs.155 Mn. executed by Cargills (Ceylon) PLC
Cargills Bank Limited	-	42,372	On demand, at prevailing market interest rates	No securities, balance consists of unrepresented/unrealised cheques. Bank balance is credit
		120,955		
Short term loans				
Commercial Bank	100,000	100,000	2 weeks, commencing from 30.03.2017, based on monthly AWPLR+1%	Clean Basis
		100,000		
		220,955		
Cargills Food Processors (Private) Limited				
Bank overdraft				
Cargills Bank Limited	-	80,274	On demand, at prevailing market interest rates	No securities, balance consists of unrepresented/unrealised cheques. Bank balance is credit
Deutsche Bank	100,000	63,262	On demand, based on market rates	Clean Basis
Commercial Bank	100,000	63,860	On demand, based on monthly AWPLR +1%	Corporate guarantee for Rs.50 Mn. executed by Cargills (Ceylon) PLC
		207,396		

Notes to the Financial Statements

25. Borrowings (contd.)

Institution and facility	Principal amount	Amount outstanding	Repayment terms and interest rate	Security offered
	Rs. '000	Rs. '000		
Cargills Food Services (Private) Limited				
Bank overdraft				
Deutsche Bank	5,000	4,379	On demand, based on market rates	Clean Basis
Cargills Bank Limited	-	4,727	On demand, at prevailing market interest rates	No securities, balance consists of unrepresented/unrealised cheques. Bank balance is credit
Commercial Bank	-	1,603	On demand, based on market rates	Clean Basis
		10,709		
Short term loans				
Commercial Bank	150,000	73,000	2 weeks, commencing from 30.03.2017, based on monthly AWPLR+1%	Clean Basis
		73,000		
		83,709		
Cargills Foods Company (Private) Limited				
Bank overdraft				
Cargills Bank Limited	-	567,588	On demand, at prevailing market interest rates	No securities, balance consists of unrepresented/unrealised cheques. Bank balance is credit
Deutsche Bank	500,000	530,814	On demand, based on market rates	Clean Basis
Commercial Bank of Ceylon PLC	-	64,578	On demand, based on market rates	Corporate guarantee from Cargills (Ceylon) PLC
Bank of Ceylon	115,000	913	On demand, monthly AWPLR+0.5% p.a.	Clean Basis
	-	1,163,893		
Short term loans				
Standard Chartered Bank	228,544	228,544	1-2 months, commencing from 10.03.2017, based on money market rates	Clean Basis
Standard Chartered Bank	153,613	153,613	1-2 months, commencing from 09.03.2017, based on money market rates	Clean Basis
Standard Chartered Bank	1,217,843	117,583	1-2 months, commencing from 02.03.2017, based on money market rates	Clean Basis
Standard Chartered Bank	500,000	500,000	1-4 months, commencing from 23.03.2017, based on money market rates	Clean Basis

Institution and facility	Principal amount	Amount outstanding	Repayment terms and interest rate	Security offered
	Rs. '000	Rs. '000		
Bank of Ceylon	185,000	185,000	1-12 months, commencing from 29.03.2017, quoted by treasury department on case by case basis	Clean Basis
Bank of Ceylon	315,000	145,000	1-12 months, commencing from 30.03.2017, quoted by treasury department on case by case basis	Clean Basis
Hatton National Bank	1,250,000	-	1-4 months, based on weekly AWPLR+0.75%	Clean Basis
Commercial Bank of Ceylon PLC	500,000	-	1-12 months, based on the prevailing market rates	Corporate guarantee for Rs.250 Mn. executed by Cargills (Ceylon) PLC, dated 27.06.2014
ICICI Bank Limited	250,000	250,000	1-3 months, commencing from 29.03.2017, based on weekly SLIBOR+0.95%	Clean Basis
ICICI Bank Limited	350,000	350,000	1-3 months, commencing from 30.03.2017, based on weekly SLIBOR+0.95%	Clean Basis
		1,929,740		
Long term loans				
Commercial Bank of Ceylon PLC	94,700	94,700	5 years, the loan is repayable in 48 monthly installments commencing from 13 month of disbursement to 60 months (as per term sheet), based on average of weekly AWPLR+0.8%	Deed of Assignment No. 496 dated 30.09.2014. Additional Mortgage Bond No. 497 dated 30.09.2014 for Rs. 1,502.3 Mn. over credit and debit card receivables and ESCROW Account. Corporate guarantee for Rs. 1,502.3 Mn. executed by Cargills (Ceylon) PLC
Habib Bank	51,800	51,800		
State Bank of India	51,800	51,800		
		198,300		
		3,291,933		
C P C (Lanka) Limited				
Bank overdraft				
Cargills Bank Limited	-	11,260	On demand, at prevailing market interest rates	No securities, balance consists of unrepresented/unrealised cheques. Bank balance is credit
		11,260		

Notes to the Financial Statements

25. Borrowings (contd.)

Institution and facility	Principal amount	Amount outstanding	Repayment terms and interest rate	Security offered
	Rs. '000	Rs. '000		
Cargills Quality Confectionaries (Private) Limited				
Bank Overdrafts				
Bank of Ceylon	176,450	-	On demand, based on market rates	Corporate guarantee from Cargills (Ceylon) PLC for Rs.176.45 Mn
Bank of Ceylon	47,540	-	On demand, based on market rates	Corporate guarantee from Cargills (Ceylon) PLC Mortgage over leasehold rights of the land and buildings and Plant & Machine. Fixed in the premises
Cargills Bank Limited	-	56,722	On demand, at prevailing market interest rates	No securities, balance consists of unrepresented/unrealised cheques. Bank balance is credit
Commercial Bank	25,000	562	On demand, based on monthly AWPLR +1%	Corporate guarantee for Rs.60 Mn. executed by Cargills (Ceylon) PLC
		57,284		
Short term loans				
Hatton National Bank	200,000	133,000	1-4 months, commencing from 27.03.2017, based on weekly AWPLR+0.75%	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 200 Mn
		133,000		
		190,284		
Ceylon Agro Development Company (Private) Limited				
Bank overdraft				
Seylan Bank		4	On demand, based on market rates	Clean Basis
		4		
Short term loans				
Hatton National Bank		29,249	1-4 months, commencing from 27.03.2017, based on weekly AWPLR+0.75%	Clean Basis
		29,253		

