SINCE 1844
Cargills

CTH
CREATING VALUE SINCE 1928
A MEMBER OF C T HOLDINGS PLC

Cargills (Ceylon) PLC
Annual Report 2017 | 2018

Contents

At the core of Cargills' 174-year old story is our passion to be the helping hand the everyday heroes of our nation need to reach their fullest potential. Our relationship with our farmers who help us nourish the nation is strengthened by the various projects, scholarship programmes for farmers' children and environmental initiatives we conduct to assist them in furthering their personal and business growth. Entrepreneurs form a critical part of our supply chain, bringing success to them selves while contributing to the local-economy. We take pride in helping them by investing in their ventures; encouraging entrepreneurship in the country and improving the quality of life enjoyed by the communities they impact.

Our employees' hard work and determination has consistently put smiles on the faces of our valued customers. We consider our employees' our family and we make it a priority to provide them with opportunities for development in both their professional and personal lives. Our customers' have facilitated the transformation of countless lives for the better with their unwavering loyalty towards us. In return, we reward them with quality products made accessible to all, at the best possible prices. Our farmers, entrepreneurs, employees and customers are all heroes who inspire us to transform the ordinary into the extraordinary and as such, are our heroes. We continue to take great pride in empowering them.

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 2018 covering the operations of Cargills (Ceylon) PLC (Company) and its subsidiaries as listed out in the inner back cover of the compilation (collectively addressed as the "Group"). 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 2017 to 31 March 2018 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 finacial year 2017/18 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 consolidated set of GRI standards. This is our 3rd 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 2017. This report has been prepared in accordance with the GRI Standards: Core Option. Assurance on the sustainability reporting was provided by M/s KPMG. 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 and 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

In adopting an integrated reporting format we provide a concise communication of the organization's strategy, governance, performance and prospects, in the context of its external environment, leading to the creation of value over the short, medium and long term.

The integrated report also shows how the organization uses and affects its important capitals as well as the trade-offs between the capitals, in its value creation process.

This report is an attempt to align the principles of International Integrated Reporting Framework developed by the The International Integrated Reporting Council (IIRC).

In adopting an integrated reporting format we provide a concise communication of the organization's strategy, governance, performance and prospects, in the context of its external environment, leading to the creation of value over the short, medium and long term.

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 it's branch network to 17.

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.

In 2017, Kotmale launched its new Dairy plant in Banduragoda, which is Sri Lanka's first fully integrated dairy processing facility.

In 2018, Cargills Foods Company Private Limited launched its 350th super market outlet in Pilimathalawa.


CARGILLS
CARGILLS
CARGILLS (CEYLON) LIMITED

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 sourced from

2010
Rapid expansion in retail business outside the Western Proving 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

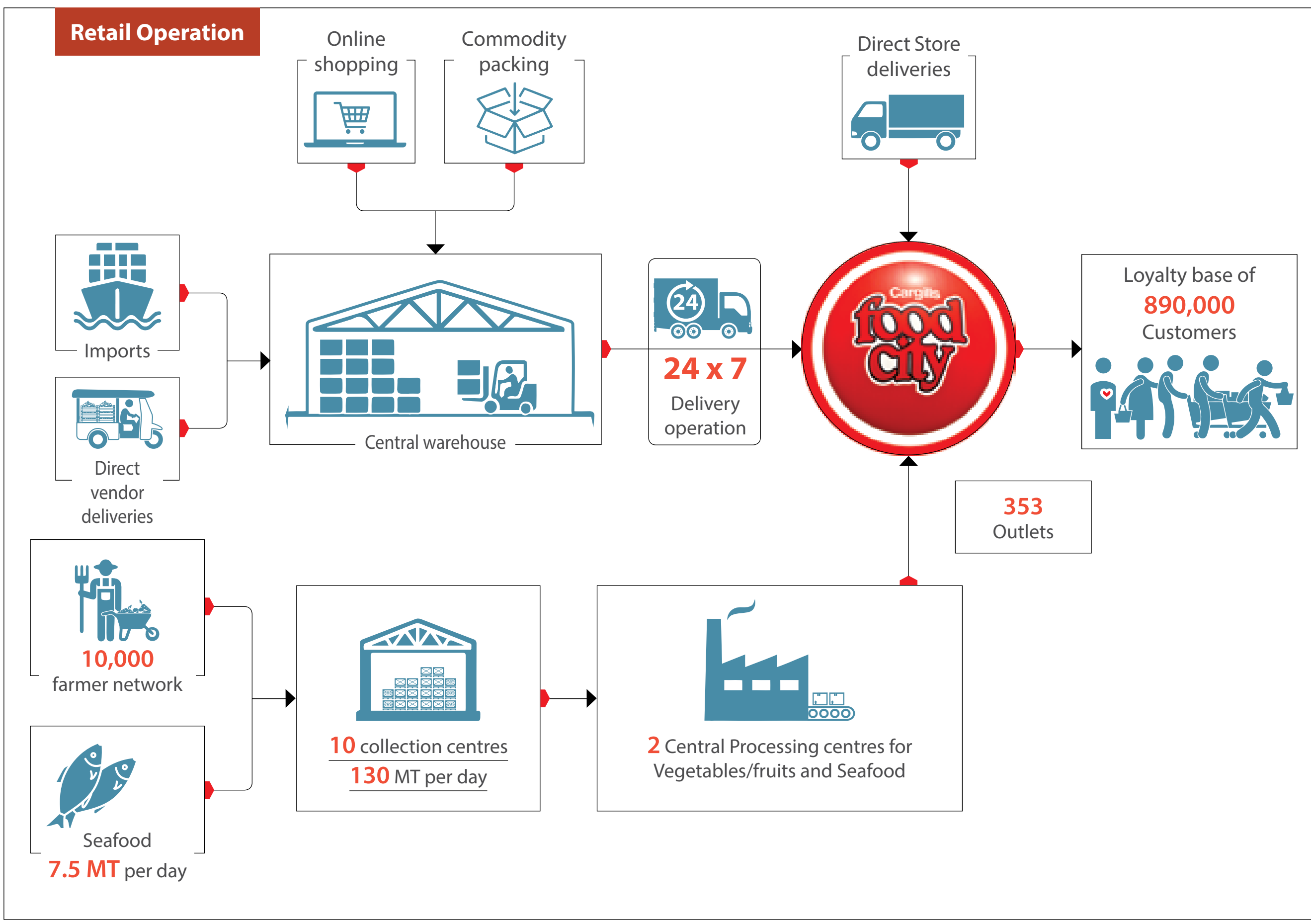
2017
Launch of the Kotmale Dairy plant, Sri Lanka's first fully integrated dairy processing facility

2018
Launch of the 350th super market outlet in Pilimathalawa.

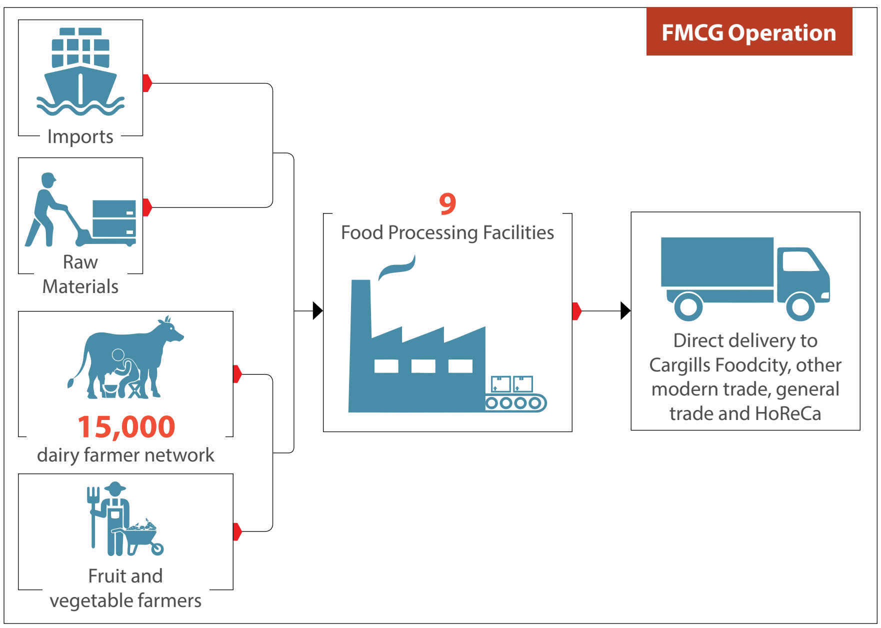
The Group Structure

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 2018, 353 Cargills Food City outlets are operational across all 25 districts of Sri Lanka.

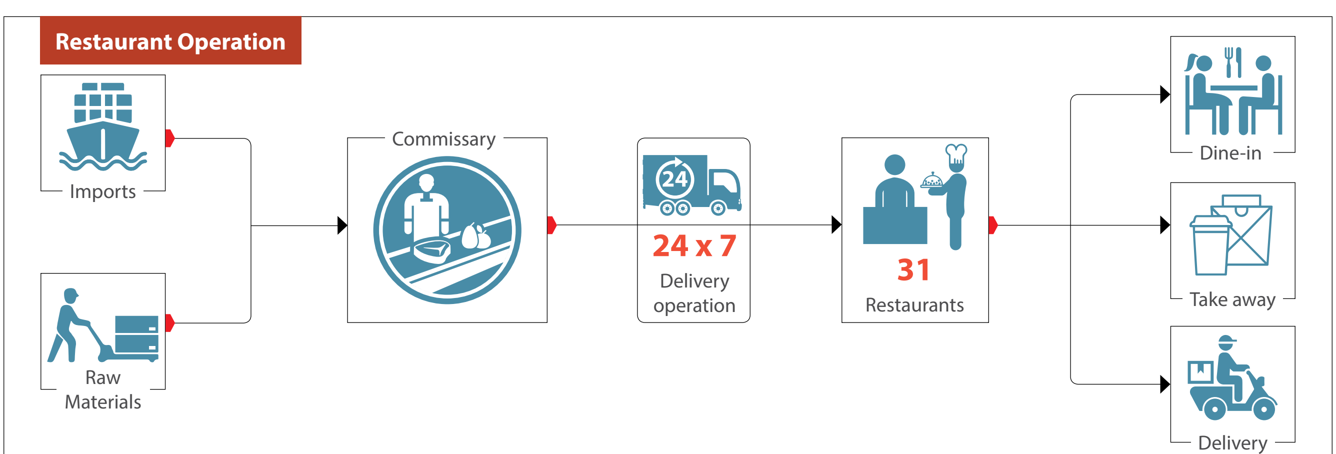


The FMCG segment of the Group led by dedicated Operational Heads holds 8 production units and 1 primary processing facility along with 22 collection centres for the sourcing of fresh milk. The Group's FMCG Brands are largely distributed within Sri Lanka with limited exports to India, Maldives and the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



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 number of farmers and suppliers with end consumers across the Country.

The Restaurants business consist of YUM! franchise KFC and the TGI Friday's Restaurants business operating under a dedicated operational heads and focused management structure for the two entities. KFC operates 31 restaurants as at 31 March 2018 with dine-in, take away and delivery channels. A central commissary is in operation to service the preparatory activities of the chain.



The Group Structure contd.

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

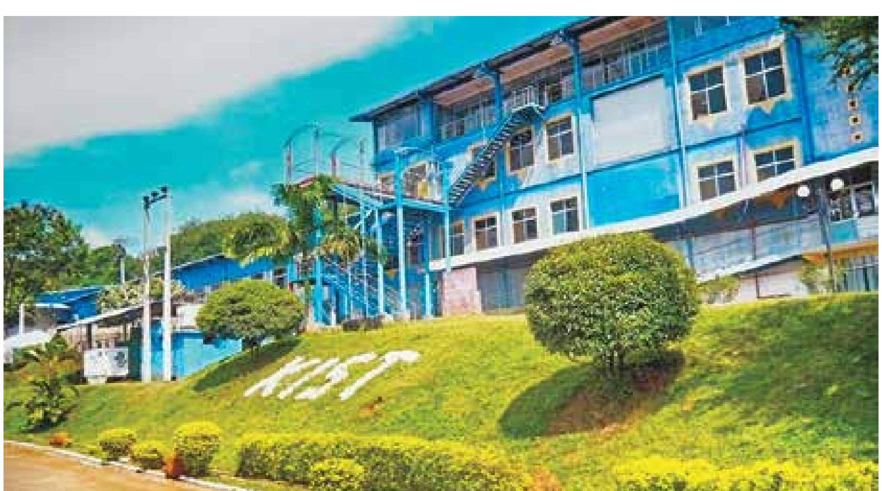
Cargills Group operates the most diverse and extensive food and agriculture focused, end-to-end supply chain in Sri Lanka. Working together with a wide number of supply chain partners, the Group has been able to powerfully execute a 24 hour, 365 day operation, to seamlessly connect a large number of farmers and suppliers with end consumers across the Country.

Cargills Group's primary sectors comprise Retail, Dairy (Milk, Cultured Products, 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-centralised network of 10 Cargills Collection Centers. These Collection Centers enable the Group to maintain very close relationships with the community of farmers and the locality as well. The produce sourced through these Collection Centers 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 700 collection points, which are directly linked to 22 Cargills Milk Chilling Centers.

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 Centers, where combined storage capacity exceeds 400,000 sqft, and temporary Distribution Centers to cater to seasonal demand. Supplementing the function of the Distribution Centers, 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 optimisation 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.

Financial Highlights

	Group			Company		
	2018 Rs.000	2017 Rs.000	Change %	2018 Rs.000	2017 Rs.000	Change %
Operations						
Continuing Operations						
Revenue	91,293,127	84,190,870	8.44	30,210	42,189	(28.39)
Profit from operations	6,262,937	5,091,120	23.02	3,860,096	2,544,550	51.70
Profit before taxation	5,245,334	4,154,134	26.27	3,300,452	1,953,902	68.92
Profit after taxation	3,330,921	2,284,196	45.82	3,174,834	1,866,293	70.11
Financial Position						
Non-current assets	33,676,707	33,371,059	0.92	14,226,706	16,497,865	(13.77)
Current assets	19,115,574	15,932,377	19.98	1,577,980	1,480,194	6.61
Current liabilities	30,523,915	30,274,672	(0.82)	3,716,838	7,996,928	53.52
Non-current liabilities	5,448,055	4,656,841	(16.99)	577,470	475,426	(21.46)
Capital and reserves, Minority Interest and other equity	16,820,311	14,371,923	17.04	11,510,378	9,505,705	21.09
Per share data (Rs.)						
Earnings per share (Basic)	14.27	9.55	49.31	14.15	8.33	69.85
Dividends per share	6.00	5.60	7.14	6.00	5.60	7.14
Net assets per share	63.78	62.31	2.37	44.96	42.44	5.95
Market value per share	194.90	187.70	3.84	194.90	187.70	3.84
Cash Flow						
Net cash generated from/(used in)						
- Operating activities	3,694,478	3,755,083		(744,220)	(263,614)	
- Investing activities	(681,155)	(6,776,934)		6,314,262	(1,125,658)	
- Financing activities	(2,123,113)	2,479,307		(4,849,753)	2,133,297	

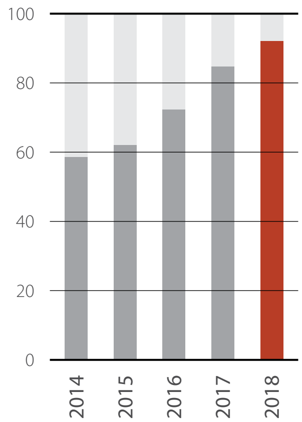
LKR. 91,293 Mn
8.4%

GROUP REVENUE

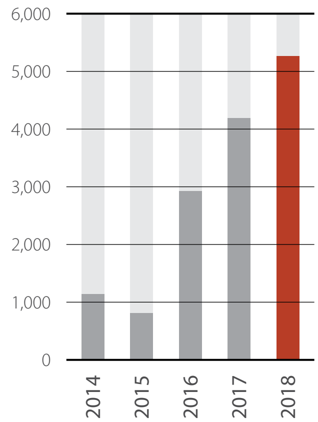
LKR. 6,263 Mn
23.0%

GROUP OPERATNG PROFIT

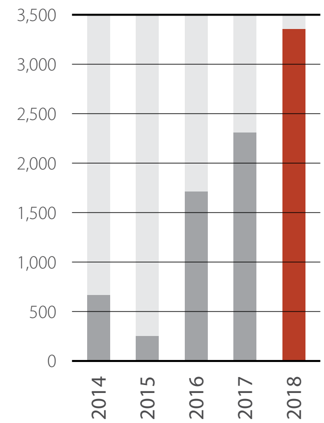
Revenue - Group
(Rs.Bn)



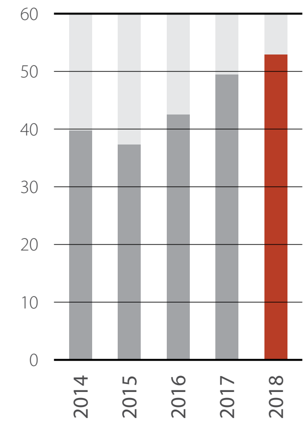
Profit Before Taxation - Group
(Rs.Mn)



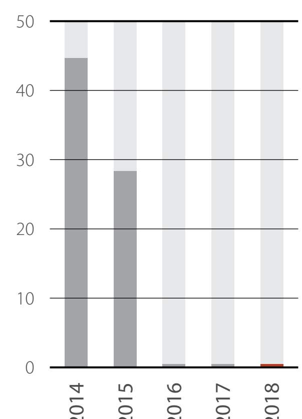
Profit After Taxation - Group
(Rs.Mn)



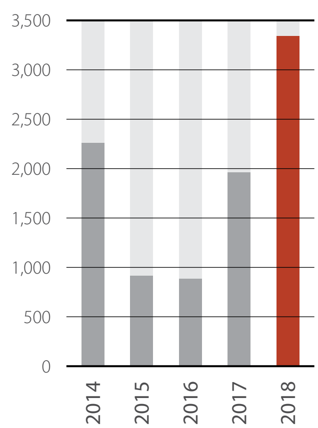
Total Assets - Group
(Rs.Bn)



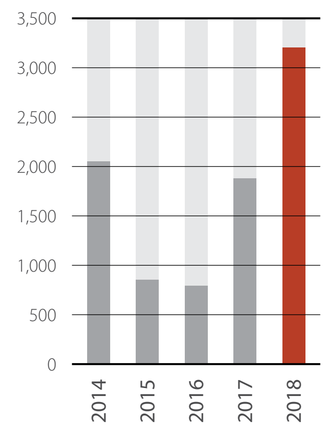
Revenue - Company
(Rs.Bn)



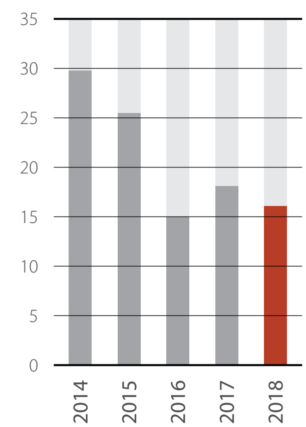
Profit Before Taxation - Company
(Rs.Mn)



Profit After Taxation - Company
(Rs.Mn)



Total Assets - Company
(Rs.Bn)



LKR. **5,245** Mn
26.3%

GROUP PROFIT BEFORE TAX

LKR. **3,331** Mn
45.8%

GROUP PROFIT AFTER TAX

Non-Financial Highlights

Human Capital

New Recruits Compared to Prior Year	Increase in Permanent Employees	Permanent Employees
420	5%	9,158

Social and Relationship Capital

Educational Scholarships	Community Development Projects	Farmers Recognized for Farmer Citizen Awards	Registered Suppliers
238	29	64	650

Natural Capital

Energy Consumption: Diesel/Petrol 837,877 L

Furnace Oil 2,560,763 L

Gas 629,635 Kg

Electricity 99,713,688 Kwh

Water Consumption 19,703,660 L

Manufactured Capital

Food City Outlets	Fruit and Vegetable Collection Centers	Milk Chilling Center	Litres of Milk Procured Daily
353	10	22	100,000
Food Processing Plants	**Fruit and Vegetables Purchased Daily**	**Delivery Operation**	
9	130 MTs	24x7	

Intellectual Capital

Experience	No. of employees with more than 15 years of service
174 Years	approximately 500 employees

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 2018 with a AA+ rating and is the only Retailer ranked in the top ten of national brands.

Cargills Foodcity footprint has reached 353 stores covering all districts of Sri Lanka.

Our Businesses contd.

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.

SAM'S KIDS Range

Cargills Finest

Goldi

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.

Our Businesses contd.

Dairy contd.

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 pasteurised 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.

Agrifoods

Kist is one of the most trusted brand names in Sri Lanka which entered into the Cargills fold in 2002 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.

Our Businesses contd.

Confectionery

Originally a regional biscuit facility, the company was acquired in 2010 and was renamed as 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.

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.

Our Businesses contd.

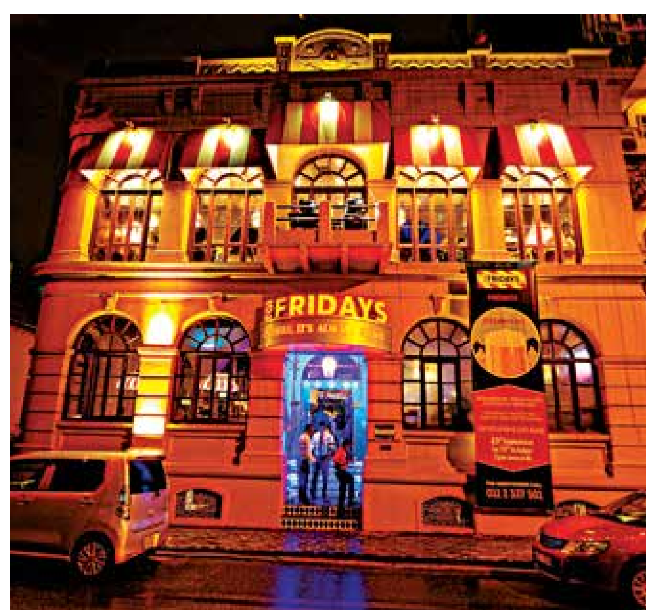
Restaurants

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 31 outlets islanwide. 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.

KFC

TGI FRIDAYS



Chairman's Review

Dear Shareholder,

I am pleased to present the Annual Report and Financial Statements of Cargills (Ceylon) PLC for the year ended 31st March 2018.

The year under review has posed many challenges to Sri Lanka and the market environment, largely driven by external weather-related shocks to the key agro-economy of the country, while the country had also seen domestic lending rates increase in order to maintain economic stability.

Overall, the economy grew 3.1% for the year 2017. The key Agriculture sector, which supports over a quarter of the population, was affected by inclement weather for the second consecutive year, reporting a de-growth of 0.8% during 2017. The sector was impacted by both heavy flooding and a severe drought that affected the harvest of many key crops. Meanwhile, the Industry sector recorded a growth of 3.9% for the year, while the Services sector recorded a growth of 3.2%.

While being cognizant of the sluggish economic environment, we have nevertheless broadened our steadfast commitment to our consumers, members of the agriculture and SME community, and all other stakeholders.

The development of the Retail industry is picking up pace in Sri Lanka, with a number of stand-alone outlets converting to a modern trade format. Sri Lanka is at a relatively nascent stage in development of modern trade when compared to its South-East Asian neighbours, and modern trade is estimated to account for approximately 15-20% of the overall Retail industry. We believe the fundamentals are in place for modern trade penetration to substantially grow in the country over the next decade.

During the year under review, Cargills Food City increased its store count by 38 to 353 outlets as at 31st March 2018, consolidating its position as the leading supermarket chain in the country. Consumer response to the re-modelled supermarkets has been positive, and justifies the Retail Management Team's emphasis on Fresh Food categories and maintaining our competitive advantage in pricing, which is driven by our integrated supply chain sourcing directly from farmers and producers while focusing attention to minimise wastage.

It was encouraging to see the FMCG sector grow volumes during the year, driven by customer's preference for high quality nutritious products, and innovation across categories. The sector comprises brands that have market leadership in Dairy, Agrifoods and Processed Meats, while the Confectionaries segment has turned profitable in the year under review.

During the year under review, a number of product category extensions were launched, especially in the Dairy and Agrifoods segments. The Dairy sector has continued to record strong growth in spite of the weak external environment with volume growth recorded in both the impulse and take-home segments. Further, the fresh Juice category, with no added sugar, was strengthened by product extension through a new variant and smaller pack sizes for on-the-go consumption.

The development of the Retail industry is picking up pace in Sri Lanka, with a number of stand-alone outlets converting to a modern trade format. Sri Lanka is at a relatively nascent stage in development of modern trade when compared to its South-East Asian neighbours.

The State has also taken initiatives to encourage consumers towards healthier products, introducing "Sugar Tax" on carbonated soft drinks (CSD). This follows on from the implementation of the "Traffic Light" system in 2016 to identify sugar content in beverages. While the steps taken by the state have certainly highlighted the topic of sugar consumption, it has also resulted in the substitution of sugar with other natural sweeteners, for which substantial research may not be available. Further, in the instance of the "Traffic Light" system, the other nutrient benefits of a product may be ignored by consumers due to the categorisation of the product, which does not support like-for-like comparisons. A more holistic approach should be implemented for all products, such as the "Healthier Choice Symbol" introduced in Singapore, that easily informs the consumer that the product is a healthier option in the category and better for their diet.

Chairman's Review contd.

The Group's Restaurants segment continued to report strong year-on-year growth, driven largely by the KFC franchise operation. During the year under review, one more restaurant was opened in Kegalle in December 2017, taking the total number of KFC restaurants to 31 as at 31st March 2018. TGI Friday's, the American casual dining chain, has taken strides towards break-even during the year, reducing its losses compared to the previous financial year.