Institution and facility	Principal amount	Amount outstanding	Repayment terms and interest rate	Security offered
	Rs. '000	Rs. '000		
Cargills Quality Dairies (Private) Limited				
Bank overdraft				
Commercial Bank	50,000	31,071	On demand, based on monthly AWPLR +1%	Corporate guarantee for Rs.70 Mn. executed by Cargills (Ceylon) PLC
Seylan Bank	200,000	-	On demand, based on weekly AWPLR +1%	Clean Basis
Cargills Bank Limited	-	105,285	On demand, at prevailing market interest rates	No securities, balance consists of unrepresented/unrealised cheques. Bank balance is credit
Deutsche Bank	100,000	91,537	On demand, based on market rates	Clean Basis
		227,893		
Short term loans				
Standard Chartered Bank	1,200,000	750,000	1-12 months, commencing from 03.03.2017, based on monthly AWPLR	Clean Basis
Hatton National Bank	750,000	1,752,820	1-4 months, commencing from 27.03.2017, based on weekly AWPLR+0.75%	Clean Basis
		2,502,820		
		2,730,713		
Cargills Quality Foods Limited				
Bank overdraft				
Commercial Bank	75,000	-	On demand, based on monthly AWPLR +1%	Corporate guarantee for Rs.25 Mn. executed by Cargills (Ceylon) PLC
Cargills Bank Limited	-	50,336	On demand, at prevailing market interest rates	No securities, balance consists of unrepresented/unrealised cheques. Bank balance is credit
Deutsche Bank	350,000	347,418	On demand, based on market rates	Clean Basis
		397,754		

Notes to the Financial Statements

25. Borrowings (contd.)

Institution and facility	Principal amount	Amount outstanding	Repayment terms and interest rate	Security offered
	Rs. '000	Rs. '000		
Short term loans				
Standard Chartered Bank	600,000	400,000	1-4 months, commencing from 28.03.2017, based on monthly AWPLR	Clean Basis
Hatton National Bank	750,000	348,000	1-4 months, commencing from 27.03.2017, based on weekly AWPLR+0.75%	Clean Basis
		748,000		
		1,145,754		
Kotmale Dairy Products (Pvt) Ltd.				
Bank overdraft				
Bank of Ceylon	10,000	-	On demand, based on market rates	Corporate guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
Seylan Bank	-	893	Repayment on demand at prevailing market interest rates	No Security. Balance consists of unrepresented cheques. Bank balance is credit.
		893		
Import Loan Facility				
Bank of Ceylon	40,000	-	Based on market rates	Corporate guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
Series of Loan on Import				
Bank of Ceylon	40,000	-	Based on market rates	Corporate guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
		893		
Kotmale Milk Products Ltd.				
Bank overdraft				
Pan Asia Bank Corporation Ltd.	5,000	-	On demand, based on market rates	Corporate guarantee from Kotmale Holdings PLC.
Import Loan Facility				
Pan Asia Bank Corporation Ltd.	20,000	-	Based on market rates	Corporate guarantee from Kotmale Holdings PLC.
		-		

Institution and facility	Principal amount	Amount outstanding	Repayment terms and interest rate	Security offered
	Rs. '000	Rs. '000		
Millers Limited				
Bank overdraft				
Cargills Bank Limited	-	11,608	On demand, at prevailing market interest rates	No securities, balance consists of unrepresented/unrealised cheques. Bank balance is credit.
Deutsche Bank	200,000	190,961	On demand, based on market rates	Clean Basis
Hatton National Bank	-	21,084	On demand, based on weekly AWPLR +.75%	Corporate guarantee from Cargills (Ceylon) PLC for Rs 335 Mn
		223,653		
Short term loans				
Standard Chartered Bank	250,000	100,000	1-3 months, commencing from 27.03.2017, based on monthly AWPLR	Corporate guarantee from Cargills (Ceylon) PLC for Rs 250 Mn
Commercial Bank	165,000	-	1-12 months, based on the prevailing market rates	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 215 Mn.
Hatton National Bank	175,000	-	1-4 months, based on weekly AWPLR+0.75%	Corporate guarantee from Cargills (Ceylon) PLC
		100,000		
		323,653		
Dawson Office Complex (Private) Limited				
Short term loans				
Hatton National Bank	400,000	267,000	1-4 months, commencing from 27.03.2017, based on weekly AWPLR+0.75%	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 400.0 Mn
		267,000		
		15,809,627		

Notes to the Financial Statements

26. Deferred income

Accounting Policy

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.

	Group	
	2017 Rs. '000	2016 Rs. '000
Capital grant		
As at 1 April	84,863	96,344
Receipt during the year	-	-
Amortisation	(11,481)	(11,481)
As at 31 March	73,382	84,863

The unamortised grant balance refers to grants received by Cargills Agrifoods Limited in respect of projects in Dehiattakandiya and Kilinochchi from USAID.

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

27. Employee Benefits

Accounting Policy

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 this note to the financial statements.

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.

Funding Arrangements

The gratuity liability is not externally funded.

27.1 Movement in present value of defined benefit obligations

	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
As at 1 April	638,004	520,802	255,724	225,571
Transferred from subsidiary	-	-	24,110	-
Interest cost	66,992	52,590	29,383	22,557
Current service cost	76,952	66,158	28,664	23,086
Actuarial (gain) / loss	49,644	22,743	27,328	(5,850)
Acquisition of subsidiary	3,910	-	-	-
Benefits paid	(55,735)	(24,289)	(26,514)	(9,640)
As at 31 March	779,767	638,004	338,695	255,724

27.2 Liability recognised in the Statement of Financial Position

As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Present value of defined benefit obligation	779,767	638,004	338,695	255,724
Fair value of plan asset	-	-	-	-
Net liability of defined benefit obligation	779,767	638,004	338,695	255,724

27.3 Amount recognised in the Profit /loss

Current service cost	76,952	66,158	28,664	23,086
Interest cost	66,992	52,590	29,383	22,557
	143,944	118,748	58,047	45,643

27.4 Amount recognised in Other Comprehensive Income

Actuarial (gain) / loss	49,644	22,743	27,328	(5,850)
	49,644	22,743	27,328	(5,850)

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 2017. The principal assumptions, used in the actuarial valuation were as follows:

	2017	2016
	%	%
Discount rate	11.5	10.5
Future salary increase		
- Executive	10	10
- Staff	10	10

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

Notes to the Financial Statements

27. Employee Benefits (contd.)

27.5 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.

As at 31 March	2017		2016	
	Increase Rs. '000	Decrease Rs. '000	Increase Rs. '000	Decrease Rs. '000
Group				
Discount rate (1% movement)	(37,114)	41,431	(30,515)	34,253
Salary increment rate (1% movement)	45,401	(41,385)	31,059	(28,130)
Company				
Discount rate (1% movement)	(12,379)	13,595	(9,194)	10,168
Salary increment rate (1% movement)	15,609	(14,488)	8,671	(7,943)

28. Trade and other payables

As at 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Trade payables	8,101,238	7,619,204	89,110	89,432
Other payables (note 28.1)	2,355,532	1,979,478	229,233	196,345
Accrued expenses	1,617,934	1,338,623	123,466	97,105
	12,074,704	10,937,305	441,809	382,882

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

29. Dividends payable

As at 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Unclaimed dividends	69,409	32,715	66,389	32,192
	69,409	32,715	66,389	32,192

30. Segmental information

Accounting Policy

Segment Reporting

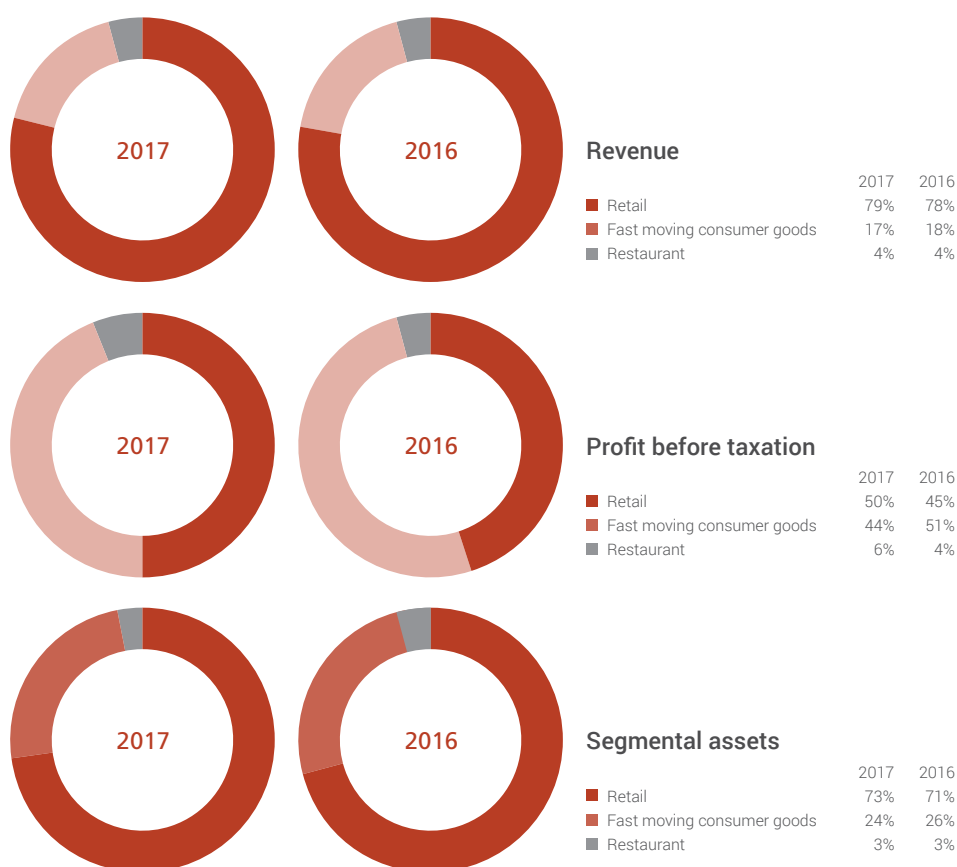
The Group's primary segments are retail, fast moving consumer goods (FMCG) and restaurant. There are no distinguishable components to be identified as geographical segments for the Group.

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.