Cargills Bank reported a commendable performance during the year, with robust growth in both lending and deposit portfolios. During the year, the Bank launched a number of consumer products including both a debit and credit card. Further, synergies with Cargills Food City are now showing tangible results with transactions growth and encouraging consumer response to the added convenience of the service. Other notable developments include the disposal of Bank subsidiary, Colombo Trust Finance PLC, in September 2017 for a net consideration of Rs. 1,066 Mn, and the signing of a Cooperation Agreement with the Bank of China Limited, which includes the development of products and measures to strengthen the working relationship between the two entities. Further, the Bank is working towards listing its shares on the Colombo Stock Exchange in 2020, in line with requirements of the Central Bank of Sri Lanka.

Sustainability is at the heart of Cargills, and our Saru Bima program has grown from strength to strength due to the efforts of all our stakeholders. During the year under review, a total of Rs. 30 Mn was earmarked for projects under the Program. We have enhanced our commitment to the farming community through providing finance, advice on climate smart agriculture methods to tackle the unpredictable weather patterns and also guaranteeing markets for their produce. Of particular note in the recent past is our effort to support farming communities that experienced bumper harvests in tomato and pumpkin wherein they were unable to sell their produce due to the glut in the market. Further, we have also substantially increased our milk collection as farmers have had increased yields during the year. Meanwhile, efforts are also continually taken to evaluate and reduce the environmental impact of the Group, and further initiatives will be deployed in the coming year.

The Group reported revenue of Rs. 91,293 Mn for the year under review, a growth of 8%. Meanwhile, operating profit rose 23% YoY to Rs. 6,263 Mn, while adjusted for one-off items, operating profit grew marginally to Rs. 5,264 Mn.

The Company declared two interim dividends during the year, a 1st interim of Rs. 1.90 per share in September 2017 and 2nd interim of Rs. 4.10 per share in March 2018. Further, the Company undertook a capitalisation of reserves in March 2018 in the proportion of 1 share for every 7 shares held.

Mr. Anthony A. Page, who has been a Director of Cargills (Ceylon) PLC since 9th January 1981, retires from the Directorate in terms of Section 210 (1) and (2) at the conclusion of the Annual General Meeting after attaining 70 years of age, which he attained on 21st March 2018. Mr. Page served as Director and subsequently Chairman of Cargills (Ceylon) PLC. He was particularly instrumental in the development of the Finance & IT systems of Cargills at a time when such resources were not readily available in the country, laying the foundation to transform Cargills into the entity that it is today. I would like to place on record our sincere appreciation for the invaluable contribution Mr. Page has made to the development of Cargills through his meticulous planning, guidance and devotion to make Cargills a leading food and beverage company in Sri Lanka.

As we move into our 174th year of existence, we reinforce our commitment to enhance our business model and benefit all stakeholders across the value chain. The unique culture of Cargills is enshrined in its Mission Statement "Food with Love", and we will continue to build on these core beliefs. We thank you, the Shareholder, for believing in our model and investing in the future of Cargills. We will continue to expand our operations across all categories, and strengthen our back-end and processes to ensure the operation remains lean and efficient to deliver our promise to all stakeholders.

(signed)
Louis Page
Chairman

02 August 2018

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, and appointed a Director of the holding company CT Holding PLC in December 2016.

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. He is currently the Vice President of Sri Lanka Retailers Association.

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 25 years of experience in the fields of Finance, Auditing, Accounting and Taxation. He is currently the Executive Director of Cargills Bank Ltd. He previously served as a Director of Lanka Clear (Private) Limited.

Profile of Directors contd.

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 A 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 overseas and in Sri Lanka. He obtained Board of Investment approvals with Pioneer Status for Directory Publishing, Pay Phones and Paging projects and was instrumental in promoting Venture Capital and Unit Trust 'start-ups' 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 companies in Sri Lanka and was recently appointed a Director of the Insurance Board of 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*

Management Discussion and Analysis

Operating Environment

The Sri Lankan economy grew 3.1% in the year 2017, vs. 4.5% in 2016, amidst a combination of factors largely stemming from adverse climatic conditions. The country has faced consecutive years of both flooding and drought, which had resulted in inflationary pressure during the year. The adverse weather conditions had a particular impact on the Agriculture community, which supports approximately a quarter of the population. Meanwhile, consumer lending rates too tracked upward in 2017, impacting the domestic consumption environment.

The Agriculture sector contracted by -0.8% in 2017, following a contraction of -3.8% in 2016. The decline in the sector was largely due to contractions in the segments "Growing of Rice" (-4.0%) "Growing of Vegetables" (-16.2%) and "Growing of Oleaginous Fruits (coconut, king coconut, etc.)" (-19,5%).

The sector was substantially impacted by adverse weather conditions for the second consecutive year. As a result, Paddy production fell 46.1% in 2017 to 2.4Mn MT, Coconut production declined 18.7% to 2,450Mn nuts, and Vegetable production declined 9.1% in 2017 to 1.5mn MT. Meanwhile Fruit production increased 9.5% in 2017 to 1.6mn MT. National milk production rose 3.2% to 396Mn litres in 2017. Domestic milk production is estimated to account for only 40% of the country's total milk consumption.

The Industries sector recorded a growth of 3.9% in 2017, vs. 5.8% in 2016. Encouragingly, the sector saw improvements in the "Manufacture of food, beverages & tobacco products" (+1.5%, vs. -0.2% in 2016) and "Manufacture of textiles, wearing apparel and leather related products" (+5.7%, vs. 1.8% in 2016) segments. However, sector growth was impacted by a decline in the Construction segment growth from 8.3% in 2016 to 3.1% in 2017.

The Services sector recorded a growth of 3.2% in 2017, vs. 4.7% in 2016. They key "Wholesale & retail trade" segment grew 3.8% in 2017, while the "Financial Services" segment grew 9.4%.

Private Consumption Expenditure (PCE) grew 8.7% in 2017 (at current market prices), vs. 3.1% in 2016. PCE on Food & Non-Alcoholic Beverages meanwhile grew 5.4% in 2017, vs. a -2.5% contraction in 2016. The growth in PCE on Food & Non-Alcoholic Beverages was partly driven by higher price levels, as reflected by the increased food inflation based on the National Consumer Price Index (NCPI, base year 2013), which increased at a higher rate of 11.3% in 2017, compared to 3.1% in 2016. Food & Non-Alcoholic Beverages accounted for 29.1% of PCE in 2017, vs. 30.0% in 2016.

Retail Operations

The Retail sector of Cargills consists of the Group's modern trade retail operation, Cargills Food City.

Cargills Food City is Sri Lanka's largest modern retailer, having commenced operations in 1983. The retail operation presently has 353 outlets spread across all districts in the Country in two formats, 'Cargills Food City' supermarkets and 'Cargills Food City Express' minimarkets. The retail operation is supported by logistics and distribution centres that handle Fresh and Dry goods.

Cargills Food City was ranked the 10th most valuable brand in Sri Lanka as per the Brand Finance Index ratings 2018 with a AA+ rating. It remains the only retailer in the Top 10 national brands of the country.

The new Cargills Food City store format, which was launched in 2016/17 with the conversion of the Food City Kandana outlet, emphasises more on the fresh food categories with a market place outlook, allocating greater space to improve in-store displays. This has received a positive response from consumers, and the Group is in the process of converting existing Food City outlets into the new format. All future 'Food City' stores will adopt this format as well.

Cargills Food City rolled out its 'Heroes' campaign in the latter part of 2017, paying homage to the stakeholders that form the backbone of the business. The campaign received an overwhelming positive response, and also raised attention to the contribution of the Agriculture & SME community to the development of the country.

The Group is committed to the long term development of the Rural community, providing farmers and SMEs with a market for their produce across the country, and giving advice and technical inputs on production to enhance efficiency and productivity. During the year, Cargills collected over 54Mn kgs of fruit and vegetables from local farmers, returning Rs.5.4Bn directly to farmers.

Cargills is also undertaking a pilot project with groups of farmers across the country to broaden the use of climate smart and sustainable agriculture techniques, which is expected to enhance productivity, minimize chemical usage and enhance income security of farmers. The Group's agriculture extension team has also been working with farmers in the implementation of GAP certification, which would ensure better prices for their crop and healthier produce for consumers.

In keeping with our value-for-money promise, 'Cargills Food City' participated in the Government program to reduce the cost of living by retailing key commodity items at or near cost during a period of high food inflation in the country. Accordingly, certain SKUs in the categories of rice, lentils, sugar, big onions, potatoes and canned fish were sold at reduced prices to ease the burden of the consumer.

A key challenge that continues to impact the Retail industry is the availability of staff. The Retail operation has focused much effort in reducing employee turnover and enhancing the staff cadre to meet the demands of the outlet expansion program. Further, periodical reviews take place to ensure that Training & Development Programs build employee engagement and motivation while also meeting the demands of the modern consumer. Staff productivity is also evaluated to identify process improvements and new technology implementation that would ease the workload of the front-end staff.

Meanwhile, the implementation of a new ERP system commenced during the financial year, and is on track to be completed in 1H 2018/19.

The Group also continually explores measures to reduce its environmental footprint, and this would be a key non-financial undertaking of the Management for the financial year.

Cargills will continue to deliver on its promise of quality, freshness and value-for-money. The Group is investing heavily to improve efficiency of the Retail operation, and this year would break ground on a state-of-the-art retail logistics centre, which is expected to commence operations in 2019/20.

Financial Review

The Retail sector recorded turnover of Rs.72,020Mn, a growth of 8.4% over the previous year. The Sector endured a challenging year amidst a slowdown in the consumer environment which impacted same store sales growth. Nonetheless, the Group was buoyed by the positive consumer response to the remodeled stores that have a larger floor area dedicated to the key fresh food department.

The sector recorded an operating profit of Rs.2,502 Mn, a marginal decline from the previous year, attributable to the rise in Value Added Tax from 11% to 15% during the year, increased marketing and promotional activities, and the introduction of new regulations on packaging materials with effect from 1st January 2018 which had an adverse impact on operating margins.

Net finance costs of the Sector rose 124% YoY to Rs.283Mn amidst heavy investment in expansion of the 'Cargills Food City' supermarket chain. During the year, 38 new outlets were opened. Total sector capex for 2017/18 stood at Rs.4,022Mn (vs. Rs.1,210Mn in 2016/17).

Rs. Mn	2016/17	2017/18	% YoY
Revenue	66,435	72,020	8.41
Operating profit	2,647	2,502	-5.48
Net finance cost	-127	-283	-123.72
Profit before taxation	2,521	2,219	-11.98
Profit for the year	1,793	1,601	-10.69
Capital expenditure	1,210	4,022	232.34

Fast Moving Consumer Goods

The Fast Moving Consumer Goods (FMCG) sector of the Group consists of manufacturing and distribution operations. Manufacturing comprises of Meats, Dairy, Agrifoods and Confectionaries, while the trading and distribution operation is carried out under Millers Limited.

The Dairy segment, led by market leading brands 'Magic' and 'Kotmale', reported commendable operating performance during the year, recording double digit top line growth in spite of the challenging market environment. The Dairy portfolio comprises plain and flavoured milk, ice cream in both take-home and impulse forms, set, stirred and drinking yoghurt and cheese. We will soon add butter to complete the portfolio.

Management Discussion and Analysis contd.

A key highlight during the year was the launch of 'Magic' Fruit & Nut range, which includes fruit & nut ice cream in cup, cone, stick and tub form. Further, the group introduced two new variants of cheese wedges and a number of products in the impulse ice cream category.

Cargills collects fresh milk from over 15,000 smallholder dairy farmers in the Central, North Western, Northern and Western regions of Sri Lanka. During the year, an average of 135,000 litres of milk was collected per day, resulting in a total milk collection of over 50 Mn litres for the year, generating revenue of Rs.3.6Bn to the farmers of the area. Cargills regularly engages with its farmers to provide technical inputs to improve production and animal health, and during the year a program to improve the keeping quality of the milk within the supply chain was successfully implemented.

The Agrifoods segment consists of the 'Kist' range of nectars, sauces, jams, juices, cordials, 'Knuckles' natural spring bottled water and a spices operation.

The segment achieved strong growth in its fruit-based products range of nectars and juices as demand for healthier alternatives to carbonated soft drinks increased. The 'Absolute Juice' product range which has no added sugar performed particularly well during the year. The product portfolio was extended with the introduction of a new variant (grape) and a 200ml SKU for the existing Red Apple, Green Apple and Orange juices.

The Meats segment consists of the "Goldi" and "Sam's" ranges of processed meats. The segment recorded mid-single digit growth during the year, largely driven by the modern trade channel.

Sourcing of raw materials remains a challenge for the sector in the absence of established supply chains for certain fresh meat items. This however is being tackled through forward contracts with smallholder farmers that would guarantee a steady supply of raw materials.

The Confectionaries business continued to strengthen its position in key Chocolate Cream and Wafer categories, while the Cream Cracker category had also reported double digit top line growth. The rationalization of the product portfolio has enabled the business to focus on key winning categories, while also freeing up production capacity for better use.

The Trading and Distribution operation of Millers undertook a range rationalisation during the year, focusing its efforts to drive key product categories and brands. Performance was bolstered by improvement in the supply of "Kraft" products, and more consistent supply of the products can now be expected. Millers was also successful in securing the agency for Loaker, Lotte and Golden Circle brands during the year, and will continue to focus on improving its F&B products portfolio to improve consumer choice in the market, with greater focus on the growing modern channel.

Financial Review

The FMCG sector recorded turnover of Rs.15,659Mn, a growth of 8.1% over the previous year. The performance of the sector is notable given the challenging market conditions during the year.

Operating Profit increased 3.1% to Rs.2,183Mn, though Sector margins eroded slightly on account of higher raw material costs during the year due to the prevailing drought situation in the country having an impact on certain key raw material inputs.

FMCG

Rs Mn	2016/17	2017/18	% YoY
Revenue	14,487	15,659	8.09
Operating profit	2,117	2,183	3.12
Net finance cost	-318	-398	-25.18
Profit before taxation	1,816	1,795	-1.16
Profit for the year	995	898	-9.75
Capital expenditure	1,463	1,187	-18.83

Restaurants Operations

The Restaurants sector comprises globally recognized QSR franchises KFC and TGI Friday's. Cargills secured the KFC franchise in 1996, and today KFC is among the largest and most popular international restaurant chains in the country with 31 outlets islandwide. Cargills secured the TGI Friday's franchise in 2012, and opened its flagship restaurant in Colombo Fort in October 2013.

KFC posted double digit top line growth during the year, while efficiency improvements drove higher profit growth. The popularity of the chain stems from its core product of freshly prepared chicken, and the menu mix is largely towards hot & spicy chicken, rice and burger options.

Following the three outlets that were opened in 4Q 2016/17, a further outlet was opened in Kegalle during the year under review. The performance of the new outlets has been encouraging, and underpins the popularity of the brand across the country. The growth of the delivery channel has also supplemented in-store revenue growth, and now accounts for approximately 10% of total revenue.

The TGI Friday's franchise outlet continues to move in the right direction, albeit at a slower than expected pace. The outlet showed improvements in operating performance during the year, reporting a reduction in operating losses, with a positive response to the new menu items, friendly service and good ambience. Nevertheless, a key challenge remains attracting the necessary footfall to reach breakeven.

Financial Review

The Restaurants sector reported turnover of Rs.3,614Mn, a growth of 10.6% over the previous year. Growth was driven by a combination of same store sales growth and new additions during the year in the KFC franchise.

The sector recorded an operating profit of Rs.382Mn, up 43% YoY, with margin improvements largely on account of high operating leverage in the KFC business and reduction in losses of TGI Friday's. Net Finance cost meanwhile rose to Rs.10Mn in 2017/18 (vs. Rs.4Mn in 2016/17) partly on account of capex for new store openings in the final quarter of 2016/17.

Restaurants

Rs Mn	2016/17	2017/18	% YoY
Revenue	3,269	3,614	10.57
Operating profit	267	382	43.33
Net finance cost	-4	-10	-137.29
Profit before taxation	263	372	41.83
Profit for the year	162	242	49.36
Capital expenditure	199	87	-56.17

Group Financial Review and Outlook

Financial Review

The Cargills Group recorded turnover of Rs.91,293Mn, a growth of 8.4% over the previous year. Gross profit meanwhile rose 5.2% YoY to Rs.10,574Mn.

Other income rose 79.8% YoY to Rs.3,037Mn in 2017/18, largely on account of the gain on disposal of investment property resulting in a one-off gain of Rs.1,010Mn. Growth in operating expenses partly stems from incremental investments in consolidating and enhancing the market position of key brands within their respective segments. Group operating profit rose 23% YoY to Rs.6,263Mn for 2017/18.

Group Net finance costs of the Sector rose 16.2% YoY Rs.1,307Mn. Growth in finance costs was partly mitigated by the disposal of investment property in September 2017, in which the Group raised Rs.4.2Bn through the disposal of properties at Vauxhall Street and Dawson Street respectively. Group capex rose 61% to Rs.5,353Mn amidst investments in the Retail and FMCG sectors.

Profit before tax rose 26.3% YoY to Rs.5,245Mn in 2017/18, while profit after tax rose 45.8%YoY to Rs.3,331Mn for the year ended 31st March 2018.

Management Discussion and Analysis contd.

Share of Associate Results rose sharply during the year to Rs.212Mn (vs. Rs.22Mn in 2016/17). The results include contributions from associates Cargills Bank Limited and CT Properties Limited. Cargills Bank continued to grow from strength to strength during the financial year 2017, in which it recorded total asset growth of 55% YoY to Rs.32,513Mn and deposit growth of 99% YoY to Rs.18,808Mn. The Bank also disposed of its listed finance company subsidiary Colombo Trust Finance PLC for a purchase consideration of Rs.1,066Mn, on which a gain on disposal of Rs.481Mn was recorded. In line with the focus of the Group to utilize the synergies within the Cargills Group, transactions by Cargills Bank customers within 'Cargills Food City' reached Rs.4Bn in value in 2017.

The Financial Statements for the period included the following non-recurring items:

(1) the gain on disposal of investment property of Rs.1,010Mn (2017/18) reported in Other Income,

(2) stamp duty charges on inter-group property transfer of Rs.11Mn (2017/18) and Rs.132Mn (2016/17) reported in Administrative Expenses,

(3) gain on disposal of subsidiary by associate Cargills Bank of Rs.193Mn (2017/18) reported in Share of profit of equity accounted investees, net of tax,

(4) reversal of deferred tax asset recognized on tax losses of Rs.76Mn (2017/18) reported in Income tax expense.

Adjusted for the above non-recurring items, the Group reported a recurring profit after tax of Rs.2,215Mn for the year, down 8.3% YoY.

Outlook

The Group remains optimistic that the country's economic environment is on the path towards recovery. The Government has focused on reducing its budget deficit, while also strengthening the external reserves position to better insulate the country from global economic shocks. Inflation is expected to moderate in 2018/19 in spite of a likely one-off impact due to the implementation of a fuel pricing formula, due to the high base for the Food Index, which is expected to moderate amidst rainfall positively benefiting agriculture productivity in the country. The currency is however expected to be volatile during the year, and may place pressure on inflation and interest rates.

Consumer preferences and expectations are also developing, especially in the food retail and consumption space. Effective pricing and promotion is improving the modern trade share of consumer spend, while quality and freshness of the Produce departments (vegetable, fruit, meat and seafood) has built the confidence of consumers in modern trade channels, thereby incrementally increasing the portion of basket of these categories year-over-year.

The greater prevalence of multiple income households and higher levels of urbanization is driving a shift consumption patterns towards on-the-go products that provide convenience to the consumer. Further, increased awareness is leading consumers to demand for healthier and more nutritious food options.

In keeping with and leading local consumption trends, the Group's FMCG sector is committed to strengthening its portfolio of healthy and nutritious products. The product development teams are focused on developing new product formulations with lower sugar and fat, while maintaining the nutritious element of our product ranges.

A larger share of the Group's capex in the next year will be invested in the retail sector, driving new store growth, store re-modelling and back-end enhancements to remain the lowest cost operator in the food business. The Group expects to break ground on a state-of-the-art logistics centre during the year, which is expected to be completed in the year 2020. Logistics is an integral component in the competitive advantage of the Retail channel, and the Cargills Group maintains a logistics network encompassing dry, chilled and frozen distribution.

Cargills has also commenced construction of a new Cheese facility, which is due to be completed during the financial year. The facility will enable the company to enhance its production and range of cheese products.

Urbanisation, increased household income and the growing tourism industry is also driving consumption in the Restaurants segment. The KFC restaurants opened in the past year have performed above expectation, and the Group intends to expand the KFC restaurant chain during the year, enhancing its geographic footprint to bring KFC to new audiences outside of the Western Province. KFC has a wide distribution in the country, and is present in 10 Districts of the country.

Cargills prides itself in being one of the most trusted corporate entities in Sri Lanka, having a heritage of over 170 years. In its endeavor to positively impact Sri Lanka, Cargills has built an ecosystem that benefits all stakeholders, a conduit for commence connecting producers and customers across the country through a 24/7 operation. The Group will continue to invest in this ecosystem, focusing on initiatives that would bring value across the supply chain, and ensuring that customers, employees and those that we impact in regional Sri Lanka are front and centre to what we do, thereby creating sustainable shareholder value.

Corporate Governance

1. Our Governance

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.

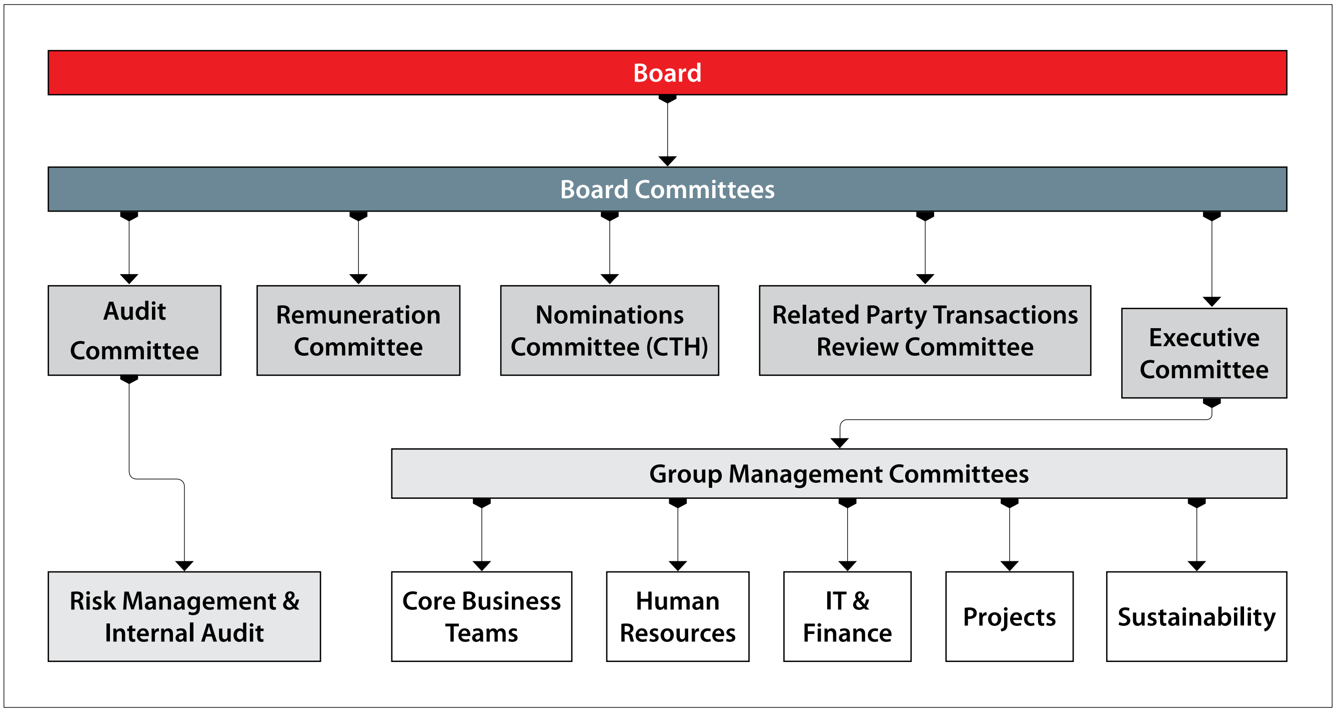
We are committed to sound Corporate Governance principles and constantly strive to embrace emerging best practices adopted worldwide.

2. 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.

3. 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.



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 of 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 to maintain the independence of the Board, and to separate its functions of governance and management. The Group Board periodically evaluates the Board composition and makes changes if necessary.

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.

Corporate Governance contd.

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 (CT Holdings PLC) 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. 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 Directors' 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 Transactions 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 Report

The Audit Committee is appointed by the Board of Directors of the Company and reports directly to the Board. The Audit Committee functions within the overall governance process established by the Board of Directors of the Company and assists the Board in effectively discharging its responsibilities.

Policy Framework

The policy framework for the functioning of the Audit Committee of the Company and its subsidiaries is set out in the Group policies adopted across the Group. In addition to the Audit Committee of the holding company, one listed subsidiary and a significant non-listed subsidiary within the Cargills Group have separate Audit Committees, where the Chairman and one other member of the Audit Committee of the parent company are members of the other two Audit Committees as well. The Audit Committee of the listed holding company functions as the Audit Committee of the non-listed subsidiary companies within the Group, other than in the case of the significant non-listed company which has its own Audit Committee as well.

Composition

The Members of the Audit Committee:

Name / Independence

Mr. A.T.P. Edirisinghe (*Chairman*) - Independent
Mr. Sunil Mendis - Independent
Mr. E. A. D Perera - Independent
Mr. P. D. Rodrigo - Independent

The Audit Committee comprises four members who are Non-Executive Directors who are deemed Independent. The Chairman of the Audit Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka & a Fellow Member of the Chartered Institute of Management Accountants, UK. The composition of the members of the Audit Committee satisfies the criteria as specified in the Standards on Corporate Governance for listed companies. The Company Secretary acts as the Secretary to the Committee.

Procedure

The procedure in place is for the Group Managing Director (GMD), Group Chief Financial Officer (GCFO), and Group Chief Risk Officer (GCRO) to attend all meetings when scheduled and for the Deputy Chairman/CEO to attend Audit Committee meetings as and when requested so to do by the Audit Committee. Besides this, procedure are in place to circulate the various documents stated hereunder and for clarification of matters raised by the members of the Audit Committee. Where necessary, approvals may also be given by circular resolutions.