Notes to the Financial Statements

30. Segmental information (contd.)

	Retail		Fast moving consumer goods		Restaurant		Group	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Revenue	66,596,414	55,693,723	20,323,981	17,680,205	3,268,984	2,812,098	90,189,379	76,186,026
Intra segment revenue	(41,029)	(28,299)	(235,325)	(116,685)	-	-	(276,354)	(144,984)
Inter segment revenue	(120,067)	(215,214)	(5,602,088)	(4,808,838)	-	-	(5,722,155)	(5,024,052)
	66,435,318	55,450,210	14,486,568	12,754,682	3,268,984	2,812,098	84,190,870	71,016,990
Segment operating profit	2,707,127	1,681,241	2,117,274	1,656,968	266,719	124,804	5,091,120	3,463,013
Net finance cost	(802,815)	(400,672)	(318,120)	(183,368)	(4,167)	(20,104)	(1,125,102)	(604,144)
Change in fair value of investment property	149,711	41,316	16,625	11,700	-	-	166,336	53,016
Share of associate results	21,780	(25,877)	-	-	-	-	21,780	(25,877)
Profit before taxation	2,075,803	1,296,008	1,815,779	1,485,300	262,552	104,700	4,154,134	2,886,008
Income tax expense								
Current income tax	(754,625)	(341,360)	(730,248)	(595,878)	(102,857)	(49,404)	(1,587,730)	(986,642)
Deferred income tax	(193,939)	(184,042)	(90,603)	(31,760)	2,334	7,017	(282,208)	(208,785)
Profit for the year	1,127,239	770,606	994,928	857,662	162,029	62,313	2,284,196	1,690,581
Attributable to:								
Equity shareholders of the parent	983,827	704,011	994,328	857,662	162,029	62,313	2,140,184	1,623,986
Non controlling interest	143,412	66,595	600	-	-	-	144,012	66,595
	1,127,239	770,606	994,928	857,662	162,029	62,313	2,284,196	1,690,581
Segment assets								
Non current assets								
Property plant and equipment	15,099,710	14,488,210	5,804,897	4,894,624	971,328	883,249	21,875,935	20,266,084
Investment property	4,658,317	3,437,564	118,875	106,000	-	-	4,777,192	3,543,564
Intangible assets	373,893	257,593	859,868	723,927	91,746	95,903	1,325,507	1,077,423
Prepayments of leasehold buildings	147,909	-	23,625	24,500	-	-	171,534	24,500
Investment in associates	5,143,229	2,305,653	-	-	-	-	5,143,229	2,305,653
Deferred tax assets	-	-	49,197	54,630	7,483	8,012	56,680	62,642
	25,423,058	20,489,020	6,856,462	5,803,681	1,070,557	987,164	33,350,077	27,279,866
Current assets								
Inventories	6,226,557	5,399,972	2,044,518	1,731,195	65,534	63,611	8,336,609	7,194,778
Trade and other receivables	2,574,653	1,873,192	1,801,426	1,581,244	124,729	117,456	4,500,808	3,571,892
Amount due from related companies	744,746	1,012,004	3,101	3,940	-	-	747,847	1,015,944
Short term investments	84,220	110,916	525,511	893,332	59	58	609,790	1,004,306
Cash and cash equivalents	767,493	1,071,204	772,844	1,053,010	30,531	20,135	1,570,868	2,144,349
	10,397,669	9,467,288	5,147,400	5,262,721	220,853	201,260	15,765,922	14,931,269
Total segmental assets	35,820,727	29,956,308	12,003,862	11,066,402	1,291,410	1,188,424	49,115,999	42,211,135

	Retail		Fast moving consumer goods		Restaurant		Group	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Segment liabilities								
Non current liabilities								
Borrowings	-	198,300	2,570	-	-	-	2,570	198,300
Deferred tax liability	514,362	333,564	425,413	340,935	100,188	103,051	1,039,963	777,550
Deferred income	-	-	73,382	84,863	-	-	73,382	84,863
Employee benefits	729,353	574,145	50,414	63,859	-	-	779,767	638,004
Put liability	2,761,159	2,251,743	-	-	-	-	2,761,159	2,251,743
	4,004,874	3,357,752	551,779	489,657	100,188	103,051	4,656,841	3,950,460
Current liabilities								
Trade and other payables	9,840,351	8,742,747	1,670,748	1,764,542	563,605	430,016	12,074,704	10,937,305
Current tax liability	856,967	488,845	1,101,795	913,387	173,616	70,756	2,132,378	1,472,988
Amount due to related companies	196	3,124	-	498	-	-	196	3,622
Dividends payable	66,389	32,192	3,020	523	-	-	69,409	32,715
Borrowings	10,865,757	6,800,323	4,653,686	4,223,113	291,105	285,791	15,810,548	11,309,227
	21,629,660	16,067,231	7,429,249	6,902,063	1,028,326	786,563	30,087,235	23,755,857
Total segmental liabilities	25,634,534	19,424,983	7,981,028	7,391,720	1,128,514	889,614	34,744,076	27,706,317
Other information								
Capital expenditure	1,665,667	1,724,785	1,462,862	458,047	198,569	82,079	3,327,098	2,264,911
Depreciation	1,020,658	956,082	607,884	558,871	171,170	167,203	1,799,712	1,682,156

Segmental information - the secondary segments (geographical segments)

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

Notes to the Financial Statements

31. Commitments

As at 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Capital commitment				
Approved and contracted	2,112,839	912,495	890,448	-
Financial commitments				
(a) Future payments of operating lease rentals				
- within 1 year	1,212,518	829,489	1,890	1,750
- between 1 -5 years	6,260,567	4,008,943	9,310	8,610
- more than 5 years	11,479,496	6,824,167	150,570	153,160
	18,952,581	11,662,599	161,770	163,520
(b) Settlement of letter of credits and import bills	36,173	333,371	-	-

32. Contingent liabilities

Accounting Policy

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.

Income tax

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

Cargills (Ceylon) PLC Rs. 243.58, Cargills Agrifoods Limited - Rs. 77.23 Mn, Cargills Quality Dairies (Private) Limited - Rs. 208.87 Mn, Cargills Quality Foods Limited - Rs.222.60 Mn and Kotmale Dairy Products (Private) Limited Rs. 61.40 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.2.1 Bn. Kotmale Holding PLC a subsidiary of the company has given letters of guarantee to Commercial Banks on behalf of its subsidiary companies Kotmale Dairy products (Pvt) Ltd (Rs. 50 Mn) and Kotmale Milk Products Ltd (Rs. 25Mn) amounting to Rs. 75Mn. The Directors do not expect any claim on these guarantees. Accordingly, no provision has been made in the financial statements.

Corporate guarantee

The Company has provided Bank Guarantees to Lion Brewery (Ceylon) PLC and its subsidiary Pearl Springs (Pvt) Ltd to the value of Rs. 700 Mn to cover contingent tax liabilities in connection with the disposal of the investment in Millers Brewery Limited stated. The Directors do not expect any claim on this guarantees. Accordingly, no provision has been made in the financial statements.

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

33. Events after the reporting date

The Board of Directors have not proposed a final dividend for the year ended 31 March 2017.

There are no events that have occurred since the reporting date which would require any adjustment to, or disclosure in, the financial statements.

34. Transactions with group companies

Accounting Policy

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.

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 25.3 to the financial statements.

Companies within the Group engage in trading and business transactions under normal commercial terms which give rise to related company balances. The balances have been disclosed under note 20 to the Financial Statements.

34.1 Transactions with Key Management Personnel (KMP)

According to LKAS 24 - "Related Party Disclosures", KMP are those having authority and responsibility for planning, directing, controlling the activities of the entity. Accordingly, the directors of the company and its parent (including executive and non - executive directors) have been classified as KMP of the group.

The Group and the Company has paid Rs. 277.70 Mn (2016- Rs. 232.03 Mn) and Rs. 38.74 Mn (2016 - Rs. 36.31 Mn) respectively to the directors as emoluments and no post employment benefits during the year. There are no other payments made to key management personnel apart from the disclosed amount.

34.2 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 20 to these financial statements.

Notes to the Financial Statements

34. Transactions with group companies (contd.)

34.3 Transactions with related companies

For the year ended 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Transaction with related parties				
Subsidiaries				
Sale / (Purchase)	-	-	41,097	28,624
Other Income / (Expense)	-	-	767,043	1,697,085
Fund Transfer / (Settlement)	-	-	(1,035,265)	(3,345,492)
Holding company				
Sale / (Purchase)	-	3,219	-	-
Other Income / (Expense)	-	(446)	-	-
Fund Transfer / (Settlement)	(729)	(20,268)	-	(17,454)
Other related companies				
Sale / (Purchase)	10,207	2,961	-	-
Other Income / (Expense)	122,579	87,563	120,399	84,962
Fund Transfer / (Settlement)	(396,728)	(17,841)	(396,439)	(9,495)

The other expense relating to Company includes employee benefit cost transfer to subsidiaries amounting to Rs. 35.85 Mn (2016 - Rs. 17.55 Mn) for the year ended 31st March 2017.

Net dividends received from subsidiary companies to the Company.

	2017 Rs. '000	2016 Rs. '000
Cargills Quality Foods Limited	1,223,627	463,720
Cargills Foods Company (Private) Limited	1,194,008	362,520
Kotmale Holdings PLC	970	147

Transactions, Arrangements and Agreements involving Key Management Personnel (KMP) and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include;

- (a) the individual's domestic partner and children;
- (b) children of the individual's domestic partner; and
- (c) dependents of the individual or the individual's domestic partner

CFM are related parties to the entity. There were no transactions other than disclosed below with the CFM during the year.

Double Yummm (Private) Limited

Mrs. R Page, wife of the Deputy Chairman is a Director of the above company with which the Cargills Foods Company (Private) Limited had the following transactions during the year and the amount outstanding as at 31 March 2017 was Rs. 6.23 Mn (2016 - Rs. 4.89 Mn).

Purchases for re-sale in the ordinary course of business of Rs. 68.95 Mn (2016 - Rs. 55.49 Mn) Rental income of Rs. 1.08 Mn (2016 - Rs. 1.08 Mn).

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

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

35. Comparative information

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

36. Financial Instruments

36.1 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)	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
As at 31st March						
Group						
Financial assets measured at fair value						
Other financial instruments	-	-	-	-	20,982	26,306
Financial assets not measured at fair value						
Trade and other receivables	4,500,808	3,571,892	-	-	-	-
Amounts due from related companies	747,847	1,015,944	-	-	-	-
Other financial assets	588,808	978,000	-	-	-	-
Cash at bank and in hand	1,570,868	2,144,349	-	-	-	-
Total	7,408,331	7,710,185	-	-	20,982	26,306

Notes to the Financial Statements

36. Financial Instruments (contd.)

Financial Liabilities by categories financial liabilities measured at Amortised cost.

	Other financial Liabilities (36.1.(a))	
	2017 Rs. '000	2016 Rs. '000
As at 31st March		
Financial liabilities not re-measured at fair value		
Borrowings	15,813,118	11,507,527
Trade and other payables	12,074,704	10,937,305
Amounts due to related companies	196	3,622
Total	27,888,018	22,448,454

Financial Assets by Categories	Loans and receivables (L&R)		Held to maturity (HTM)		Available- for- sale Financial Assets (AFS)	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
As at 31st March						
Company						
Financial assets measured at fair value						
Other financial instruments	-	-	-	-	20,863	26,189
Financial assets not measured at fair value						
Trade and other receivables	650,915	633,499	-	-	-	-
Amounts due from related companies	766,706	1,294,595	-	-	-	-
Other financial assets	4,691	31,171	-	-	-	-
Cash at bank and in hand	53,142	203,816	-	-	-	-
Total	1,475,454	2,163,081	-	-	20,863	26,189

Financial Liabilities by Categories Financial liabilities measured at amortised cost

	Other financial Liabilities (36.1.(a))	
	2017 Rs. '000	2016 Rs. '000
As at 31st March		
Financial liabilities not re-measured at fair value		
Borrowings	7,306,824	4,344,023
Trade and other payables	441,809	382,882
Amounts due to related companies	14,170	38,892
Total	7,762,803	4,765,797

36.1.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.

36.2 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	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Group								
AFS	20,982	26,306	-	-	-	-	20,982	26,306
Held for trading	-	-	-	-	-	-	-	-
FVTPL	-	-	-	-	-	-	-	-
Company								
AFS	20,863	26,189	-	-	-	-	20,863	26,189
Held for trading	-	-	-	-	-	-	-	-
FVTPL	-	-	-	-	-	-	-	-

37. Financial risk management

Overview

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

- ♦ Credit risk
- ♦ Liquidity risk
- ♦ Market risk

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

Notes to the Financial Statements

37. Financial risk management (contd.)

Risk Management Framework

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

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

The Audit Committee oversees 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

37.1 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 arises principally from the Group's receivables from customers.