Meetings

In terms of the Group policy, the Audit Committees should meet at least once every quarter, of which the Company Auditors will attend two of such meetings. The meetings were also attended by the Group Managing Director/Deputy CEO of the Company, with the participation of Group Chief Financial Officer (GCFO) and Group Chief Risk Officer (GCRO), as well as the CFOs of the significant clusters.

The Audit Committee of the Company met five times during the year, two of which were with the participation of the Company's Auditors.

Details of the participation of the members of the Audit Committee at such meetings is set out below:

Name	Meetings Held	Meetings Attended
A. T. Priya Edirisinghe (Chairman)	5	5
Sunil Mendis	5	4
Errol A. D. Perera	5	3
P. Deva Rodrigo	5	5

Scope

The functions of the Audit Committee, as set out in the Group policies, include the following:

- 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.

Corporate Governance contd.

- 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.

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 statues including Corporate Governance rules and that the presentation of such financial statements are consistent with those of the previous quarter or year as the case may be, and further states any departures from financial reporting, statutory requirements and Group policies, (if any)

Quarterly Compliance Certificates 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 2018/19.

Conclusion

Based on its work, the Audit Committee is of the opinion that the control procedures and environment within the Group provide reasonable assurance regarding the monitoring of the operations, accuracy of the financial statements and safeguarding of assets of the Company.

Audit and Auditors' Independence

The Audit Committee assessed the independence and performance of the Company's external auditors and made recommendations to the Board pertaining to appointment/ re-appointment. The Audit Committee also reviewed the audit fees for the Company and approved the remuneration and terms of engagement of the external auditors and made recommendations to the Board. When doing so, the Audit Committee reviewed the type and quantum of non-audit services (if any) provided by the external auditors to the Company to ensure that their independence as Auditors has not been impaired.

The Audit Committee obtains an 'Auditor's Statement' from Messrs. KPMG confirming independence as required by Section 163 (3) of the Companies Act No.07 of 2007 on the audit of the statement of financial position and the related statements of profit or loss and other comprehensive income, changes in equity, and cash flows of the Company and the Cargills Group.

The Audit Committee has recommended to the Board that Messrs KPMG, Chartered Accountants, be continued as external auditors of the Company for the financial year ending 31 March 2019.

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

02 August 2018

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

Mr. Louis Page (*Chairman*)	–	Non Executive/ Non Independent
Mr. A T P Edirisinghe	–	Independent
Mr. Sunil Mendis	–	Independent
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
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 was involved in the formulation and finalising of the Employee Share Option Scheme (ESOS) of the Company which was proposed by the Directors and approved by the shareholders at an Extra Ordinary General Meeting held on 29 June 2017, and will also oversee its administration aspects going forward.

The committee met once during the year under review

(Signed)
Sunil Mendis
Chairman – Remuneration Committee

02 August 2018

Corporate Governance contd.

3.2.4 Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee (RPTRC) was appointed by the Board of Directors of the Company and reports directly to the Board. The Committee functions within the overall governance process established by the Board of Directors of the Company and assists the Board in effectively discharging its responsibilities.

Policy Framework

The policy framework for the functioning of the RPTRC of the Company and its subsidiaries is set out in the Group policies adopted across the Group. In addition to the RPTRC of the holding company, one listed subsidiary within the Cargills Group of Companies has a separate RPTRC, where the Chairman and one other member of the RPTRC of the parent company are members of the RPTRC of the listed subsidiary. The RPTRC of the listed holding company functions as the RPTRC of the non-listed subsidiary companies within the Group.

Composition

The Members of the RPTRC:

Name / Independence		
Mr. A.T.P. Edirisinghe *(Chairman)*	-	Independent
Mr. Sunil Mendis	-	Independent
Mr. E. A. D Perera	-	Independent
Mr. P. D. Rodrigo	-	Independent

The RPTR Committee comprises four members who are Non-Executive Directors who are deemed independent. The composition of the members of the RPTRC satisfies the criteria as specified in the Standards on Corporate Governance for listed companies. The Company Secretary acts as the Secretary to the Committee.

Scope

The RPTRC assists the Board in reviewing all Related Party Transactions (RPT) carried out by the Company.

The functions of the RPTR Committee include the following:

- Developing and recommending for adoption by the Board of Directors of the Company and its listed subsidiaries, a related party transactions policy consistent with that proposed by the RPT Code of the SEC.
- Reviewing and updating the control procedures in place to ensure that all recurrent and non-recurrent related party transactions are identified, adequately captured and reported in a timely manner in accordance with the applicable rules
- Establishing procedures to ensure that related party transactions that are captured within the system are reviewed in a systematic manner and certified by key management personnel with appropriate level of authority
- Reviewing all related party transactions as reported by management for compliance with the RPT Code
- Ensuring that appropriate disclosures are made as applicable to the CSE where immediate market disclosures are required, and in the Annual Report.

Procedures are also in place for the RPTR Committee to obtain and have obtained:

- Quarterly declarations of related party transactions from Directors & Senior Management of all Group companies on recurrent & non-recurrent transactions undertaken by them or by their close family members
- Quarterly declarations of Directors & Senior Management of all Group companies who has a significant shareholding/ownership in a company or partnership or proprietorship which is outside the Group companies and/or of the subsidiaries and associate companies of Group companies
- Quarterly declarations of Group Chief Financial Officer or equivalent position in Group companies on recurrent and/or non-recurrent transactions within the Group companies

Likewise, procedures are also in place for the assessment of the need to obtain shareholder approval for specified transactions and to inform the SEC/CSE on the applicable non-recurrent transactions.

Related Party Transactions

Companies within the Group regularly engage in transactions with other companies within the Group. The Committee receives and reviews details of all related party transactions from the Group Chief Financial Officer of the company and disposes of the same in accordance with the mandate set out above.

In respect of non-recurrent transactions, if any, the Committee is empowered to seek independent expert advice on valuation or any other related matter that the Committee deems to be significant.

Meetings

The Related Party Transactions Review Committee (RPTRC) met four times during the year. The meetings were 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), as well as the CFOs of the significant clusters.

Details of the participation of the members of the RPTR Committee at such meetings is set out below:

Name	Meetings Held	Meetings Attended
A. T. Priya Edirisinghe (Chairman)	4	4
Sunil Mendis	4	3
Errol A. D. Perera	4	2
P. Deva Rodrigo	4	4

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

The Committee noted that there were no changes to practices followed over the years and general terms and conditions applicable to all lease agreements entered into with Related Parties are similar to those entered into with non-related parties taking to account, if any, due consideration of factors such as the long term nature of the leases and the extent of the area occupied, etc.

Conclusion

Based on its work, the Related Party Transactions Review Committee confirms that there were no non-recurrent transactions with related parties during the year that warranted prior shareholder approval. It is also noted that in respect of recurrent transactions, the transactions were in the ordinary course of business, there were no changes to terms or practices over the previous year and general terms and conditions applicable to such transactions with related parties are similar to those entered into with non-related parties taking into account, if any, due consideration of factors such as volume, cost and any other special benefits which form part and parcel of such transactions. The observations of the Committee have been communicated to the Board of Directors.

The details of the recurrent transactions entered into with related parties are disclosed in Note 34.3 to the Financial Statements.

(Signed)
A .T. P. Edirisinghe FCMA (UK), FCA
Chairman – Related Party Transactions Review Committee

02 August 2018

Corporate Governance contd.

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 its 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.

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.

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	• Providing direction, guidelines, and approval of , the Group's strategic direction and business plans as developed by 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 • Review and approve the annual operating plans and financial budgets.
Risk Management	• Ensuring a process is in place to identify the principal risks of the Group's business • Reviewing, ratifying and assessing the integrity of the Group's systems of risk management, internal controls and compliance
Management	• 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	• Evaluate the performance of the Board committees and individual directors. • Establishing and reviewing 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	• 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	• 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.

Corporate Governance contd.

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, organising 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 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 in 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,

Corporate Governance contd.

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 stockholders 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.

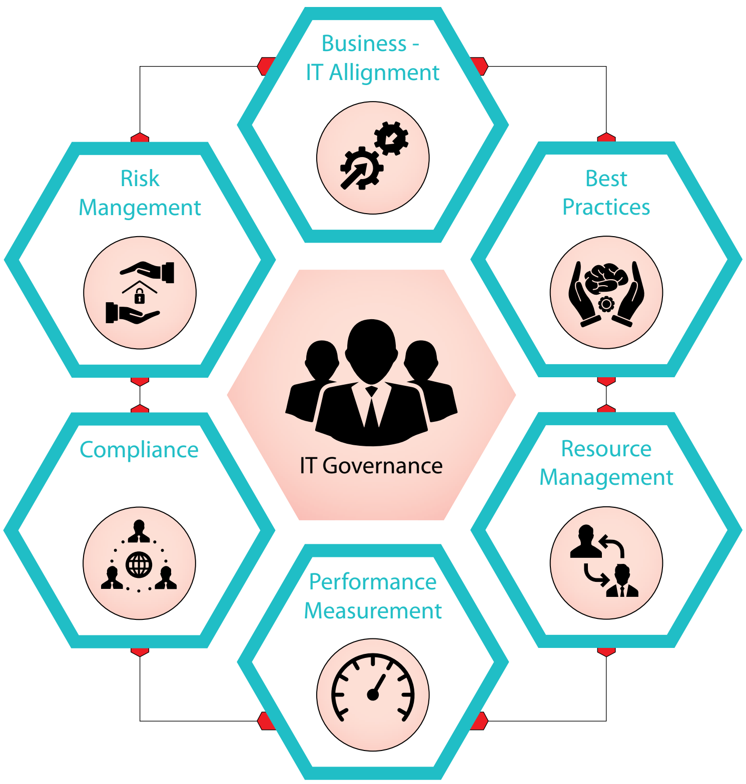
7.5 Information Technology Governance

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 jeopardised 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.

Corporate Governance contd.

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 risks 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 address questions to the Company's external auditors at the meeting. The Company encourages its shareholders to attend its AGM and committed to dealing with shareholder queries in a respectful and timely manner whenever they are received by the Company.

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 25 and Note 1 on page 50.
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 39. 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		

Corporate Governance contd.

	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 37.
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 Audit Committee meetings	Compliant	
a.4	The Chairman of the Audit Committee or one member should be a member of a recognized professional accounting body	Compliant	
B.	Functions of the Audit Committee		
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 recommendations to the Board pertaining to appointment or re-appointment 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 Audit Committee 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. 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, 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.

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.

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; ◆ 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, ◆ 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	

Corporate Governance contd.

	Principle	Status	Details/Reference
A.4	Financial Acumen		
A.4.1	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	
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	

	Principle	Status	Details/Reference
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 25
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	
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

Corporate Governance contd.

	Principle	Status	Details/Reference
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 39. 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	
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 • Policy and methodology for communication with shareholders • How the above policy and methodology will be implemented • The contact person for such communication	In place	

	Principle	Status	Details/Reference
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 transactions	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, ◆ 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 105
D.1.3	The Annual Report should contain a Statement of Directors' Responsibility	In place	Statement of Directors' Responsibility on page 109
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 105
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	
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

Corporate Governance contd.

	Principle	Status	Details/Reference
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 Audit Committee 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	
D.5	Corporate Governance Disclosures		
D.5.1	The Directors should include a Corporate Governance Report In the Annual Report	In place	

	Principle	Status	Details/Reference
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.1.1.	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	
G.	Sustainability Reporting		
G.1.1 – G.1.7	Disclosures on adherence to sustainability principles	In place	Sustainability report on page 67

Enterprise Risk Management

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 material downside is subject to mitigation and any material upside is fully made use of to strengthen the competitive position of the Group.

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

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

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

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

Enterprise Risk Management contd.

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 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 environment. 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.

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

Colour code and Risk Ratings

- Very High
- High
- Moderate
- Low

Based on the risk score, the risks are priortised 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.

Enterprise Risk Management contd.

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, prioritisation 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	
◆ 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.	◆ 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.
People Retention and Capabilities	
◆ Failure to attract, retain and develop people with right capabilities could seriously impact the long-term growth potential of the business.	◆ Through proper HR planning and recruitment processes we minimise staff shortages. ◆ We liaise with relevant authorities and institutions in the regions to recruit employees living close to the business locations. ◆ We have a fully-fledged training department with state of art training facilities to train our employees in various disciplines. ◆ Processes are also in place to identify talent and actively manage succession planning. ◆ We have a transparent mechanism in place to handle employees need and grievances. ◆ Our employment policies and rewards schemes are regularly reviewed in order to ensure that we are in par or better than the industry norms.

Risk	Risk Mitigation Actions
Reputational Risk	
• 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.	• 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	
• Selection of a wrong business strategy or failure to implement the strategies effectively could impact the business performance.	• High priority is given for the formulation of strategic plan for each business sector under the guidance of the corporate office. • Strategies are scrutinised in detailed by the Board before being approved. • Strategies are communicated clearly to the employees at all levels. • Implementation of strategies is monitored regularly to ensure they are executed as planned. • Outcome of each strategy is critically reviewed against its objectives in order to assess its effectiveness.
Product Quality and Safety	
• The safety and quality of our products are critical to maintain customer trust and confidence and to maintain our business performance.	• 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.

Enterprise Risk Management contd.

Risk	Risk Mitigation Actions
Inventory and Supply Chain Risk	
• 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 increase in stock holding costs	• 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.
Health and Safety	
• 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.	• 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	
• 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.	• 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.

Risk	Risk Mitigation Actions
IT systems and infrastructure	
• 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.	• 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
Funding and Liquidity Risk	
• Business could be impacted badly if we are unable to source adequate funds for ongoing business operations, the expansion projects and also for other investments.	• 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	
• Steep upward movement in the interest rate could have severe impact to the financial performance of the Group.	• The Group operations are funded by mixture of fixed interest rate bearing long term loans and short term loans with floating interest rates. • Centralised treasury function enables pooling of funds and negotiating better rates. • Interest rates movements are monitored by the treasury and appropriate steps are taken to mitigate the financial impact due to the interest rate fluctuations.
Credit risk	
• 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.	• 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.

Enterprise Risk Management contd.

Risk	Risk Mitigation Actions
Foreign Exchange Rate Risk	
• 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	• The Group's consumption of imported raw materials is considerably low; hence the exposure to Forex risk is limited. • Foreign exchange rates are monitored by our import division and necessary steps are taken to minimise the adverse impacts.
Commodity Price Risk	
• 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	• 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	
• 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.	• 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	
• Reputational Risk arising from adverse impacts to environment and to the human wellbeing	• 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 Commitment to Sustainability

Our journey began 174 years ago as a wholesale and retail business. Over time we have evolved and grown to become a key player in Sri Lanka's Food and Beverage industry. Throughout our journey, we've deepened our aspirations to be a leader in nourishing people and operating responsibly across the multiple sectors within which we operate. Our passion to do business within the culture of trust and respect continues to remain deeply embedded in our hearts, and it is from this platform that we initiate business strategy to impact the marketplace, environment and the community.

We recognize that our destiny is in our people. Our customers, employees and suppliers are our 'Heroes' who have made our journey of 174 years a success. They have supported us at every step and stride we have made. Therefore, we are dedicated to making a difference in the lives of our Heroes. We are mindful of the fact that sustainable growth depends on the way we treat people, how we enrich our communities and how well we serve our customers.

Our Strategy

Our sustainability agenda is deeply rooted in our commitment to reducing the cost of living, bridging regional disparity and enhancing youth skills.

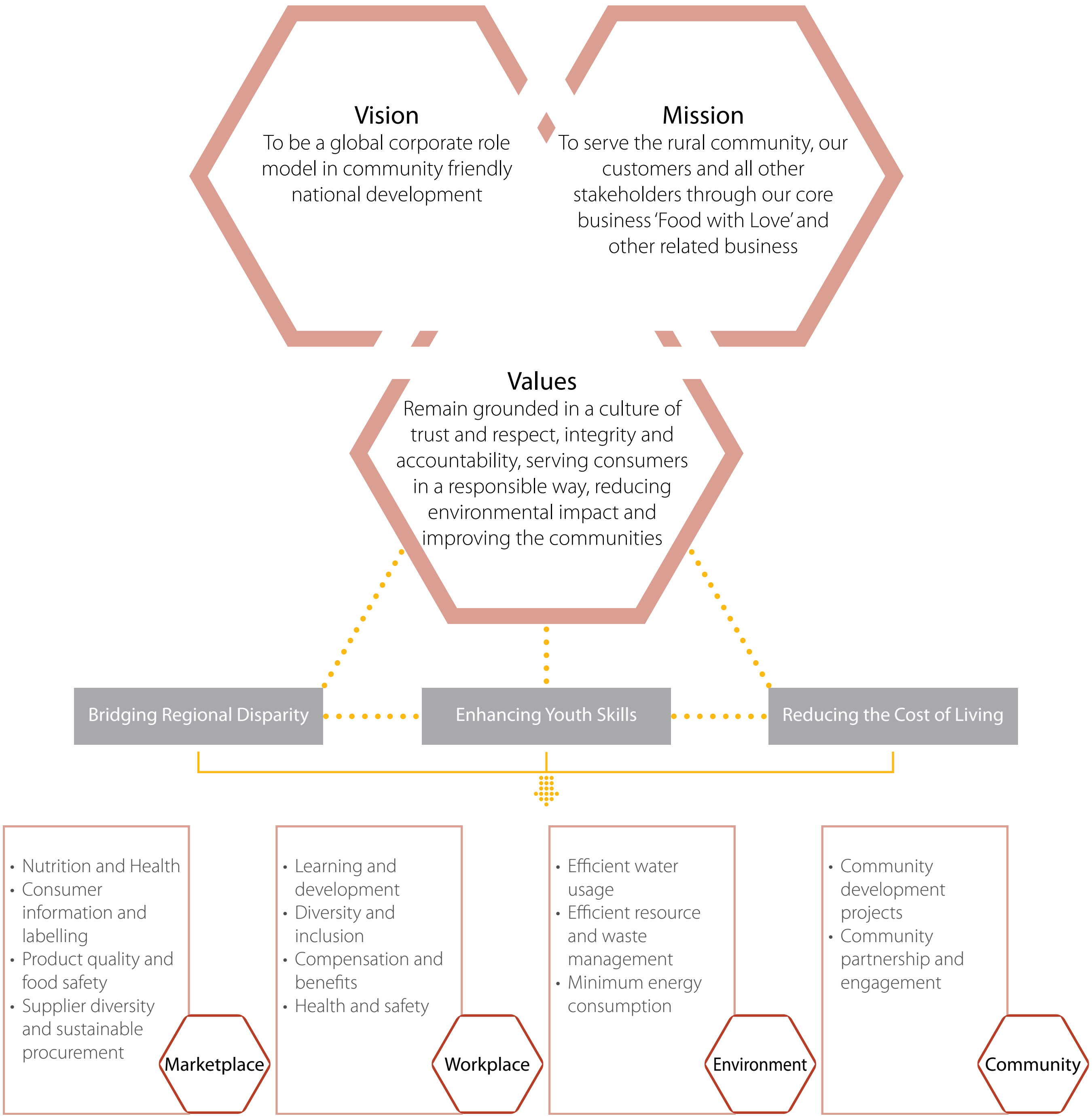
At a national level, we are intent on becoming the largest contributor to Regional Sri Lanka. Slowly but steadily we are taking significant strides towards achieving this goal. Keeping this in mind, we drive agriculture-centric regional growth by empowering our farmers towards a more sustainable supply chain, whilst developing the communities within which we work.

In serving 'Food with Love', we are committed to contributing towards the health and nutrition of our nation by providing high quality, safe and nutritionally-healthier products in a responsible and sustainable manner.

We know that corporate responsibility is essential to our current and future success as a business. It is for this reason that strategies, governance structures, corporate policies, commitment statements and codes of conduct are developed in a manner that helps to embed corporate responsibility into our everyday operations. Our brands Magic, Kotmale, Kist, Kist Biscuits, Kist Knuckles, Goldi, Sams and My Choice play a critical role in strengthening our contribution towards creating sustainable value across our nation.

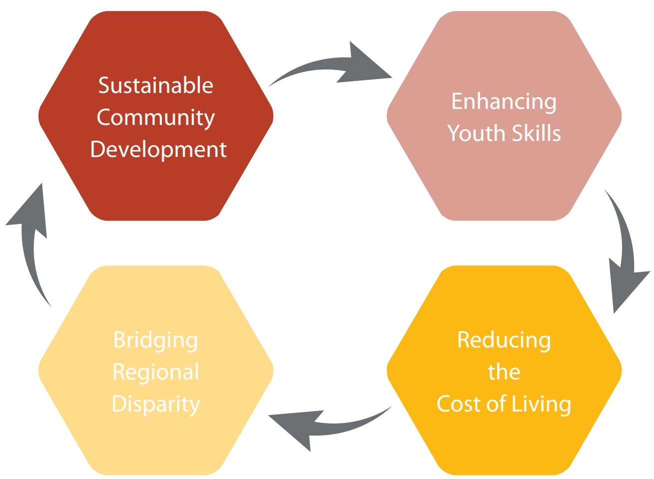
We recognize that our destiny is in our people. Our customers, employees and suppliers are our 'Heroes' who have made our journey of 174 years a success. They have supported us at every step and stride we have made. Therefore, we are dedicated to making a difference in the lives of our Heroes.

Sustainability Report contd.



Our Approach to Sustainability

Our sustainability agenda is built around the three key pillars highlighted in our Mission Statement, which are, reducing the cost of living, enhancing youth skills and bridging regional disparity. We believe that true, sustainable value creation depends on the value that is created for the community, be it the marketplace, the workplace or the environment. This is embedded in our investment and expansion decisions wherein the Group continues to hold community development as the key aspect which drives vision, strategy and actions.



The Objectives of Our Sustainability Strategy

- To address the concerns of our investors and stakeholders.
- To monitor and evaluate the achievement of sustainability targets.
- To assess the risks relating to economic growth, environment and society and to ascertain the impact across our value chain.
- To develop a forum whereby best practices for sustainability could be shared.
- To improve on our service to our consumers whilst reducing environmental impact.

The sustainability strategy for the Group is formulated under the direction of the Group CEO, with direct involvement of the top-level management of the Group. Our Business Leaders are accountable for sustainable performance, and company reviews include sustainability KPIs along with financial and operational KPIs.

A Sustainability Driven Culture

Cargills is committed to enabling an internal culture where our sustainability goals and targets form the basis on which day-to-day actions by our 9,000 plus employee cadre are undertaken. The importance of being socially and ethically responsible always is a value that is driven from top to bottom in our workplace. Our people are our biggest strength in driving the sustainability agenda forward, and we celebrate the individual ideas and skills that they bring to the table to make their own contributions to sustainable development.

Sustainability Report contd.

Our Alignment with Sri Lanka's Goals for Sustainability

The following table shows how closely our past and present sustainability efforts align to Sri Lanka's Sustainability Development Goals.

1 NO POVERTY

End poverty in all its forms everywhere
Engagement with local communities

2 ZERO HUNGER

End hunger, achieve food security, improved nutrition and promote sustainable agriculture
Strengthening our farming communities

3 GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for all at all ages
Product improvements towards the safety and well-being of our customers

4 QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
Community engagement through Sarubima Scholarships and Early Childhood Education

5 GENDER EQUALITY

Achieve gender equality and empower all women and girls
Diversity of Cargills Team Members

6 CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all
Community engagement through Sarubima Projects

8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Training and Education for skills development

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns
Investments across a sustainable value chain

Stakeholder Engagement

As a public company, we understand that it is important to listen to and communicate with our stakeholders who are interested in how we conduct our business. We operate in diverse industry sectors and every aspect of our operations has the potential to affect or be affected by a large number of stakeholders. We have therefore considered only the key stakeholders who have a significant influence over our operations or are significantly influenced by our operations.

Our key stakeholders are identified based on the significance of influence that the stakeholder has on the organisation, and the impact of our operations on the stakeholder. A sustainable supply chain can only be achieved through collaboration and partnership with all stakeholders. In this regard, identifying the legitimate concerns of our key stakeholders is critical to the sustainability process. We adopt different methods of communication and engagement to identify the concerns of each key stakeholder group.

Customers

We reach millions of customers through our retail operations which are spread across all 25 districts of the country. Our customers are essential to the survival of our business and hence we recognise the fact that it is essential that we continue to innovate, to offer good products and good value for money.

Employees

Our employees deliver value to our customers. During the year concluded we recruited 3,505 new employees. Our desire to develop the youth of our country is foremost in our list of priorities and hence 2,810 of the 3,505 new recruits were below the age of 30. We have provided 5,046 training hours to our employees during the year concluded, in keeping with our focus on training and development.

Shareholders

Our shareholders have continued to support our innovative and forward-thinking strategies. We engage with our shareholders consistently and regularly, addressing their concerns and aligning solutions for these concerns within our strategic plans.

Farmers, SMEs and Traders

The partnerships we have developed with our Farmers, SMEs and Traders have been crucial to us being able to create value for our customers. Over 25,000 Farmers, 200 SMEs and Traders are integrated in to our Eco-System, all working together towards reducing cost of living, supplying fresh quality produce to the consumers and creating enhanced markets (both local and export) for the agri-communities.

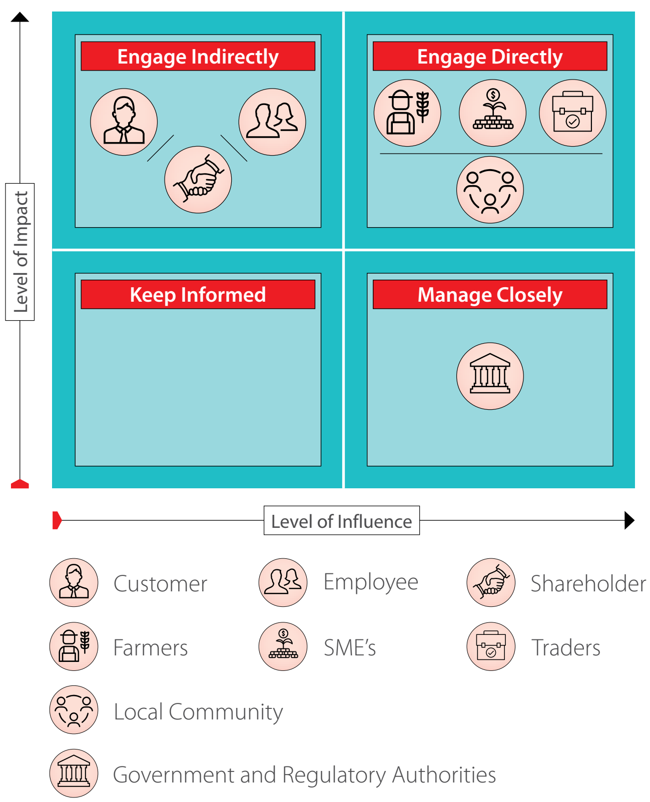
Government and Regulatory Authorities

We work with the Government and Regulatory Authorities towards creating value for our consumers and shareholders, transferring our corporate knowledge and strength to build the communities. We strive to be actively involved in shaping government policy towards health and nutrition in our country.