Carrying amount of financial assets represents the maximum credit exposure

The maximum exposure to credit risk at the reporting date was as follows;

As at 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Trade receivables	2,133,384	1,797,413	4,128	6,436
Loans and advances	26,860	17,691	17,068	11,503
Amount due from related companies	747,847	1,015,944	766,706	1,294,595
Cash and cash equivalents	1,570,868	2,144,349	53,142	203,816
Total credit risk exposure	4,478,959	4,975,397	841,044	1,516,350
Available for sale investments	20,982	26,306	20,863	26,189
Total equity risk exposure	20,982	26,306	20,863	26,189

37.1.1 Trade receivables

As at 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Past due 1 - 30 days	1,653,815	1,365,859	2,082	3,156
Past due 31 - 60 days	326,127	275,969	1,233	2,684
Past due 61 - 90 days	90,370	96,009	813	596
> 91 days	63,072	59,576	-	-
	2,133,384	1,797,413	4,128	6,436

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

37.1.2 Loans and advances

The loans and advances represents loans given to permanent employees.

37.1.3 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.

37.1.4 Cash and cash equivalents

The Group and the Company held cash and cash equivalents of Rs. 1,570.87 Mn and Rs. 53.14 Mn at 31 March 2017 (2016 - Rs. 2,144.35 Mn and Rs. 203.82 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.

37.1.5 Guarantees

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

37.2 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 Group's objective is to maintain balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts over a wider spread of maturity periods.

In liquidity risk management, the Group uses a mixed approach where it combines elements of cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows that can be generated through the sale of assets, repurchase agreement or secured borrowings.

The following are the contractual maturities of financial liabilities as at 31 March 2017.

Notes to the Financial Statements

37. Financial risk management (contd.)

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	-	2,570	-	-	-	-	2,570
Financial instruments in current liabilities							
Trade & other payables	12,074,704	-	-	-	-	-	12,074,704
Amounts due to related companies	196	-	-	-	-	-	196
Current portion of long term loan	198,300	-	-	-	-	-	198,300
Current portion of finance lease liabilities	921	-	-	-	-	-	921
Short term loan	12,381,009	-	-	-	-	-	12,381,009
Bank overdraft	3,230,318	-	-	-	-	-	3,230,318
	27,885,448	2,570	-	-	-	-	- 27,888,018

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 2017

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	441,809	-	-	-	-	-	441,809
Amounts due to related companies	14,170	-	-	-	-	-	14,170
Short term loan	6,498,200	-	-	-	-	-	6,498,200
Bank overdraft	808,624	-	-	-	-	-	808,624
	7,762,803	-	-	-	-	-	7,762,803

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

37.3 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.

37.3.1 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.

37.3.2 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.

Notes to the Financial Statements

37. Financial risk management (contd.)

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.

37.4 Capital management

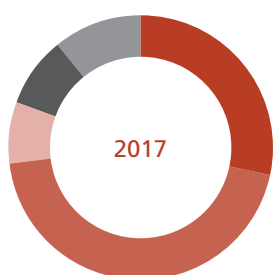
The Board's policy is to maintain a strong capital base so as to maintain share holder, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders.

As at 31 March	Group		Company	
	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Total Liabilities	34,744,076	27,706,317	8,472,354	5,318,955
Less: Cash and Cash Equivalents	1,570,868	2,144,349	53,142	203,816
Net Debt	33,173,208	25,561,968	8,419,212	5,115,139
Total Equity	14,371,923	14,504,818	9,505,705	9,404,770
Net Debt to Equity Ratio	2.31	1.76	0.89	0.54

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

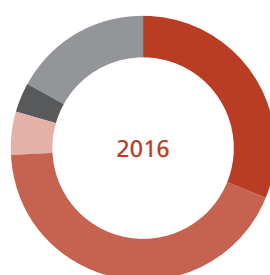
Statement of Value Added

	2017		2016	
	%	Rs.'000	%	Rs.'000
Creation of Value added				
Gross revenue		91,385,958		76,824,682
Cost of good and service		(72,708,611)		(62,083,263)
Value added from operation		18,677,347		14,741,419
Dividend received		636		720
Other income		1,688,440		1,533,861
Total value added		20,366,423		16,276,000
Distribution of value added				
To Associates				
Salaries, wages and other related costs	27.20	5,538,136	29.92	4,870,513
Directors' fees and remuneration	1.36	277,704	1.43	232,032
	28.56	5,815,840	31.35	5,102,545
To government				
Government levies	35.33	7,195,088	35.68	5,807,692
Corporate taxes	9.18	1,869,938	7.34	1,195,427
	44.51	9,065,026	43.02	7,003,119
To lenders of capital				
Interest	6.88	1,401,649	4.90	797,599
Non controlling interest	0.71	144,012	0.41	66,595
	7.59	1,545,661	5.31	864,194
To shareholders				
Dividends	8.63	1,758,400	3.51	571,370
Retained for growth				
Depreciation	8.84	1,799,712	10.34	1,682,156
Retained earnings	1.87	381,784	6.47	1,052,616
	10.71	2,181,496	16.81	2,734,772
	100.00	20,366,423	100.00	16,276,000



Value addition for 2017

■ To Associates	28.56%
■ To government	44.51%
■ To lenders of capital	7.59%
■ To shareholders	8.63%
■ Retained for growth	10.71%



Value addition for 2016

■ To Associates	31.35%
■ To government	43.02%
■ To lenders of capital	5.31%
■ To shareholders	3.51%
■ Retained for growth	16.81%