Local Community

Our vision of becoming the largest contributor to Regional Sri Lanka is enriched by our focus and consistent engagement with the local communities within which we operate. Our expansion plans saw the number of outlets reaching 353 during the year, which in turn means that we are able to make a stronger impact on the local communities whether it be improving livelihoods, offering convenience or undertaking community development projects.

Sustainability Report contd.



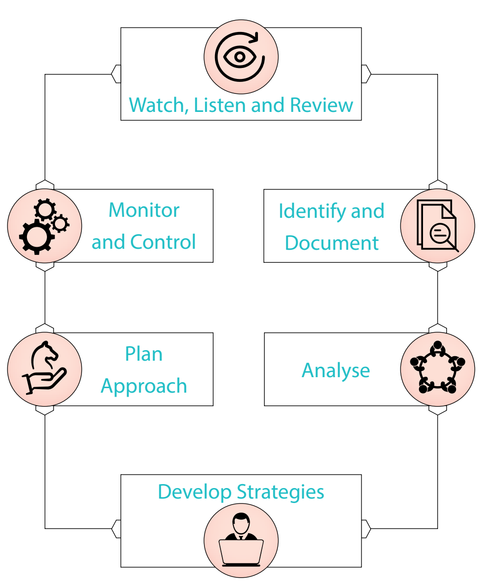
We recognize the importance of initiating and sustaining constructive relationships over time to create shared value by engaging early and often. Our stakeholder engagement plan is therefore formulated to be able to capture current developments and changes within a reasonable time. Accountability is assigned to business owners and project teams to ensure focus and attention. Regular feedback is built in to the plan to enable monitoring of processes.

We engage in regular communication with our key stakeholders in order to understand their concerns. The typical concerns that are known to us are outlined in the table below. Any material needs or concerns relating to our key stakeholders are moderated by the Group's leadership, and where necessary, opinion and input is provided by the Directors and the Leadership Teams and incorporated in to the strategic processes of the Company.

Our business strategies are based on the foundation of how we identify the needs and aspirations of our Stakeholders and address any material issues that have potential to affect our Company's Value Creation process. The Group reviews material aspects that are of concern to our Stakeholders and emerging new trends within the context of each business sector, namely, Retail, FMCG and Restaurants.

A matter would be considered material if it has the potential to substantially influence us commercially and socially, and to cause an impact on the relationships with our stakeholders. We therefore engage with our internal and external stakeholders on a regular basis to assess the various aspects that are material to each segment. Our strategies and processes are then aligned to manage these material issues.

Stakeholder Engagement Model



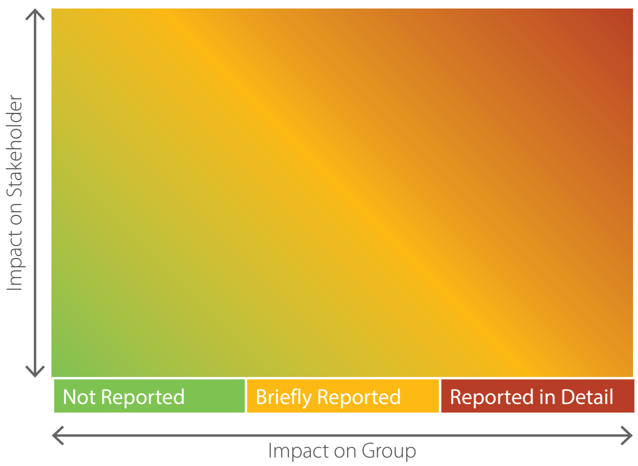
Stakeholder type	Mechanism of engagement	Frequency	Areas of concern	Actions taken to address the concerns
Customers	• Promotions • Social media • Customer service hot-line	On-going	• Cost of living • Health and nutrition • Food safety	• Fruit, vegetables and commodities are sold at lowest possible prices at all Food City outlets island wide, coupled with promotions and discounts on a daily basis
	• Consumer research	Monthly/ quarterly	• Product range and service standards	• New product development and improvements in existing products
	• Trade fairs and events	Annually	• Brand connection with daily life	• Regular Participation at public events
Employees	• Training, mentoring, orientation Daily briefing • Open-door policy at CEO/ Director level	On-going	• Career development • Goals for rewards and recognition	• Partnership with YouLead and Arizona State University for training and development of staff • A total of 219 training programmes were conducted during the year across the Group, with 7130 employees participating
	• Staff newsletters/posters and letters from top management • Periodic briefings by higher management • HR engagements	Monthly/ quarterly	• Corporate developments • Grievance voicing	
	• Regional staff conventions	Annually	• Team interaction and team building	
Shareholders	• Dissemination of information through CSE and media • Open door policy for investor inquiries and meetings	On-going	• Business development and sustainability	• Periodic consultations with shareholders
	• Quarterly reports • Investor calls • Investor meetings • Road shows	Monthly/ quarterly	• Business expansion plans • Risk management	
	• Annual General Meeting • Annual Report	Annually	• Financial performance, governance and disclosure	

Sustainability Report contd.

Stakeholder type	Mechanism of engagement	Frequency	Areas of concern	Actions taken to address the concerns
Farmers, SMEs and Traders	• Daily engagement • Monthly meetings • Digital Platform to engage farmers • Field visits by extension teams	On-going	• Enhanced markets • Competitive pricing • Potential for business growth	• Guiding SME suppliers and traders towards quality improvements • Development of the Farmer's Portal APP • GAP Certification for our fruits and vegetables
	• Partnership meetings • Farmer group meetings	Monthly/ quarterly	• Industry developments	
Government and Regulatory Authorities	• Meetings with Government Institutions and Regulatory Authorities towards achieving goals that relate to youth and community	Ongoing/ monthly/ quarterly	• Business sustainability • Market and community impact • Graduate unemployment • Good governance and sound business practices	• Community development projects through Cargills Sarubima • Save our Soil Programme • Project 500 – Management Trainee Programme
Local Community	• Sarubima activities	Ongoing	• Community development • Youth empowerment	• Community development projects and education / scholarship programmes through Cargills Sarubima • Farmer Citizen Awards

Materiality

Once the material issues are prioritised, the relevant disclosures made are based on the impact of each material issue to the Group and to the Stakeholders, as illustrated below:



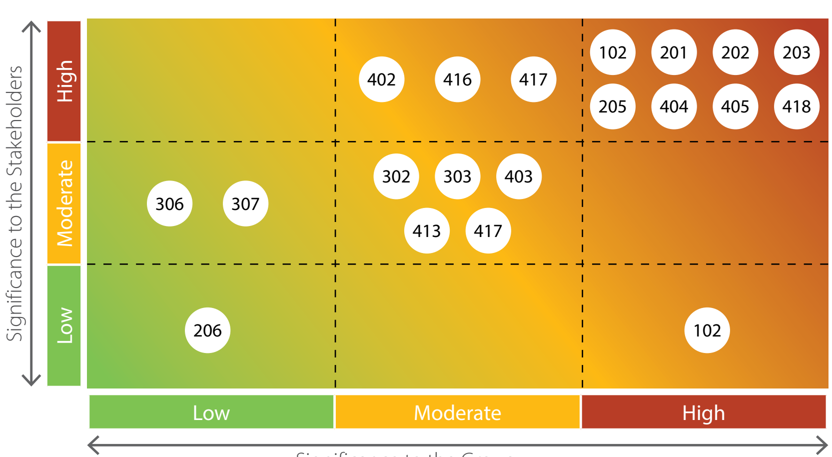
Significance Of Impact Of Material Issues on the Group and Stakeholders

Our Enterprise Risk Management (ERM) Framework encompasses practices relating to identification, analysis, evaluation, treatment, mitigation and monitoring of the strategic, financial, external and operational risks, which enables us to leverage market opportunities effectively. Accordingly, all business risks have been mapped against the GRI indicators and risk aspects outside the scope of GRI have been included as material to the Group. Hence, competition, reputation, business strategy, inventory and supply chain, IT systems and infrastructure, funding and liquidity risk, market risk and natural disasters emerge as aspects that are evaluated but outside the scope of the GRI.

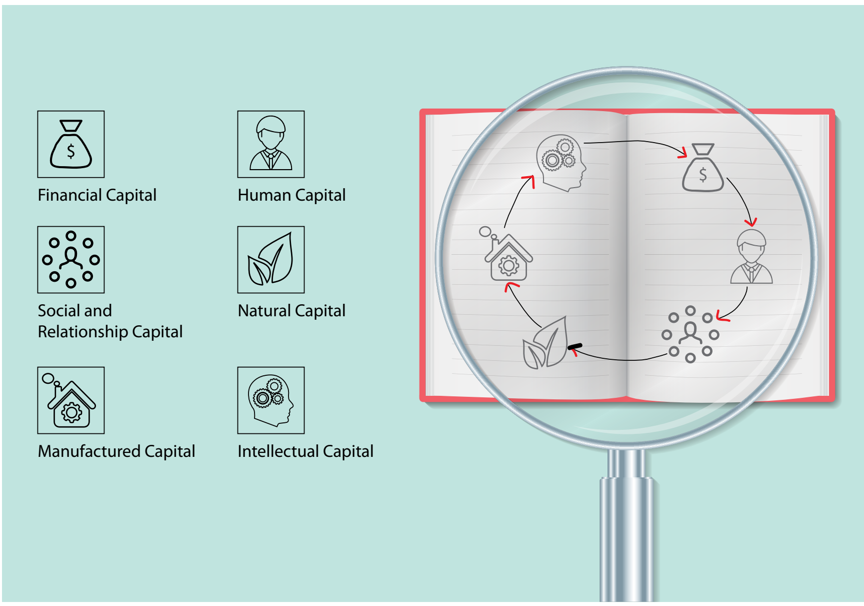
This report provides detailed insight into the material issues that impact the organisation, the stakeholders and an alignment with the GRI standards with regard to monitoring KPIs as well as considerations arising from the Risk Management process. Key issues that were regarded as having a significant and material impact on the Group and the Stakeholders are illustrated below:

Sustainability Report contd.

No.	Material Issue		GRI Standard	Materiality	
				To the Group	To the Stakeholder
1.	Corporate Governance	Internal	102	High	High
2.	Reputation	Internal	102	High	Low
3.	Risk Management	Internal	102	High	High
4.	Economic Performance	Internal	201	High	High
5.	Market Presence	Internal	202	High	High
6.	Indirect Economic Impact	External	203	High	High
7.	Anti-Corruption	Internal	205	High	High
8.	Anti-Competitive Behavior	Internal	206	Low	Low
9.	Energy Consumption	Internal	302	Moderate	Moderate
10.	Water Management	Internal	303	Moderate	Moderate
11.	Waste Management	Internal	306	Low	Moderate
12.	Environmental Protection	External	307	Low	Moderate
13.	Labour Practices and Grievance Handling	Internal	402	Moderate	High
14.	Occupational Health and Safety	Internal	403	Moderate	Moderate
15.	Employee Training and Development	Internal	404	High	High
16.	Diversity and Equal Opportunity	Internal	405	High	High
17.	Community Development	External	413	Moderate	Moderate
18.	Customer Health and Safety	External	416	Moderate	High
19.	Product Labelling	External	417	Moderate	High
20.	Product Responsibility	Internal	417	High	High
21.	Regulatory Compliance	Internal	417	Moderate	Moderate
22.	Customer Privacy	External	418	High	High



Sustainable Operations - The Six Capitals



We blend and utilise Financial, Human, Social and Relationship, Natural, Manufactured and Intellectual Capitals in order to create value and enhance commercial viability.

We blend and utilise Financial, Human, Social and Relationship, Natural, Manufactured and Intellectual Capitals in order to create value and enhance commercial viability. These Capitals flow seamlessly through our Business Model and are increased or decreased or transformed into outputs and outcomes in the course of value creation. For instance, Financial Capital will increase in line with an increase in profit. Human Capital will increase with an increase in Training and Development of our employees. However, there may be a short-term negative impact on certain Capitals as a result of increased concentration on another Capital (e.g. cost of training employees has a negative impact on Financial Capital), however, in the longer term there will be positive value created within the company as a result of enhancing the skills of employees.

Sustainability Report contd.

Financial Capital

Cargills is committed to provide financial and non-financial value to all our stakeholders. To deliver on this objective on a long-term basis, we endeavor to conduct our business in a socially responsible manner, being conscious of the environment within which we operate. It is not just about creating wealth for ourselves, but also being mindful of the impact that we make on the nation overall.

201-1 Direct economic value generated and distributed

The Economic Value Added Statement contains information on the creation and distribution of economic value and provides a basic indication of the wealth created for stakeholders and how it was distributed and the amount retained. It includes revenue, operating costs, employee wages and benefits, payments to providers of capital and the government, donations and community investments. The direct economic value generated and distributed by The Group in 2017/18 is Rs. 29.8 Bn compared to Rs. 24.9 Bn in 2016/17.

	2017/18	2016/17
Value Created		
Gross Revenue	100,924,320	91,385,958
(-) Cost of Goods and Services	(74,673,698)	(68,615,841)
Value added from operations	**26,250,622**	**22,770,117**
Other Income	3,326,626	1,877,192
Finance Income	269,594	276,547
Total Value Created	**29,846,842**	**24,923,856**
Value Distributed		
Operating Costs	5,057,074	4,471,337
Remuneration to the Employees	5,706,914	5,538,136
Directors' Fees and Remuneration	352,092	277,704
Community Investments	9,060	24,386
Government Levies	9,631,193	7,195,088
Corporate Taxes	1,914,413	1,869,938
Interest Cost	1,576,757	1,401,649
Non Controlling Interest	130,387	144,012
Dividends	1,344,000	1,758,400
Total Value Distributed	**25,721,890**	**22,680,650**
Total Value Retained	**4,124,952**	**2,243,206**
Total Value Distributed and Retained	**29,846,842**	**24,923,856**
Value Retained		
Profit Retained	1,856,534	381,784
Depreciation & Amortisation	2,268,418	1,861,422
Total Value Retained	**4,124,952**	**2,243,206**

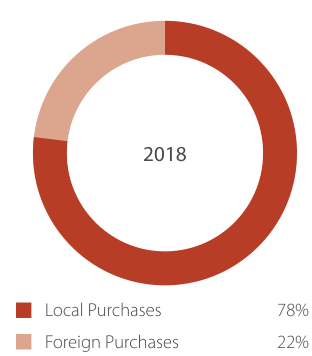
201-2 Financial implications and opportunities due to climate change

This includes an analysis of the risks and opportunities posed by climate change, that have the potential to generate substantive changes in operations, revenue or expenditure during the year. The impact to the Group due to climate change was an insurance claim to the value of Rs. 61.5Mn.

204-1 Proportion of spending on local suppliers

The proportion of spending on local suppliers captures the scale of procurement expenditure by the Retail Sector on local suppliers, excluding any direct imports. 'Local' is defined as products directly sourced from small and diverse suppliers in Sri Lanka, which include farmers, cottage level industries and any entities registered in Sri Lanka. The proportion of expenditure on local suppliers for the year ended 31st March 2018 was 78%.

Proportion of Spending on Local Suppliers



Human Capital

Cargills works towards attracting the full spectrum of diverse talent from across the country. Women represented 47% of our workforce in the year concluded. We are firm believers of giving equal opportunity to talented individuals who have a hunger to make a difference within the organisation and in turn impact the nation.

Our aim is to create a workplace which encourages inclusion and diversity, innovation and new ways of thinking. We constantly strive to build knowledge and competencies along with the right mindset which would enable our employees to meet the challenging demands of today's business world.

In keeping with our ethos of enhancing youth skills, we embarked on Project 500, setting the foundation for this vision as the first hybrid management trainee programme in Sri Lanka, that would draw from industry expertise of multiple sectors and the DNA of Cargills to develop youth leaders who would be Agents of Change in Sri Lanka.

201-3 Organisation's defined benefit plans

We believe in taking care of our employees, as we see them as the caretakers of our culture, our customers, and our business. We provide two types of benefits, namely, statutory and social. The statutory benefits (i.e. Gratuity) are given to employees with an unbroken service of 5 years. Social benefits include motivation and performance related incentives such as medical, personal insurance, death benefit, gifts (birthday/new born/ wedding) staff loans, ex-gratia payments, bonus and discounts on purchases of groceries from Cargills Food City supermarkets.

202-1 Ratio of standard entry level wage by gender compared to local minimum wage at significant locations of operation

Cargills maintains a policy of applying a uniform standard across its business sectors and there is no discrepancy between the minimum wages paid by gender. We strive to invest in the well-being of our people by providing competitive wages which help build employee loyalty.

401-2 Benefits to full-time employees

We recognize that the quality of the benefits we offer our employees is a key factor in retaining them. In this regard, the benefits we offer our permanent employees are as follows:

- Medical
- Personal Insurance
- Death benefit
- Gifts on Birthday/ New born/ Wedding etc.
- Staff loans
- Ex Gratia payments
- Bonus
- Discounts for staff purchases

401-3 Return to work and retention rates after parental leave

A total number of 4,410 employees were entitled to parental leave during the year and of this number, 121 exercised parental leave, with 80 employees returning back to work at the end of the leave period.

	2017/18
Total number of employees entitled to parental leave	4,410
Total number of employees that took parental leave, by gender	121
Total number of employees that returned to work	80
Return to work rate	66%

403-2 Occupational health and safety

We are working towards achieving a zero-incident rate with respect to workplace accidents. In the past year, we have made progress towards this goal by reducing the number of workplace injuries to 48, whereas there were 79 reported during the year 2016/17.

There were no occupational diseases recorded during the year.

Sustainability Report contd.

All our Manufacturing Facilities have implemented Environmental, Health and Safety Management Systems in line with ISO requirements.

	By gender		By type	
	Male	Female	Minor	Major
Number of injuries	38	10	31	17

Policy on health and 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 systems 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.

During the year, training on occupational Health and Safety was carried out as part of our regular training curriculum.

404-2 Training and education

Our Policy on human resource development

Cargills has always endeavored to develop a workforce who are equipped with the right tools needed to succeed in the dynamic business environment of today. We facilitate training opportunities to our staff by continuously assessing training needs. At the same time, they are encouraged to point out areas where they require training, so that their overall performance is enhanced.

We are always mindful about the next generation, and, developing youth skills is something that is very close to our hearts.

The Albert A. Page Institute (AAPI) of Food Business, which is a non-profit training Institute provides training and development opportunities to youth who lack the necessary skill-set to gain employment in the private sector. Many then go on to become members of Team Cargills. During the financial year, as our response to the prevalent issue pertaining to graduate unemployment, we commenced 'Project 500', which is an initiative to recruit 500 graduates who would be trained across the multiple business sectors of the Group. Our objective for Project 500 was to offer the opportunity for the graduates, from diverse educational backgrounds and skill-sets, to be developed to become 'Agents of Change' in Sri Lanka. Of the 500 planned, we took on board 150 new recruits during the year concluded.

Training and education: type and scope

Our training and education programmes cover executive, non-executive as well as management training. The scope of training covers the following areas;

- Orientation
- Language skills
- Skills development for non-executives
- Retention oriented motivational training

404-1 Average hours of training per employee

The Group provided a total of 5,046 training hours over 127 training programmes during the year, thereby providing an average of 7.05 hours per employee.

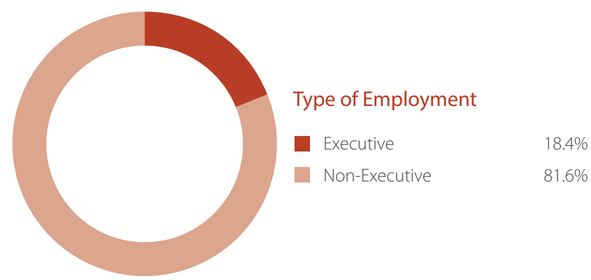
Training is conducted through AAPI by in-house resource personnel. External trainers and resource personnel are engaged where necessary. During the year, our in-house trainers underwent a programme initiated by USAID along with YouLead and Arizona State University, with the objective of sharpening the training provided to the graduates embarking on Project 500.

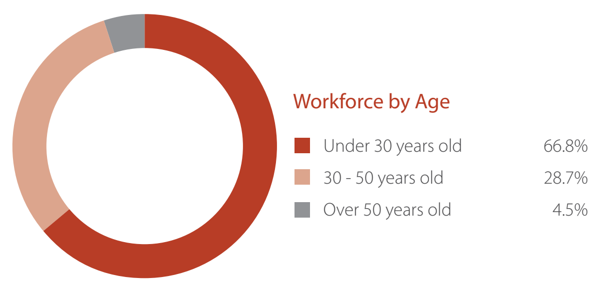
405-1 Diversity of employees

Cargills is committed to providing an environment where diversity is celebrated, a culture that provides equal opportunity and each employee is valued for their capabilities and respected for who they are.

We provide equal opportunities in recruiting, remuneration, development and career advancement, regardless of the employee's race, religion, political views, gender, age, nationality, civil status or disabilities.

Our total workforce comprised of 9,158 employees, of which 1,682 were in the Executive category and 7,476 in the Non-Executive category. 6,116 employees were below the age of 30 years, 2,626 employees were between 30-50 years of age, and 416 employees were over 50 years old. Out of the total workforce, 52.4% were male employees while 47.6% were female employees.





405-2 Equal remuneration for men and women

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. We recognize and reward our employees based on performance irrespective of gender.

Sustainability Report contd.

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. Furthermore, Sri Lanka is heavily dependent on earnings remitted by the export of unskilled labour, which calls for a paradigm shift in education where a knowledge-based career becomes essential. This further encouraged Cargills to create ways and means of building up the knowledge and skills base 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 sectors. The Certificate programmes develop the various basic skills required to become effective and efficient executives. The courses are designed to cater to all aspects of Food Marketing encompassing Operations, Manufacturing, Support Services, Sales and Distribution, Central Warehouse and Agri-Business. The Advanced Certificate courses for managerial skills development have been designed considering all aspects of organisational needs of technical, human and conceptual skills which are crucial elements of becoming an effective and efficient executive aligned with today's competitive and dynamic business environment. Once students acquire the Advanced Certificate, they have the option of enhancing the certification to a Diploma.

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 material, web -based job certification courses, class room training to support the career development needs of its retail food associated around the globe. The IGA Institute functions as the Alliance's Learning and Development Department by bringing competitive skills to the 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 Information and Communication Technology as a tool for development.

414-1 Supplier assessments for labour practices

We have for the retail and manufacturing sectors, established formal supplier contracts based on the Environmental and Social Standards on labour practices of the International Finance Corporation (IFC). Accordingly, all suppliers in the retail sector have entered into binding contracts with respect to the following:

- To promote fair treatment, non-discrimination, and equal opportunity for workers
- To establish, maintain and improve inter-personnel relationships
- To promote compliance with national employment and labour laws
- To protect workers, including vulnerable categories 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 enhance employee well-being
- To refrain from the use of forced labour

414-2 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 follow-up processes.

406-1 Non-discrimination

It is the Cargills policy to maintain and support a respectful workplace that recognizes and welcomes differences, promotes diversity, encourages open lines of communication and engagement, and above all, provides a safe and healthy workplace for all. All our employees are expected to carry out their duties in a respectful manner. Employees are encouraged to air their concerns and grievances to the Human Resource Department.

407-1 Freedom of association

We encourage an open-door policy where the management is not averse to engaging in discussions and negotiations with employees who are unionised. There is a union in function within the Group which represents the interests of the employees.

408-1 Child labour

We have built into our policies and procedures to not engage child labour or to employ any person under the age of 18. There is no direct risk of child labour in any operation within the Group.

409-1 Forced or compulsory labour

We do not deploy forced or compulsory labour. On instances where we have borne significant costs for training and development, the employees are made aware of the importance of serving the organisation for a reasonable time, in view of the valuable training received. Any work done beyond the usual allotted hours are duly compensated by means of overtime and supported with meals and transport in compliance with applicable laws and industry practices.

414-1 Supplier human rights assessment

We have, for the retail and manufacturing sectors, established formal supplier contracts based on the Environmental and Social Standards on labour practices of the International Finance Corporation (IFC). Accordingly, all suppliers in the retails sector have entered into binding contracts with respect to the following:

- To promote fair treatment, non-discrimination, and equal opportunity for workers
- To establish, maintain and improve inter-personnel relationships
- To promote compliance with national employment and labour laws
- To protect workers, including vulnerable categories 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 enhance employee well-being
- To refrain from the use of forced labour

Sustainability Report contd.

Social and Relationship Capital

The relationships that we have established through engagement with our farming community, suppliers, employees, government and business partners are central to our business, as are the contributions we make to the long-term sustainability of the communities in which we operate.

Our investments in the development, education, wellbeing and sustainability of the communities in which we operate is an integral part of our commitment to the vision of becoming the largest contributor to Regional Sri Lanka.

Our relationships with the investor community, government and regulatory authorities, suppliers, service providers and communities all impact directly or indirectly on our business and our reputation. These relationships are vital inputs to our business model which are constantly being increased, decreased and transformed through our activities.

203-2 Significant indirect economic impact and the extent

We source our fresh produce directly from the farming communities. Working with over 10,000 farmers, we have been able to contribute not only financially towards uplifting the farmer community, but also in terms of sharing knowledge which helps to increase productivity, improve quality and reduce the cost of production.

413-1 Local community engagement

Cargills Sarubima Fund

In 2008, we introduced 'Cargills Sarubima', a Fund which gives back 50 cents for every kilogram of fresh produce purchased and every litre of fresh milk sourced. Cargills Sarubima has over the years been able to make a significant impact to the lives of our rural communities by providing scholarships for children, resources for learning and advancement, farmer insurance, and funding to meet community infrastructure needs. The decisions on how collections are disbursed are made jointly by Cargills and the community.

Cargills Sarubima had collected Rs. 28 Mn for the year ended 31st March 2018, and a total of 238 students have been selected to receive scholarships and other assistance. Based on the applications for scholarships received and in discussion with our farming communities, we have made the following disbursements:

Sarubima fund disbursement	Value Rs.	Number of scholarships/ projects/award winners
Educational scholarships	8 Mn	238
Community projects	9 Mn	29
Farmer citizen awards	2 Mn	64

Type of scholarship	Number of students
Grade 5	41
A/L	136
University	52
Vocational Training	5
Other	4
Total	238

Community Development Projects

29 Community Development Projects were undertaken such as developing of clean drinking water facilities, infrastructure in schools and building play grounds and parks for children in Matale, Hatton, Boralanda, Thanamalwila and Kalugamuwa.

Farmer Citizen Awards

In 2015 we commenced a programme to recognize Farmer Citizens from among our agriculture and dairy farmer communities. The purpose of this programme is to appreciate their contribution to agriculture, sustainable agriculture practices and community leadership.

We have made a conscious effort to work directly with our farmers and small-scale entrepreneurs, thereby being able to offer them a higher price for their produce. This has helped us to make a significantly positive impact on their lives. Our investment decisions are determined by our thrust towards becoming the largest contributor to Regional Sri Lanka, and this is a goal that we have firmly set our hearts on achieving.

In 2017/18, we enhanced our collection of fruit and vegetables to 54.3 Mn Kg, thereby returning Rs. 5.4 Bn. as revenue directly to the farmer community.

The year concluded saw the Group's milk collection reach 50.3 Mn Liters, sourced from 22 Chilling Centers that connect over 15,000 dairy farmers who have achieved a cumulative revenue of Rs.3.6 Bn during the year.

Cargills directly engages with the local communities in the following locations:

Badalgama	Boralanda	Hatton
Bandarawela	Dambulla	Hettipola
Bandaragoda	Dayagama	Jaffna
Bogahawatta	Galewela	Kalugamuwa
Bogawanthalawa	Hanguranketha	Kilinochchi
Lindula	Norwood	Ruwalwela
Masskeliya	Nuwara Eliya	Thambuththegama
Meesalai	Rambe	Thanamalvila
Narangoda	Raththota	Wattegama
Norochcholai	Rikillagaskanda	Yatawatte

Save Our Soil

In partnership with the Ministry of Agriculture and the Department of Agriculture, we launched the 'Save our Soil' Project in 2014, in response to the growing concern amongst consumers regarding the usage of fertilizer and agro-chemicals in agriculture. With the underlying theme being 'correct use of agriculture inputs towards a prosperous and healthy nation', the main thrust of the Save our Soil project is to educate our farming community on efficient and prudent use of agriculture inputs. The programme has successfully trained more than 1000 farmers and their lands tested to determine optimum levels of input usage.

Sustainability Report contd.

Gap Certification

During the year we enhanced our value chain and its visibility through farm gate packing of high-moving fresh produce. The GAP (Good Agricultural Practices) 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.

205-2 Communication and trainings on anti-corruption policies

Cargills is committed to applying the highest standards of ethical conduct and integrity in all our business activities. Every employee is responsible for maintaining our reputation and for honest and professional conduct.

We have zero tolerance policy towards bribery and corruption. We are committed to acting professionally, fairly and with integrity in all our business dealings.

All executives are bound by the signed code of conduct to not accept or offer any form of gift that may be construed as a bribe. Executives are also issued with Official Memorandums in this regard during festive seasons to clarify any doubts pertaining to accepting gifts from suppliers.

Insider trading

The purchase or sale of securities by individuals who possess material non-public information is strictly prohibited.

205-3 Incidents of anti-corruption

There were no significant incidents or reports with respect to bribery or corruption during the financial year 2017/18.

206-1 Anti-competitive behavior

There were no incidents or reports with respect to anti-competitive behavior during the financial year 2017/18.

414-1 Supplier assessment for impact on society

Our supplier contracts include social performance indicators which assess the impact that our suppliers make on society. Compliance is monitored by conducting periodic audits.

416-1 Products and services for which health and safety impacts are assessed and improved

As we cater to the nutrition and well-being of our consumers, we consider it our responsibility to ensure that the products we supply are safe and of the highest quality. Therefore, we apply conscious effort to ensure that every step of the journey from farm to fork complies with this goal. Our food processing plants are equipped with comprehensive ISO and SLS certification.

417-1 Products and services labelling

We are committed to educating our consumers about nutrition, enabling them to make informed choices that meet their dietary needs.

Our Nutrition Policy ensures that we communicate nutrition information with transparency and openness.

Instruction for storage	Disposal logo	Complete list of ingredients in descending order
Yes (%)	Yes (%)	Yes (%)
93	64	93
GRI Index Coverage	83%	

We ensure that our products, ingredients, labelling 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 standards meet 83% of the GRI standard and we are working towards 100% compliance as per GRI.

417-2 Products and services labelling non-compliance

Cargills is committed to implement controls at every point of the food supply journey from farm to fork to ensure quality and safety. Regular assessments for product improvements are undertaken in line with our proactive approach to food safety. We report over and above the regulatory requirements in terms of nutritional information, flavours, additives, coloring, anti-oxidants, preservatives, stabilisers, net content, storage instructions, ingredients and disposal method.

Accordingly, there have been no incidents of non-compliance recorded in terms of products and services labelling.

Customer Satisfaction Surveys

We regularly engage with our stakeholders to gain insights in to the ideas and opinions of people outside of our company. In this manner we are able stay abreast of and understand the changing needs of our consumers. During the year we interviewed 1055 customers to obtain their views on existing products as well as new product developments. The total number of surveys carried out were 24, across 17 food and beverage categories.

Number of Surveys on Existing Products	Number of Surveys for New Product Developments	Total	Sample size	Number of food items covered by the surveys
9	15	24	1,055	17

419-1 Compliance with laws and regulations in the social and economic area

We apply formal practices to address any matters pertaining to non-compliance with laws and regulations. During the year, no incidents of non-compliance have been reported.

Sustainability Report contd.

Natural Capital

We are committed to helping conserve natural resources and to this end we focus on cutting down on energy and water consumption and on reducing food loss and waste.

302-1 Energy consumption within the organisation

Our primary source of energy is the National Grid, with the Retail Sector being the highest consumer of energy. Energy consumption is measured based on logs maintained at each business unit, bills received from utility providers and ledger entries.

Energy conservation initiatives are being practiced at business unit level which includes monitoring of energy usage, utilization of renewable energy and energy efficient lighting.

Energy Consumption	Value (Joules)	Unit
Fuel Consumption		
- Diesel	820,233	L
- Petrol	17,644	L
- Gas	629,635	Kg
- Furnace oil	2,560,763	L
Electricity Consumption	99,713,688	Kw/h
Total	506,951,987	J

303-1 Total water withdrawal by source

We recognise the critical importance of preserving and protecting our water supplies. We source our water through a mix of ground water and national supply, based on the requirements of our business units.

Water Consumption	Value	Unit
Ground water	548,693	L
Municipal water	19,154,967	L
Total	19,703,660	L

304-1 Biodiversity

We are committed to conserving and where possible enhancing bio-diversity by adhering to relevant laws and regulations and following best practice in terms of conservation and protection. The Group has identified the Knuckles Mountain Range as an area of high bio-diversity.

Our Kist Knuckles water bottling facility at Katooloya Estate is located in close proximity to the Knuckles Mountain Range. It rests at 1000 meters above mean sea level and the total land area is approximately 40 acres and comprises of a tea plantation. The population density of the area is extremely low, and the future possibility of industrialisation or urbanisation is remote since the area is bordering a natural forest reserve.

The source of spring water for our bottling plant lies at the top of a small mountain which is completely made up of a natural forest and dense with bio-diversity. The water source is replenished entirely by rainfall, at an average of 3000 mm/year. Several springs emerge from the top of the mountain range and coalescence downstream, which contributes to the flow of Hulu Ganga. Considering the overall hydro geological and environmental set-up, sourcing of water from the spring for bottling purposes has negligible impact on the long-term sustainability of the environment. However, we have taken steps to ensure that we operate responsibly towards the environment at all times.

306-1 Total water discharged

We are committed to working towards a zero environmental footprint by conserving, restoring, and replacing the natural resources that we use in our operations. Our production plants are aligned with comprehensive Environment Management Systems that help to monitor and analyse our environmental footprint in terms of emissions, effluent and waste.

The discharge of water by sector has reduced due to the systems established towards efficient water management. The quality of the water discharged is in line with the Central Environmental Authority approved standard for agriculture processes.

307-1 Compliance with environmental laws and regulations

We have a formal process to address any matters of non-compliance with laws and regulations concerning the impact to the environment. During the year in review there were no fines or penalties imposed on the Group for non-compliance with environmental laws and regulations.

308-1 Supplier environmental assessment

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

308-2 Environmental grievance mechanism

We have a formal process to address grievances on any environmental impacts. During the year ended 31st March 2018, no major grievances on environmental impacts have been reported during the year.

We have established multiple channels by which to receive and record environmental related grievances, which include hotlines, feedback forms, e-mails and letters. These grievances are channeled to the relevant locations and persons to be addressed and handled on case by case basis. We take all such grievances very seriously and ensure that they are resolved through root-cause identification and rectification. Furthermore, we are also taking steps to further improve and formalize the process for enhanced monitoring and follow-up as well as to incorporate preventative measures to ensure that the issues are not repeated.

Sustainability Report contd.

Manufactured Capital

The salient features of our manufactured capital are as follows:

- Producer selection - we source our fresh produce and milk from over 10,000 Farmers and 15,000 Dairy Farmers.
- Daily volume of purchases – 120 MT of fruit and vegetables procured at 10 collection centers and 100,000 Litres of milk procured at 330 collection points which are linked to 22 Cargills owned Milk Chilling Centers.
- Supply Chain and Delivery – 2 Central Processing Facilities for fruit, vegetables and seafood, 8 Food Processing Facilities and a 24x7 delivery operation.

Supply chain planning and procurement:

The Group's primary sectors comprise Retail, Dairy, Agrifoods, Meat Processing, Confectionary, Restaurants, Premium Bottled Water and Distribution. Our FMCG sector comprises 8 production facilities. To connect and integrate such diverse sectors and ensure that our ultimate objective of reaching the customer happens seamlessly, the Cargills Group manages several district supply chains, namely for vegetables and fruits, milk, seafood, pharmaceuticals chilled dairy products, commodities, vegetable seeds and other dry goods. The dry goods operation is undertaken through 3 permanent Cargills Distribution Centers with combined storage capacity exceeding 400,000 square feet.

Infrastructure

In today's dynamic business environment, with rapid technological advancements, we recognize the need for continuous investments for improved efficiencies and cost reductions. The failure to do so would place the business at risk of an outdated and uncompetitive product offering. We therefore monitor the following key risk indicators:

- Capital investments

  We continually invest in our Manufactured Capital to ensure the quality of systems and processes. We go beyond merely maintaining our assets to making investments to improve efficiency and effectiveness. We have substantially allocated capital resources into enhancing the quality of our manufacturing assets.

- Factory machine availability

  We strive to maintain a high level of machine availability to ensure higher throughput per hour, reducing product losses and reducing energy consumption.

- Capacity utilisation

  Our ability to manage manufacturing capacities is critical to be able to meet demand fluctuations. Sales growth is only possible when we are able to efficiently meet the required volumes when required.

- Material trade-offs and interdependencies between capitals

  As technological advancements impact our Natural and Human Capitals, we are mindful of the fact that continuous improvement and investment is required in skills levels over time. With introductions in new working methods, we have to measure production per man hour to evaluate how successful we are in improving output per labour hour worked, thereby reducing the total operational costs of the business. Productivity increased substantially in 2017/18 and we will continue to make investment in automation, software and working methods in order to keep raising our productivity levels.

Quality Control

All our products are manufactured in compliance with best practices for quality, hygiene and food safety. Our manufacturing plants are ISO and SLS certified. Our Quality Assurance and Control Technicians undertake comprehensive testing of our products at all production stages.

Value Creation

Investments in upgrading our manufactured capital have seen an enhancement of the value created for our shareholders. We foresee future value creation in manufactured capital as follows;

- Supply Chain Planning and Procurement
  - Improved pricing strategies with farmers, suppliers and traders
  - Improved cold chain facilities to reduce post-harvest loss
  - Procurement of fruit and vegetables – create export initiatives to enhance market opportunities
- Production
  - Improve asset utilisation
  - Promote industry development, export opportunities and job creation
  - Increase efficiencies in energy, water and waste management
  - Increase capacity utilisation
- Distribution and Warehousing
  - Optimise the distribution network through efficient planning and monitoring
  - Automate key manual processes involved in warehousing
- Commercial
  - Enhance the customer base both locally and internationally
  - Retain the existing customers
  - Identify untapped markets
  - Focus on all segments of the market, both formal and informal

Sustainability Report contd.

Intellectual Capital

Our intellectual property is protected through employment contracts and confidentiality agreements.

Approximately 5% of our total employee base has over 15 years of work experience with the Cargills Group.

Our Brands

Over time we have developed several established household brands such as Magic, Kotmale, Kist, Kist Biscuits, Kist Knuckles, Goldi, Sams and My Choice. We engage in continual marketing campaigns and promotions in order to keep these brands fresh and relevant in their markets.

The Brand Cargills has been a household name for over 170 years, playing a key role in the Retail, FMCG, Restaurant and Financial Service industries in Sri Lanka. Today, our core-competencies lie in the production of agrifood, dairy, processed meats, confectionary and premium bottled water, marketing and distribution of several international consumer brands and operating two international restaurant chains.

Corporate Governance

We are committed to sound corporate governance principles and to embracing best practices adopted elsewhere in the world. Over time we have strengthened the structure, practices and processes to meet the requirements of corporate governance that evolve in a dynamic business environment. Page 34 of this report covers aspects of our corporate governance in greater detail.

GRI Content Index Tool

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General Disclosures				
GRI 102: General Disclosures	102-1 Name of Organisation	02		
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	102-3 Location of headquarters	Inner back cover		
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	103-2 The Management Approach and its components	80 - 81		
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GRI 404: Training and education	404-1 Average hours of training per year per employee	81		
	404-2 Programs for upgrading skills and transition assistance programmes	80		
Diversity and equal opportunity				
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	75		
	103-2 The Management Approach and its components	81		
	103-2 Evaluation of the Management Approach	81		
GRI 405: Diversity and equal opportunity	405-1 Diversity of governance bodies and employees	81		
	405-2 Ratio of basic salary and remuneration of women to men	81		8
Non-discrimination				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	75		
	103-2 The management approach and its components	82		
	103-3 Evaluation of the management approach	82		
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	82		8
Freedom of Association and Collective Bargaining				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	75		
	103-2 The management approach and its components	82		
	103-3 Evaluation of the management approach	82		
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	82		

Sustainability Report contd.

GRI Content Index Tool contd.

GRI Standard	Disclosure	Page Number	Omission	SDG
Child Labor				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	75		
	103-2 The management approach and its components	83		
	103-3 Evaluation of the management approach	83		
GRI 408: Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labor	83		
Forced or Compulsory Labor				
Management Approach	103-1 Explanation of the material topic and its Boundary	75		
	103-2 The management approach and its components	83		
	103-3 Evaluation of the management approach	83		
GRI 409: Forced or Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	83		
Local Communities				
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	75		
	103-2 The Management Approach and its components	84		
	103-2 Evaluation of the Management Approach	84		
GRI 413: Local communities	413-1 Operations with local community engagement, impact assessments and development programmes	84		4, 6 & 12
Supplier Social Assessment				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	75		
	103-2 The management approach and its components	82		
	103-3 Evaluation of the management approach	82		
GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	82		
	414-2 Negative social impacts in the supply chain and actions taken	82		
Customer Health and Safety				
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	75		
	103-2 The Management Approach and its components	86		
	103-2 Evaluation of the Management Approach	86		
GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	86		3

GRI Standard	Disclosure	Page Number	Omission	SDG
Marketing and labelling				
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	75		
	103-2 The Management Approach and its components	86 - 87		
	103-2 Evaluation of the Management Approach	86 - 87		
GRI 417: Marketing and labelling	417-1 Requirements for product and service labelling	86		
	417-2 Incidents of non-compliance concerning product and service information and labelling	87		
Socioeconomic Compliance				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	75		
	103-2 The management approach and its components	87		
	103-3 Evaluation of the management approach	87		
GRI 419: Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	87		

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INDEPENDENT ASSURANCE REPORT TO CARGILLS (CEYLON) PLC

We have been engaged by the directors of 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 2018. The Sustainability Indicators are included in the Cargills (Ceylon) PLC's Integrated Annual Report for the year ended 31 March 2018 (the "Report").

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

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	12 - 13

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

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Non Financial Highlights	14
Information provided on the following	
Financial Capital	78
Human Capital	79 - 83
Social and Relationship Capital	84 - 87
Natural Capital	88 - 89
Manufactured Capital	90 - 91
Intellectual Capital	92

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 2018 are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards 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 2018, have not in all material respects, been prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

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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 Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of 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 controls 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 controls 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 Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards 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;
- Inquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;

KPMG

- Inquiries 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 Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards 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.

KPMG

CHARTERED ACCOUNTANTS
Colombo

02 August 2018

Financial Statements

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 2018 which were approved by the Board of Directors on 02 August 2018.

Review of the Year

The Chairman's statement describes in brief the Group's affairs and important events of the year.

Activities

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

The Group:

a) Operates a chain of supermarkets and convenience stores
b) Distributes world renowned FMCG brands.
c) Manufactures/produces/processes and markets processed meat, dairy ice cream, yoghurt, cheese, milk, nectars & fruit juices, jams, cordials, sauces, and biscuits.
d) Operates the 'Kentucky Fried Chicken' and 'TGIF' franchise restaurants in Sri Lanka
e) Operates a Hotel in the hill-country.
f) Produces, import and distribute 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 2018 given on pages 114 to 191 form an integral part of the Annual Report of the Board.

Auditors' Report

The independent auditors' report is set out on pages 110 - 112

Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on the pages 120 to 191

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

Results and Dividends

	Group		Company	
For the year ended 31st March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Profit for the year after taxation amounted to	3,330,921	2,284,196	3,174,834	1,866,293
Less : Amount attributable to non controlling interest	(130,387)	(144,012)	-	-
The profit attributable to shareholders was	3,200,534	2,140,184	3,174,834	1,866,293
To which profit brought forward from previous year is added	8,214,904	7,864,611	5,714,490	5,427,045
Change in ownership interest that do 'not result in loss of control	-	3,518	-	-
Other comprehensive income	(41,099)	(33,113)	(21,307)	(19,676)
Transfer from revaluation reserve upon disposal	522,601	-	-	199,228
Movement due to change in shareholding of equity accounted investee	-	(1,751)	-	-
Expense on right issue of equity accounted investee	-	(145)	-	-
Capitalisation of reserves	(2,709,757)	-	(2,709,757)	-
Leaving an amount available to the appropriation of	**9,187,183**	**9,973,304**	**6,158,260**	**7,472,890**
From which your directors have made appropriation as follows:				
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
Dividend paid for the year ended 31st March 2018				
Interim Rs. 1.90 per share for Financial Year 2017/18	425,600	-	425,600	-
Interim Rs. 4.10 per share for Financial Year 2017/18	918,400	-	918,400	-
Leaving an unappropriated balance to be carried forward of	**7,843,183**	**8,214,904**	**4,814,260**	**5,714,490**

A 1st interim dividend of Rs 1.90 per share (Rs. 425.6 Mn) was paid on 29 September 2017 and a 2nd interim dividend of Rs. 4.10 per share (Rs. 918.4 Mn) was paid on 12 March 2018 for the year ended 31st March 2018. A final dividend has not been proposed for the year ended 31st March 2018.

Reserves

After the above mentioned appropriations, the total reserves of the Group stands at Rs. 9,798 Mn (2017 – Rs. 13,826 Mn), while the total reserves of the Company stands at Rs.4,980 Mn. (2017- Rs.9,375 Mn).

Stated Capital

Stated Capital of the company as at 31st March 2018 was Rs. 6,531 Mn. (2017 -Rs 131 Mn). The detail of the stated capital is given in note 21 to the financial statements on page 161.

Capital Expenditure

The Group's capital outlay on property, plant and equipment amounted to Rs. 4,637 Mn (2017 - Rs. 4,507 Mn) while the capital outlay of the Company on property, plant and equipment amounted to Rs. 92 Mn (2017 - Rs. 58 Mn). Details are given in the Statement of Cash Flows on page 119.

The movement of property, plant and equipment during the year is given in note 12 to the financial statements on pages 142 and 143.

Investment Property

The fair value of land and building classified as investment property of the Group and the company as at 31st March 2018 amounted to Rs. 1,727 Mn and Rs. 3,207 Mn respectively. Details of investment property held by the Group and the company are disclosed in Note 13 to the Financial Statements on page 148.

Market Value of Properties

The land and buildings of the Group were revalued as at 31st March 2018. Details are given in note 12 to the financial statements on page 144. 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 193 in the financial statements.

Shareholdings

The Company is a subsidiary of C T Holdings PLC and there were 1,903 registered shareholders as at 31st March 2018 (31st March 2017-1,846).

An analysis of shareholdings according to the size of holding and the names of the 20 largest shareholders is given on page 194 and 195.

Directorate

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

Mr. Anthony A. Page, who has been a Director since 9 January 1981, retires from the directorate in terms of Section 210 (1) and (2) (a) at the conclusion of the annual general meeting after attaining the age of 70 years, which he attained on 21 March 2018.

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

Messrs. A. T. P. Edirisinghe, Sunil Mendis, E. A. D. Perera, and P D Rodrigo 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 181 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 182 to 183 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.

Capitalisation of Reserves

The shareholders of the Company, at an Extra Ordinary General Meeting held on 20th March 2018, approved the issue of 31,999,927 ordinary voting shares in the Company, credited as fully paid by capitalizing a sum of Rs 6,399,985,400 lying in the reserves of the Company at a consideration of Rs 200.00 per share.

Consequent to this share issue the stated capital of the Company at the reporting date amounted to Rs 6,530,708,400 (2017 - Rs. 130,723,000) comprising 255,999,927 ordinary (voting) shares (2017 – 224,000,000).

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

Directors' Shareholdings

The Directors' shareholdings in the Company were as follows:

As at 31st March	2018	2017
Mr. Louis Page	42,011	36,760
Mr. Ranjit Page	17,142,964	15,000,093
Mr. Imtiaz Abdul Wahid	4,571	4,000
Mr. Sidath Kodikara	141,714	124,000
Mr. Prabhu Mathavan	571	500
Mr. Priya Edirisinghe	57,143	50,000
Mr. Sanjeev Gardiner	22,857	20,000
Mr. Sunil Mendis	22,857	20,000
Mr. Anthony A Page	315,608	276,157
Mr. Joseph Page	520,000	455,000
Mr. Errol Perera	11,429	10,000
Mr. Deva Rodrigo	-	-

Donations

During the year donations amounting to Rs. 120,000 were made by the Company. In addition the Group made investments amounting to Rs. 9 Mn for various community projects during the financial year.

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 134. 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 181.

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

02 August 2018

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 pages 110 to 112.

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

02 August 2018

Independent Auditor's Report

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TO THE SHAREHOLDERS OF CARGILLS (CEYLON) PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information set out on pages 114 to 191 of the Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 17 of the financial statements wherein the Group has considered all land held and used in business as investment assets. Based on our understanding of the Inland Revenue Act and legal advice provided by the expert, there is significant judgment involved in determining whether the lands held by the entity and used in business are to be considered as capital assets or investment assets due to the uncertainties that exist with respect to the interpretation of the application. In the event the Group's position is not held by the Authorities, the impact on the Company and Group is disclosed in note 17 to the financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Key Audit Matter	Our response
Valuation of Freehold Land and Buildings and Investment Property	
Management's assessment of fair value of these freehold land and buildings and investment properties is based on valuations performed by a qualified independent property valuer in accordance with recognised industry standards. We identified valuation of freehold land and buildings and investment properties as a key audit matter because the determination of the fair values involves significant judgment and estimation, particularly determining the underlying assumptions and because the valuations are sensitive to the key assumptions applied. See note 2.10 for Use of Judgments and Estimates and note 12 & 13 for information and accounting policy	Our audit procedures included: ◆ Assessing the objectivity, independence, competence and qualifications of the external valuer. ◆ With the assistance of our own internal property valuation specialists assessing the key assumptions applied and conclusions made in deriving the fair value of the properties and comparing the fair value of properties with evidence of current market values. In addition assessing the valuation methodologies with reference to recognized industry standards. ◆ Assessing the adequacy of disclosures made in the financial statements in relation to fair value of freehold land and buildings and investment properties in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report

KPMG

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

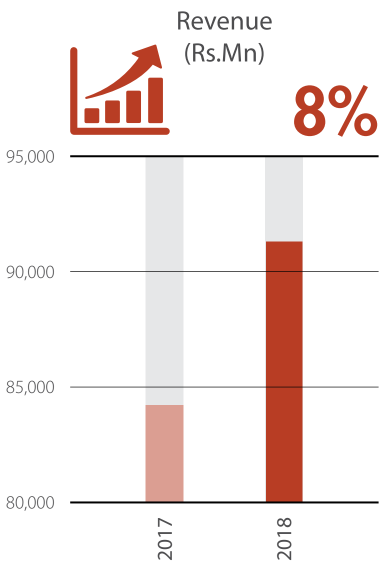
CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1224.