Five Year Financial Summary

Group	2013 Rs.'000	2014 Rs.'000	2015 Rs.'000	2016 Rs.'000	2017 Rs.'000
Financial results					
Continuing Operations					
Revenue	55,378,917	58,322,854	61,631,285	71,441,850	84,190,870
Profit from operation	2,261,880	2,210,842	1,571,788	3,463,013	5,091,120
Profit before taxation	2,142,834	1,130,210	804,653	2,886,008	4,154,134
Profit after taxation	1,629,756	649,560	247,217	1,690,581	2,284,196
Discontinued Operations					
Profit/loss from discontinued operation, net of tax	-	-	352,761	-	-
Profit for the year	1,629,756	649,560	599,978	1,690,581	2,284,196
Attributable to					
Owners of the company	1,612,518	642,593	576,179	1,623,986	2,140,184
Non controlling interest	17,238	6,967	23,799	66,595	144,012
	1,629,756	649,560	599,978	1,690,581	2,284,196
Financial position					
Stated capital	130,723	130,723	130,723	130,723	130,723
Reserves	11,801,239	12,132,893	12,411,816	13,990,556	13,826,109
Non controlling interest	107,247	45,946	336,608	383,539	415,091
Capital and reserves	12,039,209	12,309,562	12,879,147	14,504,818	14,371,923
Current assets	9,590,178	10,762,976	12,609,562	14,931,269	15,765,922
Current liabilities	(20,460,399)	(24,093,936)	(20,392,074)	(23,755,857)	(30,087,235)
Working capital	(10,870,221)	(13,330,960)	(7,782,512)	(8,824,588)	(14,321,313)
Non current assets	25,980,682	28,581,903	24,553,989	27,279,866	33,350,077
Non current liabilities	(3,071,252)	(2,941,381)	(3,892,330)	(3,950,460)	(4,656,841)
Non controlling interest	(107,247)	(45,946)	(336,608)	(383,539)	(415,091)
Net assets	11,931,962	12,263,616	12,542,539	14,121,279	13,956,832
Key Indicators					
Growth in turnover (%)	14.76	5.32	5.67	15.92	18.55
Growth in earnings (%)	53.67	(46.39)	(7.63)	181.77	35.11
Operating profit to turnover (%)	4.08	3.79	2.55	4.85	6.05
Earnings to turnover (%)	2.91	1.48	0.97	2.37	2.71
Return on total assets (%)	4.58	1.65	1.61	4.01	4.65
Growth in total assets (%)	42.64	10.61	(5.54)	13.58	16.36
Growth in capital and reserves (%)	61.20	2.25	4.63	12.62	(0.92)
Return on capital and reserves (%)	13.54	5.28	4.66	11.66	15.89
Return on investment (%)	16.71	5.34	4.76	12.35	15.82
Earnings per share (Rs.)	7.20	2.87	2.57	7.25	9.55
Dividends per share (Rs.)	2.00	2.00	2.00	3.50	5.60
Net assets per share (Rs.)	53.27	54.75	55.99	63.04	62.31
Dividends paid per share (Rs.)	2.00	2.00	2.00	2.55	7.85
Dividend pay out (%)	27.78	69.72	77.75	48.28	58.64
Dividends paid	448,000	448,000	448,000	571,370	1,758,400
Debt equity ratio (times)	1.95	2.20	1.89	1.91	2.42
Interest cover (times)	1.84	1.64	1.89	5.73	4.53
Current ratio (times)	0.47	0.45	0.62	0.63	0.52
Quick assets ratio (times)	0.23	0.19	0.31	0.33	0.25
Capital additions	3,540,035	3,335,299	1,788,079	2,264,911	3,327,098
Market capitalisation	34,003,200	30,576,000	30,688,000	33,600,000	42,044,800

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 2017.

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
Staple Street - Colombo 02	82 Perches	20,970	786,688	2017
Braybrooke place	78 Perches	5,146	647,600	2017
Canal Raw, Colombo 01	15 Perches	12,300	343,000	2017
Cargills Square - Jaffna	Leasehold	98,525	925,600	2017
Moratuwa	78.6 Perches	-	263,300	2017
Dematgoda	84 Perches	-	295,000	2017
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
Mattakkuliya (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	378,400	2017
Ja - Ela	5.1 Acres	38,381	366,470	2016
Ja - Ela	4 Acres	29,246	90,600	2017
Cargills Agrifoods Limited				
Katana	11.3 Acres	66,184	456,500	2016
Millers Limited				
Kelaniya	1.5 Acres	55,770	335,750	2016
Nittambuwa	112 Perches	-	118,875	2017
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	-	800,280	2017
Vauxhall street	1.5 Acres	21,070	2,344,300	2017
Kotmale Dairy Products (Private) Limited				
Mulleriyawa	1.8 Acres	29,615	116,000	2016
Bogahawatta	1 Acres	17,442	26,500	2016
Hatton	1.5 Acres	10,221	86,399	2017
Frederick North Hotel Company Limited				
Boralesgamuwa	2.5 Acres	23,168	308,000	2017
The Empire Investments Company (Private) Limited				
Bandarawela	85 Perches	4,230	359,800	2017
Katubedda	1.15 Acres	3,500	415,000	2017

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 March 2017				31 March 2016			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 - 1,000	1,121	60.73	244,234	0.11	1,144	60.95	275,831	0.12
1,001 - 10,000	478	25.89	1,683,758	0.75	487	25.94	1,760,722	0.79
10,001 - 100,000	188	10.18	5,913,404	2.64	185	9.86	5,407,777	2.41
100,001 - 1,000,000	45	2.44	13,255,924	5.92	47	2.50	13,705,506	6.12
1,000,001 and over	14	0.76	202,902,680	90.58	14	0.75	202,850,164	90.56
	1,846	100.00	224,000,000	100.00	1,877	100.00	224,000,000	100.00

4. Analysis of shareholders

	31 March 2017				31 March 2016			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Group of								
Institutions	130	7.04	194,284,848	86.73	129	6.87	194,496,951	86.83
Individuals	1,716	92.96	29,715,152	13.27	1,748	93.13	29,503,049	13.17
Total	1,846	100.00	224,000,000	100.00	1,877	100.00	224,000,000	100.00
Residents	1,747	94.64	209,364,740	93.47	1,783	94.99	208,171,633	92.93
Non residents	99	5.36	14,635,260	6.53	94	5.01	15,828,367	7.07
Total	1,846	100.00	224,000,000	100.00	1,877	100.00	224,000,000	100.00

5. Group companies

In March 2017 the following group companies issued shares to Cargills (Ceylon) PLC for the following values –

- ♦ Dawson Office Complex (Private) Limited, issued 23,500,000 shares for a cash consideration of Rs. 2,350,000,000
- ♦ The Empire Investments Company (Private) Limited issued 77,600,000 shares for a cash consideration of Rs. 776,000,000
- ♦ Frederick North Hotel Company Limited issued 31,100,000 shares for a cash consideration of Rs 311,000,000.

6. Share valuation

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

	2017 Rs.	2016 Rs.
Highest	201.00	193.50
Lowest	140.00	134.10
Last traded price	187.70	150.00

7. Top 20 shareholders

The holdings of the top 20 shareholders

	31 March 2017		31 March 2016	
	Number of Shares	%	Number of Shares	%
C T Holdings PLC	157,249,240	70.20	157,249,240	70.20
Mr. V R Page	15,000,093	6.70	14,961,900	6.68
Employees Provident Fund	7,356,416	3.28	7,356,416	3.28
Odeon Holdings (Ceylon) Limited	4,822,920	2.15	4,822,920	2.15
Ms. M M Page	4,195,803	1.87	3,948,011	1.76
Ceylon Guardian Investment Trust - A/C No.1	4,175,700	1.86	4,175,700	1.86
HSBC Intl Nom Ltd-First State Investment ICVC - Stewart				
Investors Indian Subcontinent Fund	3,927,600	1.75	3,927,600	1.75
BNYMSANV RE-CF Ruffer Investment Fund : CF Ruffer Pacific Fund	3,474,555	1.55	3,208,024	1.43
Bank of Ceylon No.1 Account	1,303,613	0.58	1,303,613	0.58
Mellon Bank N.A. - Florida Retirement System	1,301,800	0.58	1,301,800	0.58
BNYMSANV RE-Butterfield Trust (Bermuda) Limited	1,297,500	0.58	1,297,500	0.58
Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	902,770	0.40	752,770	0.34
GF Capital Global Limited	889,000	0.40	864,000	0.39
The Associated Newspapers of Ceylon Limited	799,840	0.36	799,840	0.36
J.B.Cocoshell (Pvt) Ltd	703,858	0.31	311,262	0.14
Sir Chittampalam A Gardiner Trust	563,040	0.25	563,040	0.25
Pictet and CIE (Europe) S.A. S/A Lloyd George Indian Ocean Master Fund	550,000	0.25	-	-
HSBC Intl Nom Ltd-State Street Munich C/o SSBT-Universal- Investment	531,200	0.24	531,200	0.24
Ceylon Guardian Investment Trust - A/C No.2	456,550	0.20	91,600	0.04
Mr. J C Page	455,000	0.20	455,000	0.20
Total	209,956,498	93.73	207,921,436	92.82

8. Public holding

The percentage of shares held by the public and number of public shareholders as at 31 March 2017 is 20.53% (2016 - 20.49%) and 1,825 (2016-1,857) respectively.

Notice of Annual General Meeting

Notice is hereby given that the seventy first Annual General Meeting of the Company will be held on Thursday, 29 June 2017, at 9.30 a.m. at the Auditorium of the Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha (Longdon Place), Colombo 07, and the business to be brought before the meeting will be:

1. To consider and adopt the Annual Report of the Board and the Statements of Accounts for the year ended 31 March 2017, with the Report of the Auditors thereon
2. To re-elect Directors
 - a) L. R. Page, and
 - b) S. E. C. Gardiner, who retire by rotation in terms of the Company's Articles of Association and being eligible 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) (b) of the Companies Act No. 07 of 2007 having surpassed seventy years of age and offer themselves for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 07 of 2007, and
 - f) Mr. Deva Rodrigo (appointed Director in terms of Section 211 (1) and (2) at the last Annual General Meeting held on 1 July 2016) who retires in terms of the Company's Articles of Association, and also in terms of Section 210 (1) of the Companies Act No. 07 of 2007 having surpassed seventy years of age, and offers himself for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 07 of 2007.

Ordinary Resolution (i)

"Resolved that Priya Edirisinghe, 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", and

Ordinary Resolution (ii)

"Resolved that Sunil Mendis, a retiring Director, who has attained the age of seventy two 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 Errol Perera, 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 (iv)

"Resolved that Deva Rodrigo, 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"

3. To authorise the Directors to determine contributions to charities for the financial year 2017/18
4. 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

5 June 2017

Notes:

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

Proxy Form

For use at the seventy first Annual General Meeting

*I/We
of.....
being a *member/members of Cargills (Ceylon) PLC hereby appointof.....
.....whom failing
ofor 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 seventy first Annual General Meeting of the Company to be held on Thursday, 29 June 2017 and at any adjournment thereof and at every Poll which may be taken in consequence thereof in the manner indicated below:

Resolution number									
	1	2 (a)	2 (b)	2 (c)	2 (d)	2 (e)	2 (f)	3	4
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

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
Deva Rodrigo (w.e.f. 1 July 2016)

Company Secretary

Sarath Dissanayake

Remuneration Committee

Sunil Mendis (Chairman)
Priya Edirisinghe
Deva Rodrigo (w.e.f. 2 March 2017)

Audit Committee

Priya Edirisinghe (Chairman)
Sunil Mendis
Errol Perera
Deva Rodrigo (w.e.f. 1 July 2016)

Related Party Transactions Review Committee

Priya Edirisinghe (Chairman)
Sunil Mendis
Errol Perera
Deva Rodrigo (w.e.f. 1 July 2016)

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
ICICI 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
Ceylon Agro Development Company (Private) Limited
C P C Lanka Limited
Dawson Office Complex (Private) Limited
Frederick North Hotel Company Limited
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
The Empire Investments Company (Private) Limited

Associate Companies

C T Properties Limited
Cargills Bank Limited



Cargills (Ceylon) PLC
No. 40, York Street, Colombo 01.
www.cargillsceylon.com