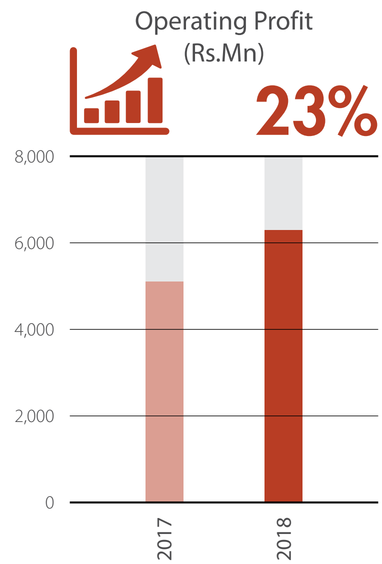
KPMG

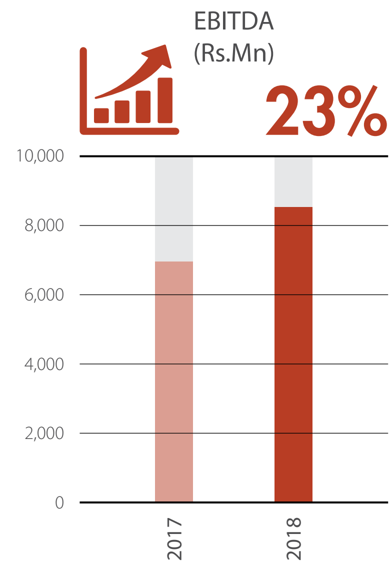
CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

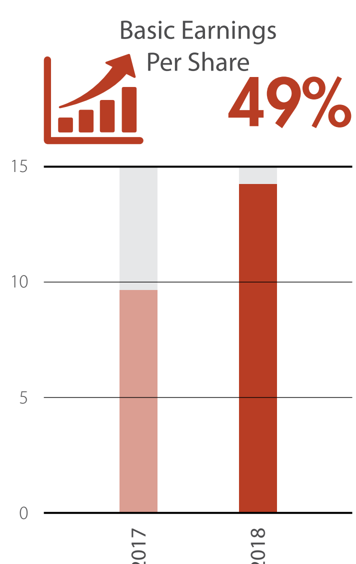
02 August 2018

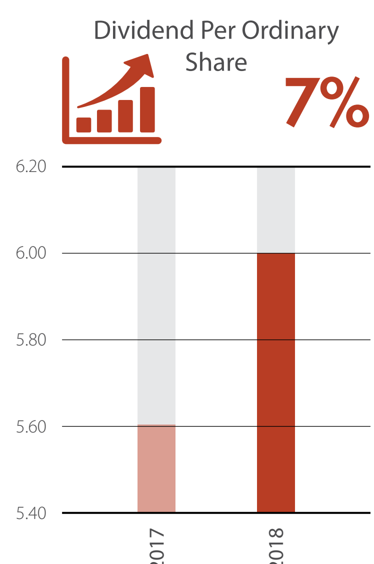
Financial Performance











Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group 2018 Rs. '000	Group 2017 Rs. '000	Company 2018 Rs. '000	Company 2017 Rs. '000
Revenue	4	91,293,127	84,190,870	30,210	42,189
Cost of sales	5	(80,718,803)	(74,142,258)	(29,246)	(40,733)
Gross profit		10,574,324	10,048,612	964	1,456
Other income	6	3,037,066	1,689,076	4,616,918	3,270,523
Distribution expenses		(2,824,690)	(2,331,738)	(12,406)	(17,547)
Administrative expenses		(4,020,220)	(3,860,214)	(640,974)	(575,293)
Other expenses		(503,543)	(454,616)	(104,406)	(134,589)
Results from operating activities		6,262,937	5,091,120	3,860,096	2,544,550
Net finance costs	7	(1,307,163)	(1,125,102)	(760,071)	(662,286)
Changes in fair value of investment property	13	77,287	166,336	200,427	71,638
Share of profit of equity accounted investees, net of tax	15.4	212,273	21,780	-	-
Profit before tax	8	**5,245,334**	**4,154,134**	**3,300,452**	**1,953,902**
Income tax expense	9	(1,914,413)	(1,869,938)	(125,618)	(87,609)
Profit for the year		**3,330,921**	**2,284,196**	**3,174,834**	**1,866,293**
Other comprehensive income(OCI)					
Items that will not be reclassified to profit or loss					
Revaluation of property plant and equipment	12	775,272	-	14,580	-
Actuarial gain/(loss) on employee benefits	27.4	(57,134)	(49,644)	(29,593)	(27,328)
Share of other comprehensive income in equity accounted investee, net of tax	15.4	11,259	1,581	-	-
Items that are or may be reclassified subsequently to profit or loss					
Net change in fair value of available-for-sale financial assets	15.3	-	(5,324)	-	(5,327)
Impairment of available for sale financial assets reclassified to profit or loss		29,742	-	29,737	-
Tax on other comprehensive income	17	(55,737)	13,833	8,145	25,697
Other comprehensive income for the year, net of tax		**703,402**	**(39,554)**	**22,869**	**(6,958)**
Total comprehensive income for the year		**4,034,323**	**2,244,642**	**3,197,703**	**1,859,335**
Profit attributable to:					
Equity holders of the parent		3,200,534	2,140,184	3,174,834	1,866,293
Non-controlling interest		130,387	144,012	-	-
Profit for the year		**3,330,921**	**2,284,196**	**3,174,834**	**1,866,293**
Total comprehensive income attributable to:					
Equity holders of the parent		3,892,756	2,101,747	3,197,703	1,859,335
Non-controlling interest		141,567	142,895	-	-
Total comprehensive income for the year		**4,034,323**	**2,244,642**	**3,197,703**	**1,859,335**
Earnings per share					
Basic (Rs.)	10.1	14.27	9.55	14.15	8.33
Diluted (Rs.)	10.2	14.24	9.55	14.13	8.33

Figures in brackets indicate deductions

The accounting policies and notes from pages 120 to 191 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March	Note	Group 2018 Rs. '000	Group 2017 Rs. '000	Company 2018 Rs. '000	Company 2017 Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	12	25,076,817	21,875,935	2,772,004	2,707,562
Investment property	13	1,726,552	4,777,192	3,207,009	3,274,803
Intangible assets	14	1,311,686	1,325,507	54,845	116,299
Investments in subsidiaries	15.1	-	-	2,907,772	5,108,990
Investment in equity accounted investees	15.2	5,366,761	5,143,229	5,121,439	5,121,439
Other financial assets	15.3	19,668	20,982	19,577	20,863
Prepayment on leasehold land and building	16	166,810	171,534	144,060	147,909
Deferred tax assets	17	8,413	56,680	-	-
Total non-current assets		**33,676,707**	**33,371,059**	**14,226,706**	**16,497,865**
Current assets					
Inventories	18	9,545,785	8,336,609	5,369	4,740
Trade and other receivables	19	5,752,193	4,688,245	635,515	650,915
Amounts due from related companies	20	843,869	747,847	924,502	766,706
Other financial assets	15.3	973,439	588,808	-	4,691
Cash and cash equivalents	24	2,000,288	1,570,868	12,594	53,142
Total current assets		**19,115,574**	**15,932,377**	**1,577,980**	**1,480,194**
Total assets		**52,792,281**	**49,303,436**	**15,804,686**	**17,978,059**
EQUITY					
Stated capital	21	6,530,709	130,723	6,530,709	130,723
Other equity	22	(3,089,325)	(2,761,159)	-	-
Reserves	23	5,043,825	8,372,364	165,409	3,660,492
Retained earnings		7,843,183	8,214,904	4,814,260	5,714,490
Total equity attributable to equity holders of the parent		**16,328,392**	**13,956,832**	**11,510,378**	**9,505,705**
Non-controlling interest		491,919	415,091	-	-
Total equity		**16,820,311**	**14,371,923**	**11,510,378**	**9,505,705**
LIABILITIES					
Non - current liabilities					
Interest bearing loans and borrowings	25	1,546	2,570	-	-
Deferred tax liabilities	17	1,352,650	1,039,963	180,324	136,731
Capital grants	26	61,901	73,382	-	-
Employee benefit liabilities	27	942,633	779,767	397,146	338,695
Put liability	22	3,089,325	2,761,159	-	-
Total non-current liabilities		**5,448,055**	**4,656,841**	**577,470**	**475,426**
Current liabilities					
Trade and other payables	28	13,220,686	12,262,141	420,186	441,809
Current tax liabilities		2,594,237	2,132,378	168,787	167,736
Amounts due to related companies	20	3,175	196	21,242	14,170
Dividend payable	29	68,229	69,409	63,836	66,389
Interest bearing loans and borrowings	25	14,637,588	15,810,548	3,042,787	7,306,824
Total current liabilities		**30,523,915**	**30,274,672**	**3,716,838**	**7,996,928**
Total liabilities		**35,971,970**	**34,931,513**	**4,294,308**	**8,472,354**
Total equity and liabilities		**52,792,281**	**49,303,436**	**15,804,686**	**17,978,059**

Figures in brackets indicate deductions.
The accounting policies and notes from pages 120 to 191 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

02 August 2018
Colombo

Statement of Changes in Equity – Group

Group	Stated capital Rs. '000	Capital reserve Rs. '000	Revaluation reserve Rs. '000	General reserve Rs. '000	Available for sale reserve Rs. '000	Employee share option reserve Rs. '000	Other equity Rs. '000	Retained earnings Rs. '000	Total Rs. '000	Non controlling interest Rs. '000	Total equity Rs. '000
	Attributable to equity holders of parent										
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 ompany, 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)
Dividends to shareholders	-	-	-	-	-	-	-	(1,758,400)	(1,758,400)	-	(1,758,400)
Subsidiary dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(117,401)	(117,401)
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**
Balance as at 1 April 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
Total comprehensive income											
Profit for the year	-	-	-	-	-	-	-	3,200,534	3,200,534	130,387	3,330,921
Other comprehensive income	-	-	703,579	-	29,742	-	-	(41,099)	692,222	11,180	703,402
Total comprehensive income	-	-	703,579	-	29,742	-	-	3,159,435	3,892,756	141,567	4,034,323
Transactions with owners of the company, recognised directly in equity											
Put option over non controlling interest (note 22)	-	-	-	-	-	-	(328,166)	-	(328,166)	-	(328,166)
Equity-settled share-based payment	-	-	-	-	-	150,970	-	-	150,970	-	150,970
Transfer of revaluation reserve on disposal	-	-	(522,601)	-	-	-	-	522,601	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	(1,344,000)	(1,344,000)	-	(1,344,000)
Subsidiary dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(64,739)	(64,739)
Capitalisation of reserves*	6,399,986	-	(3,204,729)	(485,500)	-	-	-	(2,709,757)	-	-	-
Balance as at 31 March 2018	**6,530,709**	**7,928**	**4,884,927**	**-**	**-**	**150,970**	**(3,089,325)**	**7,843,183**	**16,328,392**	**491,919**	**16,820,311**

The figures in brackets indicate deductions.
The accounting policies and notes from pages 120 to 191 form an integral part of these financial statements.

Statement of Changes in Equity – Company

Company	Stated capital Rs. '000	Revaluation reserve Rs. '000	General reserve Rs. '000	Available for sale reserve Rs. '000	Employee share option reserve Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
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 on disposal	-	(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**
Balance as at 1 April 2017	130,723	3,204,729	485,500	(29,737)	-	5,714,490	9,505,705
Total comprehensive income							
Profit for the year	-	-	-	-	-	3,174,834	3,174,834
Other comprehensive income	-	14,439	-	29,737	-	(21,307)	22,869
Total comprehensive income	-	14,439	-	29,737	-	3,153,527	3,197,703
Transactions with owners of the company, recognised directly in equity							
Dividends	-	-	-	-	-	(1,344,000)	(1,344,000)
Capitalisation of reserves *	6,399,986	(3,204,729)	(485,500)	-	-	(2,709,757)	-
Equity-settled share-based payment	-	-	-	-	150,970	-	150,970
Balance as at 31 March 2018	**6,530,709**	**14,439**	**-**	**-**	**150,970**	**4,814,260**	**11,510,378**

*The shareholders of the Company, at an Extra Ordinary General Meeting held on 20th March 2018, approved the issue of 31,999,927 ordinary voting shares in the Company, credited as fully paid by capitalizing a sum of Rs. 6,399,985,400 lying in the reserves of the Company in the proportion of One (01) share for every Seven (07) shares held as at the entitlement date, at a consideration of Rs. 200.00 per share. The new shares, rank Pari Passu in all respects with the existing issued ordinary shares of the Company, including the right to participate in any dividend declared after the date of allotment. All Shareholders appearing in the Central Depository Systems (Pvt) Ltd (CDS) and the Shareholders Register maintained by the Company as at end of trading on 20th March 2018 were allotted the capitalised shares as mentioned above.

Consequent to this share issue the stated capital of the Company at the reporting date amounted to Rs. 6,530,708,400 (2017 - Rs. 130,723,000) comprising 255,999,927 ordinary (voting) shares (2017 – 224,000,000).

The figures in brackets indicate deductions.
The accounting policies and notes from pages 120 to 191 form an integral part of these financial statements.

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Stewardship
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Statement of Cash Flows

For the year ended 31 March	Note	Group 2018 Rs. '000	Group 2017 Rs. '000	Company 2018 Rs. '000	Company 2017 Rs. '000
Cash flows from operating activities					
Profit before taxation		5,245,334	4,154,134	3,300,452	1,953,902
Adjustments for:					
Depreciation on property,plant and equipment	12	2,168,649	1,799,712	42,534	37,440
Employee benefits	27	179,548	143,944	71,272	58,047
Amortisation of intangible assets	14	106,526	70,711	61,962	34,046
Amortisation of prepayment on leasehold land and building	16	4,724	2,480	3,849	1,605
Amortisation of deferred income	26	(11,481)	(11,481)	-	-
Gain on disposal of property, plant and equipment	6	(6,735)	(33,856)	(350)	(3,788)
Gain on disposal of investment property	6	(1,010,440)	-	-	-
Change in fair value of investment property	13	(77,287)	(166,336)	(200,427)	(71,638)
Revaluation (gain) / loss of Property Plant and Equipment	12	24,950	(198)	-	-
Provision for impairment of inventories	18	34,443	47,901	-	-
Impairment of / (reversal of impairment) for trade receivables	19	11,243	(6,647)	(1,492)	1,461
Net finance costs	7	1,307,163	1,125,102	760,071	662,286
Dividend income	6	(694)	(636)	(2,451,605)	(2,419,233)
Impairment of investment in associate	15.4	-	42,994	-	63,044
Share of (profit) / loss on equity accounted investees, net of tax	15.4	(212,273)	(21,780)	-	-
Equity settled share based payment transactions	8	144,838	-	57,557	-
Impairment of Available for sale investment		31,056	-	31,023	-
Loss on disposal of investments in subsidiary		-	-	-	1,696
Profit on repurchase of shares by subsidiary		-	-	(1,296,025)	-
Operating profit before working capital changes		7,939,564	7,146,044	378,822	318,868
Changes in working capital					
- (Increase) / decrease in inventories		(1,243,619)	(1,156,952)	(629)	5,246
- (Increase) / decrease in trade and other receivables		(1,075,191)	(1,384,576)	16,892	(32,825)
- (Increase) / decrease in related company receivables		(89,890)	268,097	(151,664)	201,889
- Increase / (decrease) in trade and other payables		958,544	1,273,237	(21,626)	58,925
- Increase / (decrease) in related company payables		2,979	(3,426)	7,072	(612)
Cash generated from operations		6,492,387	6,142,423	228,867	551,491
Income taxes paid		(1,147,336)	(929,957)	(72,828)	(4,903)
Interest paid	7	(1,576,757)	(1,401,649)	(857,845)	(783,688)
Retiring gratuity paid	27	(73,816)	(55,735)	(42,414)	(26,514)
Net cash generated (used in) / from operating activities		**3,694,478**	**3,755,083**	**(744,220)**	**(263,614)**

For the year ended 31 March		Group		Company	
	Note	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Cash flows from investing activities					
Acquisition and construction of property plant and equipment	12	(4,637,517)	(4,507,225)	(92,396)	(58,299)
Acquisition and construction of investment property	13	(16,653)	-	(6,879)	(13,614)
Acquisition of intangible assets	14	(92,705)	(185,599)	(508)	(150,345)
Interest income received	7.1	269,594	276,547	97,774	121,402
Addition to equity accounted investee	15.2	-	(2,533,105)	-	(2,533,105)
Dividend received	6	694	636	2,451,605	2,419,233
Proceeds from disposal of property, plant and equipment		25,043	69,501	350	298,680
Addition/disposal to other financial assets	15.3.2	(384,631)	389,192	4,691	26,480
Addition to prepaid leases	16	-	(153,349)	-	(153,349)
Disposal / (acquisition) of controlling interest in subsidiaries net of cash		-	(143,108)	-	-
Proceed from repurchase of shares / Acquisition of subsidiary		-	-	3,584,525	-
Proceed from disposal of investments		-	9,576	-	100,259
Proceed from disposal of investment property		4,155,020	-	275,100	2,254,000
Investment in new share issue of subsidiary		-	-	-	(3,437,000)
Net cash generated (used in) / from investing activities		**(681,155)**	**(6,776,934)**	**6,314,262**	**(1,125,658)**
Cash flows from financing activities					
Net proceeds from/(repayment of) short term borrowings		(712,170)	4,516,595	(3,503,200)	3,857,500
Net proceeds from/(repayment of) long term borrowings		(1,024)	(198,181)	-	-
Dividend paid to shareholders		(1,345,180)	(1,721,706)	(1,346,553)	(1,724,203)
Dividend paid to non-controlling interest		(64,739)	(117,401)	-	-
Net cash generated (used in) / from financing activities		**(2,123,113)**	**2,479,307**	**(4,849,753)**	**2,133,297**
Increase / (decrease) in cash and cash equivalents		890,210	(542,544)	720,289	744,025
Movement in cash and cash equivalents					
At the beginning of the year		(1,659,450)	(1,116,906)	(755,482)	(1,499,507)
Movement during the year		890,210	(542,544)	720,289	744,025
At the end of the period		**(769,240)**	**(1,659,450)**	**(35,193)**	**(755,482)**

The figures in brackets indicate deductions.
The accounting policies and notes from pages 120 to 191 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 2018 comprise Cargills Ceylon PLC (Parent Company), its subsidiaries (together referred to as the 'Group') and the Group's interest in its equity accounted investees.

1.3 Parent Entity & Ultimate Parent Entity

The Company's ultimate parent 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 2018 is 1,794 (1,941 as at 31st March 2017).

The staff strength of the Group as at 31st March 2018 is 9,158 (8,730 as at 31st March 2017).

1.5 Principal Activities and Nature of Operations

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', 'Oreo', 'Lotte', 'Loacker' 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 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
Employee share option	Fair value	23.1

2.2 Statement of Compliance

The Consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31st March 2018 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 utilize 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 2018 (including comparatives) were approved and authorised for issue on 26 July 2018.

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 statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

2.6 Functional and Presentation Currency

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

2.7 Materiality & Aggregation

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

2.8 Rounding

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

2.9 Comparative Information

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

2.10 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRS and LKAS requires management to make 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 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 recognised 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.

Notes to the Financial Statements contd.

Note 17 – Deferred tax assets and liabilities
Note 27 – Employee benefit obligation
Note 22 – Put liability
Note 32 – Provisions and contingencies

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 equity accounted investees for the year ended 31st March 2018, 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.

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 or Group 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.

3.1.3 Non-Controlling Interests

For each business combination, the Group elects to measure any non- controlling interests in the acquire 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 Loss of Control

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

3.1.5 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.

3.1.6 Equity Accounted Investees

Associate is an entity in which the Group has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the Group 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 Group's investments include goodwill recognised on acquisition, net of any accumulated impairment losses.

The Consolidated Financial Statements include the Group'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 Group's share of losses exceed 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 Group has an obligation or made payments on behalf of the Associate. If the Associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the equity accounted investees and its carrying value and recognises the amount in 'share of losses of an equity accounted investee' in profit or loss.

Profit and losses resulting from transactions between the Group and the Associate are eliminated to the extent of the interest in the Associate. The Group 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'.

3.2 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.

Notes to the Financial Statements contd.

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 recognised in equity is recognised in the Profit or Loss. 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 Profit or Loss when the right of the income has been established. The losses arising from impairment of such investments are recognised in 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 Profit or Loss. The losses arising from impairment are recognised in Profit or Loss.

3.3.4 Classification and Subsequent Measurement of Financial Liabilities

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

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

ii) Financial liabilities at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

3.3.4.1 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognised in profit or loss.

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

Gains or losses on liabilities held for trading are recognised in 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 Profit or Loss. Gains and losses are recognised in Profit or Loss when the liabilities are de-recognize as well as through the EIR amortisation process.

Notes to the Financial Statements contd.

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 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 recognised 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

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

- Level 1 inputs, are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs, are inputs 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, are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

The fair value used by the Group in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market that is accessible by the Group for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would act in their economic best interest when pricing the asset or liability.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 recognised 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 Profit or Loss.

Notes to the Financial Statements contd.

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, 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 Profit or Loss is removed from equity and recognised in Profit or Loss. Impairment losses on equity investments are not reversed through 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 recognised 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 – Cargills 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 Profit or Loss, as incurred.

3.6.2 Share-Based Payment Arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3.7 Dividends Payable

Dividends on ordinary shares are recognised 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 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 recognised 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 profit or loss in the period in which they occur.

3.12 Leases

3.12.1 Operating Leases

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 Income Tax Expense

Income tax expense comprises of current and deferred tax. The income tax expense is recognised in the income statement except to the extent that it relates to the items recognised directly in the statement of other comprehensive income or statement of changes in equity, in which case it is recognised directly in the respective statements.

Notes to the Financial Statements contd.

3.13.1 Current Tax

The current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the Financial Statements. When the amount of taxation already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset in the Financial Statements.

Provision for current tax for companies incorporated in Sri Lanka has been computed in accordance with the Inland Revenue Act No. 10 of 2006 and its amendments thereto.

3.13.2 Deferred Taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and the differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities recognised by individual companies within the Group are disclosed separately as assets and liabilities in the Group statement of financial position and are not offset against each other.

Withholding tax on the Intra-Group dividends are recognised as a tax expense in the Consolidated Income Statement. Deferred tax is provided on the undistributed profits of the Group companies only to the extent that it is probable distribution will be made, as the holding company has control over the dividend policy of the Group companies.

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 Flows', 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.

3.15 Standards Issued But Not Yet Effective

Sri Lanka Accounting Standard – SLFRS 9 "Financial Instruments"effective for annual periods beginning on or after 1st of January 2018.

SLFRS 9 brings together all three aspects of the accounting for the financial instruments i.e. classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early adoption permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting the requirements are generally applied prospectively with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During the financial year, the Group has performed an impact assessment of all three aspects of SLFRS 9 and determined that its impact on the Financial Statements would be insignificant. This assessment is based on currently available information and may be subject to changes arising from further analysis.

Sri Lanka Accounting Standard - SLFRS 15 Revenue from Contracts with Customers
effective for annual periods beginning on or after 1st of January 2018.

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard will supersede all current revenue recognition requirements under SLFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1st January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During the year, the Group performed an assessment of SLFRS 15 and determined that its impact on the Financial Statements would be insignificant. This assessment is based on currently available information and may be subject to changes arising from further analysis.

Sri Lanka Accounting Standard - SLFRS 16 Leases
effective for annual periods beginning on or after 1st of January 2019.

SLFRS 16 replaces LKAS 17 Leases and related interpretations. SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

SLFRS 16 is effective for annual periods beginning on or after 1st January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group plans to assess the potential effect of SLFRS 16 on its consolidated Financial Statements.

Notes to the Financial Statements contd.

4. Revenue

Accounting Policy

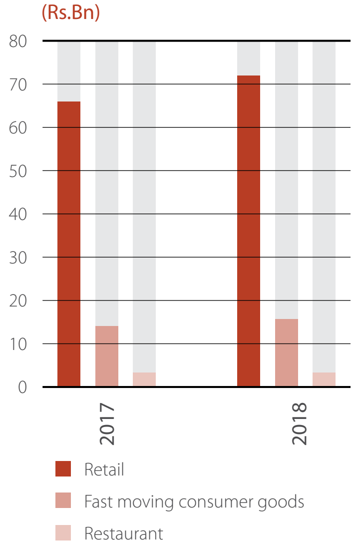
Revenue Recognition - Sale of Goods

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and revenue can be reliably measured. Revenue from sale of goods is recognised when significant risks and rewards of ownership of goods have been passed to the buyer, usually on delivery of the goods.

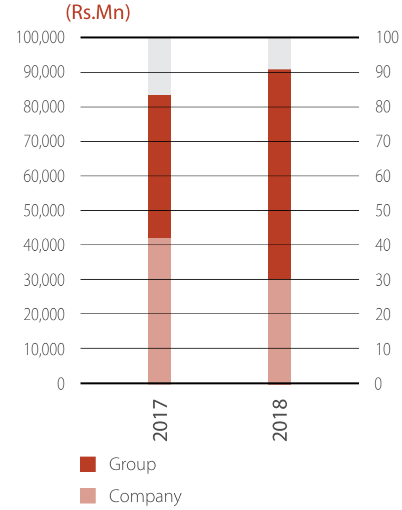
For the year ended 31 March	Group		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Gross revenue	100,924,320	91,385,958	35,092	46,479
Revenue related taxes	(9,631,193)	(7,195,088)	(4,882)	(4,290)
Net revenue	**91,293,127**	**84,190,870**	**30,210**	**42,189**

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

Group Segment Net Revenue (Rs.Bn)



Company Segment Net Revenue (Rs.Mn)



5. Cost of Sales

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

6. Other income

Accounting Policy

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 profit or loss, after deducting from the net sales proceeds on disposal the carrying amount of such assets.

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

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

Rental income is recognised on an accrual basis.

	Group		Company	
For the year ended 31 March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Dividend income				
- Related companies	-	-	2,450,911	2,418,605
- Other	694	636	694	628
Rental income	94,918	38,056	249,741	207,452
Gain on disposal of property, plant and equipment	6,735	33,856	350	3,788
Gain on disposal of investment property	1,010,440	-	-	-
Gain on repurchase of shares by subsidiary	-	-	1,296,025	
Income from services	-	-	617,103	595,190
Merchandising income	1,796,825	1,471,436	-	3,172
Foreign exchange gain	3,212	7,321	-	-
Amortisation of deferred income				
- Capital grant	11,481	11,481	-	-
Sundry income	112,761	126,290	2,094	41,688
	3,037,066	**1,689,076**	**4,616,918**	**3,270,523**

Notes to the Financial Statements contd.

7. Net Finance Costs

For the year ended 31 March	Group		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
7.1 Finance income				
- Interest income	269,594	276,547	97,774	121,402
	269,594	276,547	97,774	121,402
7.2 Finance Cost				
- Short term loans	1,154,133	982,936	635,708	639,375
- Bank overdrafts	220,250	270,501	54,899	142,092
- Other loans and bank charges	201,513	147,552	167,238	2,221
- Staff security deposits	861	660	-	-
	1,576,757	1,401,649	857,845	783,688
Net finance cost	**1,307,163**	**1,125,102**	**760,071**	**662,286**

No borrowing cost has been incurred by the Group and the Company on qualifying assets during the current financial year and year 2016/17.

8. Profit Before Taxation

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

For the year ended 31 March	Group		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Staff costs (note 8.1)	5,851,752	5,538,136	351,524	273,446
Auditors' remuneration				
- Audit and audit related services	10,155	8,192	1,585	970
- Non audit services	5,471	5,267	2,000	425
Depreciation on property, plant and equipment (note 12)	2,168,649	1,799,712	42,534	37,440
Amortisation of intangible assets (note 14)	106,526	70,711	61,962	34,046
Amortisation of prepayment on lease hold land and buildings (note 16)	4,724	2,480	3,849	1,605
Revaluation loss / (reversal of revaluation loss) of property plant and equipment	24,950	(198)	-	-
Provision for / (reversal) impairment of trade receivable	11,243	(6,647)	(1,492)	1,461
Impairment of Available for sale investment	31,056	-	31,023	-
Foreign exchange gain / (loss) (note 06)	3,212	7,321	-	-
Provision for impairment of inventories	34,443	47,901	-	-
Directors' emoluments (note 34.1)	352,092	277,704	43,371	38,743

8.1 Staff Costs

For the year ended 31 March	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Salaries, wages and other costs	5,059,127	4,956,317	200,958	194,964
Employee benefits (note 27.3)	179,548	143,944	71,272	58,047
Defined contribution plan cost- EPF and ETF	468,239	437,875	21,737	20,435
Equity settled share based payment transaction	144,838	-	57,557	-
	5,851,752	**5,538,136**	**351,524**	**273,446**
Number of employees as at 31 March	9,158	8,730	1,794	1,941

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 utilised.

Notes to the Financial Statements contd.

9. Income Tax Expense (Contd.)

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	
For the year ended 31 March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Current income tax				
Current tax expense (note 9.1)	1,429,414	1,263,108	73,880	80,551
Withholding tax on related company dividend	250,540	328,190	-	-
(Over) / under provision of current tax of previous years	(70,759)	(3,568)	-	-
Deferred tax expense (note 9.2)	305,218	282,208	51,738	7,058
	1,914,413	1,869,938	125,618	87,609

(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 was 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, 31 March 2017 and 31 March 2018 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. 561 Mn (2017 - Rs. 171.08 Mn) and Rs. 4.8 Mn (2017 - Rs. 0.57 Mn) respectively.

9.1 Reconciliation Between Current Tax Charge and Profit Before Taxation is Given Below :

	Group		Company	
For the year ended 31 March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Profit before taxation	5,245,334	4,154,134	3,300,452	1,953,902
Aggregate disallowed expenses	4,323,701	3,531,876	1,073,392	973,925
Aggregate allowable expenses	(3,015,733)	(2,969,731)	(161,983)	(145,815)
Aggregate other income	(1,652,754)	(430,452)	(4,047,117)	(2,616,828)
Exempt profit	(79,110)	-	-	-
Adjusted business profit	4,821,438	4,285,827	164,744	165,184
Tax losses incurred	33,262	60,840	-	-
Taxable income from other sources	346,083	236,688	98,711	122,170
Adjusted profit (a)	5,200,783	4,583,355	263,455	287,354
Tax losses brought forward	1,801,029	1,792,865	-	-
Tax loses added (note 9.1.1)	33,262	60,840	-	-
Tax losses utilised (b)	(89,406)	(65,429)	-	-
Adjustment on finalisation of liability	(305,378)	12,753	-	-
Tax losses carried forward	1,439,507	1,801,029	-	-
Qualifying payment relief	-	-	-	-
Taxable income (a+b)	5,111,377	4,517,926	263,455	287,354
Income tax @ 28%	1,427,715	1,261,425	73,505	80,244
Income tax @ 12%	1,069	1,014	-	-
Income tax @ 10%	255	362	-	-
Income tax @ 40%	375	307	375	307
Current tax charge	**1,429,414**	**1,263,108**	**73,880**	**80,551**

9.1.1 Tax Losses Added

Tax losses incurred by continuing operations	33,262	60,840	-	-
	33,262	60,840	-	-

Notes to the Financial Statements contd.

9. Income Tax Expense (Contd.)

9.2 Deferred Income Tax

	Group		Company	
For the year ended 31 March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Deferred tax expense arising from;				
Operating lease liability	137,576	(20,972)	-	-
Accelerated depreciation for tax purposes	295,361	310,106	77,066	22,639
Provisions (Including inventory and receivables impairment)	(194,172)	2,273	(17,248)	-
Employee benefits	(30,649)	(25,602)	(8,080)	(15,581)
Benefit arising from tax losses	93,887	13,188	-	-
Deferred income	3,215	3,215	-	-
Deferred tax charge / (release)	**305,218**	**282,208**	**51,738**	**7,058**

Deferred tax has been computed taking into consideration the tax rates effective from 1 April 2017 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	2018		2017	
	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	1,914	536	40,551	11,354
Tax losses	324,549	90,874	245,088	29,411
	326,463	**91,410**	**285,639**	**40,765**

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

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.

10.1 Basic Earnings Per Share

	Group		Company	
	2018	2017	2018	2017
Profit attributable to equity shareholders of the parent (Rs. '000)	3,200,534	2,140,184	3,174,834	1,866,293
Weighted average number of ordinary shares (Refer Note 10.1.1)	224,350,684	224,000,000	224,350,684	224,000,000
Basic earnings per share (Rs.)	14.27	9.55	14.15	8.33

10.1.1 Weighted Average Number 0f Ordinary Shares

	Group		Company	
	2018	2017	2018	2017
Issued ordinary shares as at 1 April	224,000,000	224,000,000	224,000,000	224,000,000
Capitalisation of reserves	350,684	-	350,684	-
Weighted average number of ordinary shares as at 31 March	224,350,684	224,000,000	224,350,684	224,000,000

10.2 Diluted EPS

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	Group		Company	
	2018	2017	2018	2017
Profit attributable to equity shareholders of the parent (Rs. '000)	3,200,534	2,140,184	3,174,834	1,866,293
Weighted average number of ordinary shares (Diluted) (Refer Note 10.2.1)	224,695,283	224,000,000	224,695,283	224,000,000
Diluted earnings per share (Rs.)	14.24	9.55	14.13	8.33

10.2.1 Weighted Average Number 0f Ordinary Shares (Diluted)

	Group		Company	
	2018	2017	2018	2017
Weighted-average number of ordinary shares (basic)	224,350,684	224,000,000	224,350,684	224,000,000
Effect of share options on issue	344,599	-	344,599	-
Weighted-average number of ordinary shares (diluted) as at 31st March	224,695,283	224,000,000	224,695,283	224,000,000

Notes to the Financial Statements contd.

11. Dividend Per Share

	Group				Company			
		2018		2017		2018		2017
	Rs	Rs. '000	Rs	Rs. '000	Rs	Rs. '000	Rs	Rs. '000
Dividends for the year								
1st Interim - paid	1.90	425,600	1.80	403,200	1.90	425,600	1.80	403,200
2nd Interim - paid	4.10	918,400	3.80	851,200	4.10	918,400	3.80	851,200
	6.00	**1,344,000**	**5.60**	**1,254,400**	**6.00**	**1,344,000**	**5.60**	**1,254,400**

A 1st interim dividend of Rs. 1.90 per share (Rs. 425.60 Mn) was paid on 29 September 2017 and an 2nd interim dividend of Rs. 4.10 per share (Rs. 918.40 Mn) was paid on 12 March 2018 for the year ended 31st March 2018.

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 major components of an item of Property, Plant & Equipment have different useful lives, they are accounted for as separate items of Property, Plant & 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 freehold land and buildings are carried out by professionally qualified independent valuers every three years. The Group revalued all its freehold land and buildings as at 31 March 2018.

Subsequent Costs
The cost of replacing a component 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 component will flow to the Group and its cost can be measured reliably. The cost of day to day servicing of Property, Plant and Equipment are charged to the Profit or Loss as incurred.

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

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.

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

Depreciation
Depreciation is recognised in Profit or Loss on a straight–line basis over the estimated useful lives of each component of an item of property, plant and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives are as follows;

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

Notes to the Financial Statements contd.

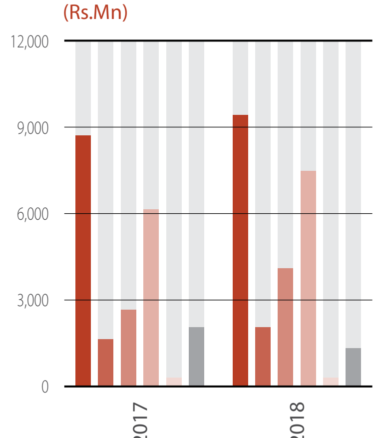
12. Property plant and equipment (Contd.)

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 Rs.'000	Freehold building Rs.'000	Expenditure incurred on leasehold building Rs.'000	Plant, machinery and others Rs.'000	Motor vehicles Rs.'000	Total 2018 Rs.'000	Total 2017 Rs.'000
Group							
Cost / revaluation							
As at 1 April	8,807,613	2,330,859	6,041,358	14,688,316	1,126,626	32,994,772	30,877,962
Additions	249,598	250,743	2,039,006	2,714,077	99,974	5,353,398	3,327,098
Revaluation	496,174	254,148	-	-	-	750,322	-
Acquisition of subsidiary	-	-	-	-	-	-	26,848
Disposals	-	-	-	(25,617)	(20,166)	(45,783)	(163,872)
Impairment	-	-	-	-	-	-	(237)
Transfer to investment property	-	-	-	-	-	-	(1,073,027)
As at 31 March	9,553,385	2,835,750	8,080,364	17,376,776	1,206,434	39,052,709	32,994,772
Depreciation / Impairment							
As at 1 April	-	640,018	3,290,736	8,478,190	794,332	13,203,276	11,516,190
Charge for the year	-	75,853	594,371	1,363,069	135,356	2,168,649	1,799,712
Acquisition of subsidiary	-	-	-	-	-	-	21,771
Disposals	-	-	-	(7,638)	(19,837)	(27,475)	(128,227)
Impairment	-	-	-	-	-	-	(435)
Transfer to investment property	-	-	-	-	-	-	(5,735)
As at 31 March	-	715,871	3,885,107	9,833,621	909,851	15,344,450	13,203,276
Carrying value							
Capital work in progress	-	-	-	-	-	1,368,558	2,084,439
Carrying value as at 31 March	**9,553,385**	**2,119,879**	**4,195,257**	**7,543,155**	**296,583**	**25,076,817**	**21,875,935**

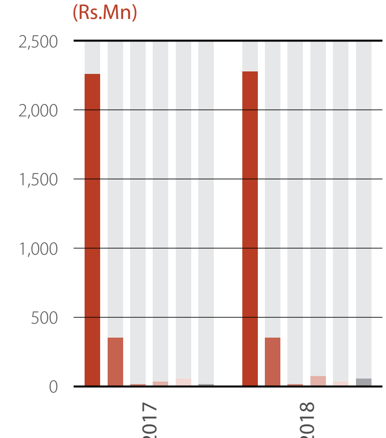
	Freehold land Rs.'000	Freehold building Rs.'000	Expenditure incurred on leasehold building Rs.'000	Plant, machinery and others Rs.'000	Motor vehicles Rs.'000	Total 2018 Rs.'000	Total 2017 Rs.'000
Company							
Cost / revaluation							
As at 1 April	2,252,000	386,199	3,536	200,836	169,713	3,012,284	3,273,294
Additions	-	11,555	-	45,412	-	56,967	55,060
Revaluation	14,075	505	-	-	-	14,580	-
Disposals	-	-	-	-	(4,800)	(4,800)	(316,070)
As at 31 March	2,266,075	398,259	3,536	246,248	164,913	3,079,031	3,012,284
Depreciation / Impairment							
As at 1 April	-	45,355	2,132	156,511	123,630	327,628	311,166
Charge for the year	-	7,904	882	18,648	15,100	42,534	37,440
Disposals	-	-	-	-	(4,800)	(4,800)	(20,978)
As at 31 March	-	53,259	3,014	175,159	133,930	365,362	327,628
Carrying value						2,713,669	2,684,656
Capital work in progress	-	-	-	-	-	58,335	22,906
Carrying value as at 31 March	**2,266,075**	**345,000**	**522**	**71,089**	**30,983**	**2,772,004**	**2,707,562**

Group - PPE (Rs.Mn)



- Freehold land
- Freehold building
- Expenditure incurred on leasehold building
- Plant, machinery and others
- Motor vehicle
- Capital work in progress

Company - PPE (Rs.Mn)



- Freehold land
- Freehold building
- Expenditure incurred on leasehold building
- Plant, machinery and others
- Motor vehicle
- Capital work in progress

Notes to the Financial Statements contd.

12. Property plant and equipment (Contd.)

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

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

12.1 Revaluation of Freehold Land & Buildings

Fair value of Land and Builing as at 31 March 2018 have been based on valuations carried out by Mr. Tissa Weeratne (FIV), a member of the Institute of Valuers of Sri Lanka, with appropriate qualifications and recent experience in the valuation of properties in the relevant locations. Mr. Tissa Weeratne is not related to the Company.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value measurement for all lands and buildings classified as property plant and equipment has been categorised as a level 3 fair value based on the inputs to the valuation techniques used. Details of the group lands and information relating to the fair value as at 31 March 2018 is as follows;

Location	Method of valuation	Effective date of valuation	Property valuer	Land extent	Building area (Sq.ft)	Significant unobservable inputs	2018 Fair Value Rs. '000
Colombo -01	Open market value	31st March 2018	Mr.Tissa Weeratne	141 Perches	124,215	Market value per perch	2,266,075
Canal Row, Colombo - 01	Income Approach	31st March 2018	Mr.Tissa Weeratne	15 Perches	12,300	Rental per square foot	284,897
Staple Street - Colombo - 02	Open market value	31st March 2018	Mr.Tissa Weeratne	81.5 Perches	20,970	Market value per perch	774,630
Dematagoda	Open market value	31st March 2018	Mr.Tissa Weeratne	84 Perches	-	Market value per perch	288,792
Kandy	Income Approach	31st March 2018	Mr.Tissa Weeratne	88 Perches	25,174	Rental per square foot	1,311,204
Maharagama	Open market value	31st March 2018	Mr.Tissa Weeratne	145 Perches	15,827	Market value per perch	508,550
Nuwara Eliya	Open market value	31st March 2018	Mr.Tissa Weeratne	57 Perches	9,617	Market value per perch	212,500
Mattakkuliya (111)	Income Approach	31st March 2018	Mr.Tissa Weeratne	330 Perches	80,967	Rental per square foot	719,033
Kohuwala	Open market value	31st March 2018	Mr.Tissa Weeratne	29 Perches	6,225	Market value per perch	104,600
Mattakkuliya (141)	Open market value	31st March 2018	Mr.Tissa Weeratne	288 Perches	44,469	Market value per perch	446,000
Gampaha	Open market value	31st March 2018	Mr.Tissa Weeratne	82.6 Perches	39,565	Market value per perch	123,900
Moratuwa	Open market value	31st March 2018	Mr.Tissa Weeratne	78.6 Perches	-	Market value per perch	250,104

Location	Method of valuation	Effective date of valuation	Property valuer	Land extent	Building area (Sq.ft)	Significant unobservable inputs	2018 Fair Value Rs.'000
Ingiriya (Lot A,C,D,B1)	Open market value	31st March 2018	Mr.Tissa Weeratne	26 Acres	-	Market value per perch	242,999
Ja - Ela	Open market value	31st March 2018	Mr.Tissa Weeratne	4 Acres	28,976	Market value per perch	93,050
Mattakuliya	Open market value	31st March 2018	Mr.Tissa Weeratne	1.3 Acres	16,517	Market value per perch	363,400
Ja - Ela	Open market value	31st March 2018	Mr.Tissa Weeratne	5.1 Acres	38,381	Market value per perch	319,575
Katana	Open market value	31st March 2018	Mr.Tissa Weeratne	11.3 Acres	68,624	Market value per perch	314,280
Kelaniya	Open market value	31st March 2018	Mr.Tissa Weeratne	1.5 Acres	55,770	Market value per perch	214,500
Katoolaya Estate, Thawalatenne	Open market value	31st March 2018	Mr.Tissa Weeratne	4 Acres	16,706	Market value per perch	14,350
Mirigama, Baduragoda	Open market value	31st March 2018	Mr.Tissa Weeratne	49.8 Perches	-	Market value per perch	7,000
Mulleriyawa	Open market value	31st March 2018	Mr.Tissa Weeratne	1.7 Acres	28,862	Market value per perch	124,430
Bogahawatta	Open market value	31st March 2018	Mr.Tissa Weeratne	1 Acres	8,764	Market value per perch	21,600
Hatton	Open market value	31st March 2018	Mr.Tissa Weeratne	17.4 Acres	12,479	Market value per perch	56,000
Bandarawela	Open market value	31st March 2018	Mr.Tissa Weeratne	85 Perches	4,230	Market value per perch	341,865
Katubedda	Open market value	31st March 2018	Mr.Tissa Weeratne	1.15 Acres	3,500	Market value per perch	445,750

Notes to the Financial Statements contd.

12. Property plant and equipment (Contd.)

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

	Land		Building	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Group				
Cost	2,654,349	2,404,751	1,694,457	1,443,714
Accumulated depreciation	-	-	(436,544)	(405,362)
Net book value	**2,654,349**	**2,404,751**	**1,257,913**	**1,038,352**
Company				
Cost	1,812	1,812	39,961	39,961
Accumulated depreciation	-	-	(10,795)	(9,996)
Net book value	**1,812**	**1,812**	**29,166**	**29,965**

Depreciation amounting to Rs. 1,934.71 Mn (2017 - Rs. 1,449.41 Mn) and Rs.233.93 Mn (2017 - Rs. 350.30 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. 42.53 Mn (2017 - Rs. 37.44 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.3,061.89 Mn (2017 - 2,649.38 Mn) and that of the Company is Rs.225.77 Mn (2017 - Rs. 225.87 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 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 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.

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	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
As at 1st April	4,777,192	3,543,564	3,274,803	5,443,351
Additions	16,653	-	-	-
Reclassification from PPE	-	1,067,292	-	-
Disposals	(3,144,580)	-	(275,100)	(2,253,800)
Changes in fair value during the year	77,287	166,336	200,427	71,638
	1,726,552	**4,777,192**	**3,200,130**	**3,261,189**
Capital work in progress	-	-	6,879	13,614
	1,726,552	**4,777,192**	**3,207,009**	**3,274,803**

In accordance with LKAS 40, fair value of the above Investment Properties were ascertained as at 31 March 2018 by Mr. T Weeratne (FIV), an independent professional valuer.

Notes to the Financial Statements contd.

13. Investment property (Contd.)

Rental income earned from investment properties by the Group and Company amounts to Rs. 36.27 Mn (2017 - Rs. 36.72 Mn) and Rs. 126.85 Mn (2017 - Rs. 120.00 Mn) respectively. Direct operating expenses incurred on investment property by Group and Company amounts to Rs. 26.53 Mn (2017 - Rs. 19.34 Mn) and Rs. 54.60 Mn (2017 - Rs. 39.47 Mn). The fair value measurment for all the investments properties has been catagorised as a level 3 fair value based on the inputs to the valuation techniques used. Details of groups investment property and information relating to their fair values as at 31 March 2018 is as follows:

Location	Method of valuation	Effective date of valuation	Property valuer	Land extent	Building area (Sq.ft)	Significant unobservable inputs	Group		Company	
							2018 Fair value Rs. '000	2017 Fair value Rs. '000	2018 Fair value Rs. '000	2017 Fair value Rs. '000
Canal Row, Colombo 01	Open market value	31/03/2018	Mr.Tissa Weeratne*	15 Perches	12,300	Market value per perch	-	-	377,747	343,000
Braybrooke place	Open market value	31/03/2018	Mr.Tissa Weeratne*	78 Perches	5,146	Market value per perch	666,855	647,600	666,855	647,600
Cargills Square- Jaffna	Income approach	31/03/2018	Mr.Tissa Weeratne*	Leasehold	99,164	Rental per square feet	606,437	558,137	1,005,700	925,600
Staple Street - Colombo 02	Open market value	31/03/2018	Mr.Tissa Weeratne*	81.5 Perches	20,970	Market value per perch	-	-	828,600	786,688
Moratuwa	Open market value	31/03/2018	Mr.Tissa Weeratne*	78.6 Perches	-	Market value per perch	-	-	-	263,300
Dematagoda	Open market value	31/03/2018	Mr.Tissa Weeratne*	84 Perches	-	Market value per perch	-	-	308,000	295,000
Vauxhall street	Open market value	31/03/2017	Mr.Tissa Weeratne*	1.5 Acres	21,070	Market value per perch	-	2,344,300	-	-
Dawson street	Open market value	31/03/2017	Mr.Tissa Weeratne*	94 Perches	-	Market value per perch	-	800,280	-	-
Nittambuwa	Open market value	31/03/2018	Mr.Tissa Weeratne*	112 Perches	-	Market value per perch	128,450	118,875	-	-
Boralasgamuwa	Open market value	31/03/2018	Mr.Tissa Weeratne*	2.5 Acres	23,168	Market value per perch	324,810	308,000	-	-

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

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 capitalised 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 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.

Notes to the Financial Statements contd.

14. Intangible assets (Contd.)

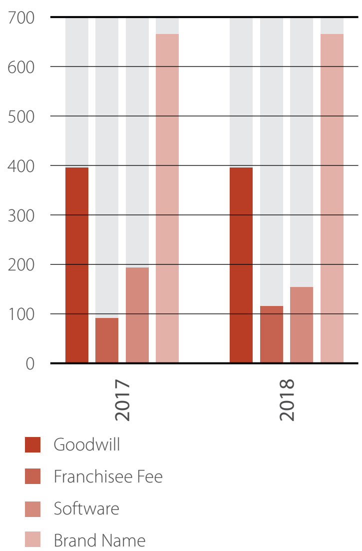
De-recognition

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.

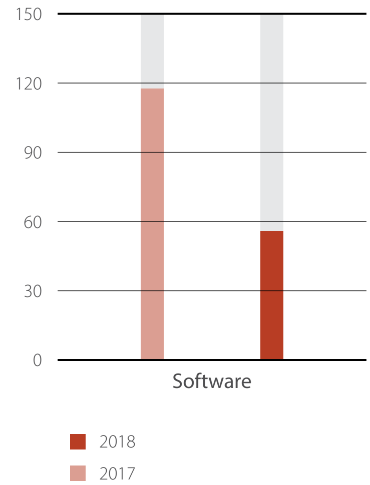
Group	Goodwill		Franchisee fee		Software		Brand name		Total	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Gross value										
As at 1 April	529,767	396,571	195,868	184,174	289,560	115,655	661,865	661,865	1,677,060	1,358,265
Additions	-	133,196	41,776	11,694	50,929	173,905	-	-	92,705	318,795
As at 31 March	**529,767**	**529,767**	**237,644**	**195,868**	**340,489**	**289,560**	**661,865**	**661,865**	**1,769,765**	**1,677,060**
Amortisation/Impairment										
As at 1 April	138,978	138,978	109,558	95,021	103,017	46,843	-	-	351,553	280,842
Amortisation for the year	-	-	16,612	14,537	89,914	56,174	-	-	106,526	70,711
As at 31 March	**138,978**	**138,978**	**126,170**	**109,558**	**192,931**	**103,017**	**-**	**-**	**458,079**	**351,553**
Carrying value as at 31st March	390,789	390,789	111,474	86,310	147,558	186,543	661,865	661,865	1,311,686	1,325,507

Company	Software		Total	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Gross value				
As at 1 April	150,345	-	150,345	-
Additions	508	150,345	508	150,345
As at 31 March	**150,853**	**150,345**	**150,853**	**150,345**
Amortisation/Impairment				
As at 1 April	34,046	-	34,046	-
Amortisation for the year	61,962	34,046	61,962	34,046
As at 31 March	**96,008**	**34,046**	**96,008**	**34,046**
Carrying value as at 31st March	**54,845**	**116,299**	**54,845**	**116,299**

Group - Intangble Assets
(Rs.Mn)



Company - Intangble Assets
(Rs.Mn)



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

The Rs. 661.9 Mn represents the brand value recognised on the acquisition of Kothmale Holding PLC.

Brand value has been tested for impairment and no impairment has been recognised as at reporting date. Management is of the view that the brand name has an indefinite useful life and accordingly no amortisation is charged . However, in accordance with LKAS 38 - 'Intangible Assets', any intangible asset which has indefinite useful life is subject to annual impairment test which is to be carried out in accordance with LKAS 36 - 'Impairment of Assets' and the useful life of the intangible asset that is not being amortised is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for this asset.

Amortisation of intangible assets of Rs. 16.61 Mn (2017 - Rs.15.85 Mn) have been included in cost of goods sold and Rs.89.91 Mn (2017 - Rs.54.86 Mn) in administrative and other expenses of the group. Amortisation of intangible assets of Rs. nil (2017 - nil Mn) have been included in cost of goods sold and Rs. 61.96 Mn (2017 - Rs.34.05 Mn) in administrative expenses.

Notes to the Financial Statements contd.

15. Investments

15.1 Investments in subsidiaries

	No of Shares	Holding %	Group 2018 Rs. '000	Group 2017 Rs. '000	Company 2018 Rs. '000	Company 2017 Rs. '000
Cargills Foods Company (Private) Limited	47,500,002	92	-	-	475,000	475,000
Cargills Quality Foods Limited	4,860,291	100	-	-	1,193,453	1,193,453
Dawson Office Complex (Private) Limited	1,000	100	-	-	100	2,350,100
The Empire Investments Company (Private) Limited	77,600,000	100	-	-	776,000	776,000
Cargills Food Processors (Private) Limited	5,700,002	100	-	-	61,500	-
Kotmale Holding PLC	54,315	0.17	-	-	3,437	3,437
Frederick North Hotel Company Limited	31,100,000	100	-	-	311,000	311,000
			-	-	2,820,490	5,108,990
Employee share option investment (Note. 15.1.1)			-	-	87,282	-
			-	-	**2,907,772**	**5,108,990**

15.1.1 Employee share option investment

	Company 2018 Rs.'000	Company 2017 Rs.'000
Cargills Foods Company (Private) Limited	62,435	-
Kotmale Dairy Products (Private) Limited	1,495	-
Cargills Food Processors (Private) Limited	2,543	-
Cargills Food Services (Private) Limited	554	-
Cargills Quality Confectionaries (Private) Limited	129	-
Cargills Quality Dairies (Private) Limited	5,089	-
Cargills Quality Foods Limited	3,404	-
Cargills Distributors (Private) Limited	167	-
Millers Limited	9,009	-
Cargills Agri Foods Limited	2,457	-
	87,282	**-**

Cargills Quality Foods Limited, Cargills Food Processors (Private) Limited, Dawson Office Complex (Private) Limited, Frederick North Hotel Company Limited and The Empire Investments Company (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, Millers Limited, Cargills Quality Confectioneries (Private) Limited, Cargills Food Services (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.

Ceylon Agro Development Company (Private) Limited is a subsidiary of Cargills Agrifoods Limited. The financial statements of the said subsidiary of Cargills Agrifoods Limited have been consolidated as a subsidiary of CQF and CCP.

As at 31 March 2018, the Company directly and through its subsidiaries CQD and CQF holds 31,246,778 shares representing 99.51% of the issued share capital of Kotmale Holdings PLC. The financial statements of Kotmale Holdings PLC have been consolidated as a subsidiary of CQF and CCP. The financial statements of Kotmale Dairy Products (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.

In March 2018,
- Dawson Office Complex (Private) Limited repurchased 23,500,001 of the shares that were in issue for a cash consideration of Rs. 3,646,025,155.
- Cargills Quality Foods Limited transferred 5,700,002 shares of Cargills Food Processors (Private) Limited to Cargills (Ceylon) PLC. Accordingly as at 31st March 2018 the company directly holds 5,700,002 shares representing 100% of the issued share capital of CFP.
- Cargills Food Processors (Private) Limited transferred its shareholding in Cargills Food Services (Private) Limited to Cargills Quality Foods Limited. Accordingly as at 31st March 2018 CQF directly holds 100% of the issued share capital of CFS.

15.2 Investment in equity accounted investees

			Group		Company	
	No of Shares	Holding %	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Unquoted :						
C T Properties Ltd	54,100,000	21.76	417,165	408,525	403,596	403,596
Cargills Bank Limited	350,696,905	39.71	4,949,596	4,734,704	4,717,843	4,717,843
			5,366,761	5,143,229	5,121,439	5,121,439

15.2.a An impairment amounting to Rs. Nil (2017 - Rs. 63.04 Mn) and Rs Nil (2017 - Rs.42.99 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 contd.

15. Investments (Contd.)

15.3 Other financial assets

15.3.1 Available for sale financial instruments - Non current

As at 31 March	Group 2018 Rs. '000	Group 2017 Rs. '000	Company 2018 Rs. '000	Company 2017 Rs. '000
Quoted equity investments				
Lanka IOC PLC	5,800	6,500	5,800	6,500
Sierra Cables PLC	149	145	30	29
Aitken Spence PLC	15,033	19,661	15,033	19,661
	20,982	26,306	20,863	26,190
Increase/(Decrease) in fair value of investments	(1,314)	(5,324)	(1,286)	(5,327)
	19,668	**20,982**	**19,577**	**20,863**
15.3.2 Other non equity investments - Current				
Call deposits / Fixed deposit	804,258	461,490	-	4,691
Re-purchase agreements	169,181	127,318	-	-
	973,439	588,808	-	4,691
	993,107	**609,790**	**19,577**	**25,554**

The market value of quoted short term investments of Group as at 31 March 2018, as quoted by the Colombo Stock Exchange amounted to Rs. 19.66 Mn (2017 - Rs.20.98Mn)

15.4 Investment in equity accounted investees

	Group 2018 Rs. '000	Group 2017 Rs. '000
As at 1 April	5,143,229	1,029,653
Acquisition	-	2,533,105
Transfer from investment in advance and amounts due from related companies	-	1,602,000
Share of profit	212,273	21,780
Share of other comprehensive income	11,259	1,581
Due to change in shareholding of equity accounted investee	-	(1,751)
Expense on right issue of equity accounted investee	-	(145)
Impairment	-	(42,994)
As at 31 March	**5,366,761**	**5,143,229**

15.5 Summarised financial information of equity accounted investees

	Group			
	C T Properties Ltd		Cargills Bank Limited	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Revenue	116,468	105,900	2,064,651	1,194,681
Operating expenses	(10,438)	(93,168)	(1,443,514)	(1,237,695)
Finance expenses	(66,444)	(103,053)	-	-
income tax expense	2	(6,436)	(108,278)	70,483
Share of non controlling interest	-	-	-	(1,455)
Profit/(Loss) for the year	39,588	(96,757)	512,859	26,014
Other comprehensive income	109	(6)	28,293	(3,715)
Total comprehensive income	39,697	(96,763)	541,152	22,299
Group's share of profit / (loss)	8,616	(15,122)	203,657	36,902
Group's share of other comprehensive income	24	-	11,235	1,581
Group's share of total comprehensive income	**8,640**	**(15,122)**	**214,892**	**38,483**

	Group			
	C T Properties Ltd		Cargills Bank Limited	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Total assets	2,813,744	2,755,394	32,512,711	21,416,906
Total liabilities	(799,670)	(781,015)	(21,318,380)	(10,674,122)
Non controlling interest	-	-	-	(89,305)
Net assets	2,014,074	1,974,379	11,194,331	10,653,479
Ownership interest	21.76%	21.76%	39.71%	39.71%
Group's share of net assets	438,355	429,715	4,445,280	4,230,507
Goodwill	31,375	31,375	504,316	504,197
Impairment	(52,565)	(52,565)	-	-
	417,165	**408,525**	**4,949,596**	**4,734,704**

Notes to the Financial Statements contd.

16. Prepayment on Leasehold Land and Building

	Group		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Gross value				
As at 31 March	188,349	188,349	153,349	153,349
Amortisation				
As at 1 April	12,105	9,625	1,605	-
Amortisation for the year	4,724	2,480	3,849	1,605
As at 31 March	16,829	12,105	5,454	1,605
Balance as at 31 March	**171,520**	**176,244**	**147,895**	**151,744**
Current portion of the prepayment (Note. 19)	4,710	4,710	3,835	3,835
Non- current portion of the prepayment	166,810	171,534	144,060	147,909
	171,520	**176,244**	**147,895**	**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 Diaries (Private) Limited		
Banduragoda land and building	From 12 Feb. 2002 to 22 May 2045	35,000

17. Deferred Tax Assets / (Liabilities)

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
As at 1 April	56,680	62,642	1,039,964	777,550	-	-	136,731	155,370
Transfer between deferred tax assets & liabilities	(48,095)	(6,375)	(48,095)	(6,375)	-	-	-	-
Surplus on revaluation	-	-	74,449	-	-	-	141	(18,045)
Release / (charge) for the year	(172)	413	286,332	268,788	-	-	43,452	(594)
As at 31 March	**8,413**	**56,680**	**1,352,650**	**1,039,963**	-	-	**180,324**	**136,731**
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	65	(22,540)	1,649,881	1,331,914	-	-	211,660	134,594
- Temporary difference of revaluation surplus of freehold building	-	(13,023)	239,452	154,736	-	-	97,113	96,972
-Temporary Difference on equity settled share based payment	-	-	(40,555)	-	-	-	(16,116)	-
- Temporary difference on provisions	1,463	3,705	(189,929)	(34,070)	-	-	(1,132)	-
- Temporary difference of employee benefits	768	4,625	(262,646)	(212,184)	-	-	(111,201)	(94,835)
- Temporary difference on capital grants	-	-	(17,332)	(20,546)	-	-	-	-
- Temporary difference of carried forward tax losses	6,117	83,913	(6,440)	(22,530)	-	-	-	-
- Temporary difference of operating lease liability	-	-	(19,781)	(157,357)	-	-	-	-
	8,413	**56,680**	**1,352,650**	**1,039,963**	-	-	**180,324**	**136,731**
Reversal/(origination) of deferred tax								
Total expense released/(charged) to profit or loss	(211)	211	(305,005)	(282,419)	-	-	(51,738)	(7,058)
Total expense Released/(charged) to OCI	39	202	(55,776)	13,631	-	-	8,145	25,697
	(172)	**413**	**(360,781)**	**(268,788)**	-	-	**(43,593)**	**18,639**

The Inland Revenue Act No 24 of 2017 and new tax rates including capital gains taxes are effective from 1 April 2018. Accordingly the income tax charge for the year ended 31 March, 2018 has been computed on rates applicable in the year of assessment 2017/2018. The provision for deferred tax at 31 March, 2018 has been calculated at rates and on capital gains applicable post 1 April, 2018.

Due to uncertainties that exist on the interpretation of the new law relating to freehold land for tax purposes, significant judgement was exercised to determine the provision required for deferred taxes on capital gains applicable to freehold land.

Having sought independent professional legal advice, the Group is of the view that the freehold land used in the business falls under the category of "Investment Assets" and accordingly deferred tax has been provided on the related gain on revaluation. In the event it is deemed that freehold land be considered as "Capital Assets used in the business", the Company and Group would have to make an additional deferred tax charge in the statement of profit or loss for the year ended 31st March 2018 amounting to Rs. 261 Mn and Rs. 416 Mn and other comprehensive income/Retained earnings amounting to Rs. 551 Mn and Rs. 669 Mn with a consequential increase in the deferred tax liability on the statement of financial position.

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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.

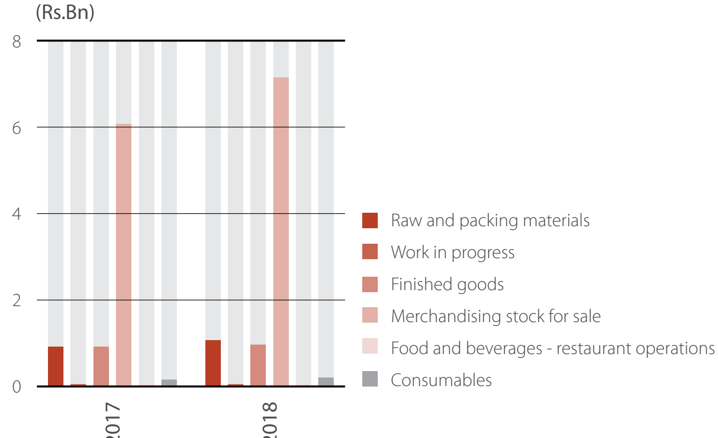
The cost of each category of inventory of the Group is determined on the following basis.

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

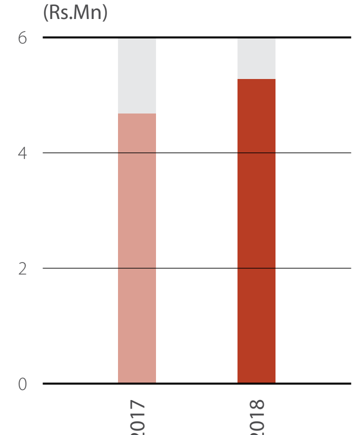
	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Raw and packing materials	1,087,446	914,777	-	-
Work in progress	50,426	62,798	-	-
Finished goods	991,420	931,764	-	-
Merchandising stock for sale	7,154,709	6,087,135	5,369	4,740
Food and beverages - restaurant operations	70,477	63,338	-	-
Consumables	202,139	170,985	-	-
	9,556,617	8,230,797	5,369	4,740
Provision for obsolete inventories	(91,262)	(56,819)	-	-
	9,465,355	8,173,978	5,369	4,740
Goods in transit	80,430	162,631	-	-
	9,545,785	**8,336,609**	**5,369**	**4,740**

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

Group - Inventories (Rs.Bn)



Company - Inventories (Rs.Mn)



19. Trade and other Receivables

As at 31 March	Group 2018 Rs. '000	Group 2017 Rs. '000	Company 2018 Rs. '000	Company 2017 Rs. '000
Trade receivables	2,924,873	2,222,701	93,558	9,662
Impairment of trade receivables	(100,560)	(89,317)	(4,042)	(5,534)
	2,824,313	2,133,384	89,516	4,128
Prepayments of leasehold land and buildings (note 16)	4,710	4,710	3,835	3,835
Other prepayments and deposits	1,344,296	1,322,421	434,915	604,532
Other receivables	733,007	574,589	81,576	14,201
Loans and advances (note 19.1)	41,304	26,860	10,779	17,068
Tax recoverable (note19.2)	804,563	626,281	14,894	7,151
	5,752,193	**4,688,245**	**635,515**	**650,915**

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 :

	Group 2018 Rs. '000	Group 2017 Rs. '000	Company 2018 Rs. '000	Company 2017 Rs. '000
As at 1 April	26,860	17,691	17,068	11,503
Loans granted	53,101	40,513	5,387	33,052
	79,961	58,204	22,455	44,555
Repayments	(38,657)	(31,344)	(11,676)	(27,487)
As at 31 March	**41,304**	**26,860**	**10,779**	**17,068**

19.2 Tax recoverable

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

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20. Amounts due from/due to related companies

Amounts due from subsidiaries	Group		Company	
As at 31 March	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Cargills Foods Company (Private) Limited	-	-	29,827	6,056
Dawson Office Complex (Private) Limited	-	-	28,834	-
Cargills Food Services (Private) Limited	-	-	486	-
Cargills Agrifoods Limited	-	-	11,906	2,691
Cargills Quality Dairies (Private) Limited	-	-	11,335	7,591
CPC (Lanka) Limited	-	-	188	1,014
Cargills Quality Confectioneries (Private) Limited	-	-	1,299	
Millers Limited	-	-	10,430	9,042
Kotmale Dairy Products (Private) Limited	-	-	-	762
Kotmale Holding PLC	-	-	6,830	3,424
Ceylon Agro Development Company (Private) Limited	-	-	14	
The Empire Investments Company (Private) Limited	-	-	16,677	-
	-	-	117,826	30,580
Amounts due from holding company				
C T Holdings PLC	3,340	-	3,225	-
	3,340	-	3,225	-
Amounts due from associate companies				
Cargills Bank Limited	28,153	11,501	913	2,624
C T Properties Limited	791,967	728,024	791,967	728,024
	820,120	739,525	792,880	730,648
Amounts due from other related companies				
Ceylon Hotels Corporation PLC	450	266	-	-
Ceylon Theatres (Private) Limited	16,878	5,662	10,019	5,478
C T Land Development PLC	646	148	552	-
Galle Face Hotel Company Limited	890	502	-	-
Kandy Hotels Company (1938) PLC	1,094	861	-	-
United Hotels Co. ltd	451	856	-	-
CT Real Estate (Pvt) Ltd	-	27	-	-
	20,409	8,322	10,571	5,478
Total amount due from related companies	**843,869**	**747,847**	**924,502**	**766,706**

Amounts due to subsidiaries	Group		Company	
As at 31 March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Amounts due to subsidiaries				
Cargills Quality Foods Limited	-	-	5,350	12,629
Cargills Food Services (Private) Limited	-	-	-	357
Cargills Food Processors (Private) Limited	-	-	7,842	860
Kotmale Dairy Products (Private) Limited	-	-	8,050	-
Cargills Quality Confectioneries (Private) Limited	-	-	-	128
	-	-	21,242	13,974
Amounts due to other related companies				
Ceylon Printers PLC	250	-	-	-
CT Real Estate (Pvt) Ltd	2,925	-	-	-
CT Land Development PLC	-	196	-	196
	3,175	196	-	196
Total amount due to related companies	3,175	196	21,242	14,170

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.

	Number of shares	2018 Rs. '000	Number of shares	2017 Rs. '000
Balance as at 1st April	224,000,000	130,723	224,000,000	130,723
Capitalisation of reserves	31,999,927	6,399,986	-	-
Balance as at 31st March	**255,999,927**	**6,530,709**	**224,000,000**	**130,723**

Capitalisation of Reserves

The shareholders of the Company, at an Extra Ordinary General Meeting held on 20th March 2018, approved the issue of 31,999,927 ordinary voting shares in the Company credited as fully paid by capitalizing a sum of Rs. 6,399,985,400 lying in the reserves of the Company in the proportion of One (01) share for every Seven (07) shares held as at the entitlement date, at a consideration of Rs. 200.00 per share. The new shares, rank Pari Passu in all respects with the existing issued ordinary shares of the Company, including the right to participate in any dividend declared after the date of allotment. All Shareholders appearing in the Central Depository Systems (Pvt) Ltd (CDS) and the Shareholders Register maintained by the Company as at end of trading on 20th March 2018 were allotted the capitalised shares as mentioned above.

Consequent to this share issue the stated capital of the Company at the balance sheet date amounted to Rs 6,530,708,400 (2017 - Rs. 130,723,000) comprising 255,999,927 ordinary (voting) shares (2017 – 224,000,000).

Notes to the Financial Statements contd.

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 recognise 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.

	Group	
As at 31 March	2018 Rs. '000	2017 Rs. '000
Put option over Non Controlling Interest (NCI)	3,089,325	2,761,159

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 2018
- An year is assumed to have 365 days

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

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.
- 'Employee share option reserve' consists of stock options granted to specified employees of a company. ESOS offer the option holder the right to buy a certain amount of company shares at a predetermined price.

	Group		Company	
As at 31 March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Capital reserves				
Revaluation reserve	4,884,927	7,908,678	14,439	3,204,729
Capital reserve	7,928	7,928	-	-
Employee share option reserve (note 23.1)	150,970	-	150,970	-
	5,043,825	7,916,606	165,409	3,204,729
Revenue reserve				
General reserve	-	485,500	-	485,500
Available for sale reserves	-	(29,742)	-	(29,737)
	-	455,758	-	455,763
	-	-	-	-
	5,043,825	**8,372,364**	**165,409**	**3,660,492**

Notes to the Financial Statements contd.

23. Reserves (Contd.)

23.1 Employee share option reserve

23.1.1 Employee share option scheme

An Employee Share Option Scheme (ESOS) proposed by the Directors of the Company for the benefit of it's employees and those of its subsidiaries ("CCP Group") was approved by the shareholders at an Extra Ordinary General Meeting held on 29th June 2017.

Under the terms of the ESOS, which are in compliance with the Listing Rules of the Colombo Stock Exchange, a maximum number of six million seven hundred and twenty thousand (6,720,000) ordinary voting shares could be issued which is equivalent to 3.0% of the issued capital of CCP. The share options would be granted in three tranches which would constitute –

(a) a first tranche of 3,360,000 options constituting 1.50% of the issued shares of the Company;

(b) a second tranche of 1,680,000 options constituting 0.75% of the issued shares of the Company;

(c) a third tranche of 1,680,000 options constituting 0.75% of the issued shares of the Company;

Each of the aforesaid tranches would be subdivided in to sub tranches with different vesting periods and exercise periods. Share options would be issued to employees who are eligible for the award of the share options for a consideration that is equivalent to the volume weighted average price during the period of thirty (30) market days immediately prior to the respective grant dates for each tranche. The first tranche would be issued in three equal sub tranches commencing from 30th September 2017 at a value of Rs. 211.40 per share. The second tranche would be issued in three equal sub tranches commencing from 31st July 2019 at a value of Rs. 196.95 per share.

Subsequent to the adoption of the ESOS, the shareholders of CCP approved the issue of 31,999,927 shares (net of fractional shares) in the Company, to the shareholders of the Company credited as fully paid by capitalizing a sum of Rs 6,399,985,400 lying in the reserves of the Company in the proportion of One (01) share for every Seven (07) shares held as at the entitlement date, at a consideration of Rs 200.00 per share.

Consequent to this share issue, the number of options granted and the exercise price has changed as follows –

(a) Total number of options to be issued – 7,679,997 options constituting 3% of the issued shares of the Company;

(b) First tranche – 3,839,999 options constituting 1.50% of the issued shares of the Company at an exercise price of Rs 184.98

(c) Second tranche – 1,919,999 options constituting 0.75% of the issued shares of the Company at an exercise price of Rs 172.33;

(d) Third tranche – 1,919,999 options constituting 0.75% of the issued shares of the Company;

The cost of Share Based Payments accounted in the Group's Financial Statements for the year amounted to Rs.145Mn.

Each of the aforesaid tranches would be subdivided in to sub tranches with different vesting periods and exercise periods. The key terms and conditions related to the grants under these tranches are as follows; all options are to be settled by the physical delivery of shares.

Type of Tranche	Number of options	Vesting Condition	Vesting Period	Vesting Date	Exercise Period	Exercise Duration
Tranche 1						
Sub Tranche 1	1,280,000		3 Months	September 30,2017	October 1,2017 to March 31, 2019	1 Year & 6 Months
Sub Tranche 2	1,280,000	Remaining in employment up until the vesting date.	9 Months	March 31,2018	April 1,2018 to March 31, 2020	2 Years
Sub Tranche 3	1,279,999		1 Year & 9 Months	March 31,2019	April 1,2019 to March 31, 2021	2 Years
Tranche 2						
Sub Tranche 1	640,000		1 Year & 4 Months	July 31,2019	August 1, 2019 to March 31, 2020	8 Months
Sub Tranche 2	640,000	Remaining in employment up until the vesting date. And meeting the performance related conditions relating to FY 2018/19.	2 Years	March 31,2020	April 1,2020 to March 31, 2021	1 Year
Sub Tranche 3	639,999		3 Years	March 31,2021	April 1,2021 to March 31, 2022	1 Year
Tranche 3						
Sub Tranche 1	640,000		1 Year & 4 Months	July 31,2020	August 1,2020 to March 31, 2021	8 Months
Sub Tranche 2	640,000	Remaining in employment up until the vesting date. And meeting the performance related conditions relating to FY 2019/20.	2 Years	March 31,2021	April 1,2021 to March 31, 2022	1 Year
Sub Tranche 3	639,999		3 Years	March 31,2022	April 1,2022 to March 31, 2023	1 Year
Total Share Options	7,679,997					

Grant Date

As per "SLFRS 2 - Share-based Payments" the entity should recognise the value/cost of the share options granted to employees through the ESOS scheme based on the Grant Date of the share options. The date of obtaining the shareholder approval for ESOS is recognized as the Grant date for all 3 tranches of the ESOS scheme which is 29th June 2017.

Exercise Price

Based on a Grant date of 29th June 2017 the exercise price of Tranche 1 of the ESOS is Rs.184.98 , being the Volume Weighted Average Price (VWAP) of the CCP share during thirty (30) market days immediately prior to the Grant date.

Notes to the Financial Statements contd.

23.1.2 Measurement of fair values

As required by SLFRS 2 on "Share-based Payment", the fair value of the ESOS was estimated at the grant date using the Binomial Valuation Model taking into consideration various terms and conditions upon which the share options are granted.

The inputs used in measurement of fair value at the grant date of ESOS were as follows:

	Tranches		
Description of the valuation input	Tranche 1	Tranche 2	Tranche 3
Expected dividend yield rate (%)	1.5	1.5	1.5
Risk free rate (%)	10.73	10.73	10.73
Probability of share price increase (%)	80	80	80
Probability of share price decrease (%)	20	20	20
Size of annual increase of share price (%)	18	18	18
Size of annual reduction in share price (%)	10	10	10
Exercise price (Rs.)	184.98	172.33	211.4

The probability of price movements of the CCP share price has been arrived at by taking into consideration share price movements of CCP during the last five year period.

23.1.3 Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options under the ESOS scheme was as follows :

In thousands of options	Number of options 2018	*WAEP 2018 (Rs.)
Outstanding as at 1 April	-	-
Forfeited during the year	-	-
Exercised during the year	-	-
Granted during the year	3,840	184.98
Outstanding as at 31 March	3,840	184.98
Exercisable as at 31 March	**1,280**	**184.98**

*WAEP - Weighted Average Exercise Price

24. Cash and cash equivalents

	Group		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Cash at bank and in hand	2,000,288	1,570,868	12,594	53,142
For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the following:				
Cash and bank balances	2,000,288	1,570,868	12,594	53,142
Bank overdraft	(2,769,528)	(3,230,318)	(47,787)	(808,624)
	(769,240)	**(1,659,450)**	**(35,193)**	**(755,482)**

25. Interest Bearing Loans and Borrowings

As at 31 March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Current				
Current portion of long term loan	-	198,300	-	-
Current portion of finance lease liabilities (note 25.2)	1,024	921	-	-
Short term loans	11,867,036	12,381,009	2,995,000	6,498,200
Bank overdraft	2,769,528	3,230,318	47,787	808,624
	14,637,588	15,810,548	3,042,787	7,306,824
	-	-		
Non-current				
Bank borrowings (note 25.1)	-	-	-	-
Finance lease liabilities (note 25.2)	1,546	2,570	-	-
	1,546	2,570	-	-
Total borrowings	**14,639,134**	**15,813,118**	**3,042,787**	**7,306,824**

25.1 Bank borrowings

	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
As at 1 April	198,300	735,829	-	-
Loans received / (transferred)	-	-	-	-
Repayments	(198,300)	(537,529)	-	-
As at 31 March	-	198,300	-	-
Falling due within one year	-	(198,300)	-	-
	-	-	-	-
Repayment during 1-2 years	-	-	-	-
Repayment during 2-5 years	-	-	-	-
	-	-	-	-

25.2 Finance lease liabilities

	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Balance at the beginning of the year	4,158	4,869	-	-
Repayments	(1,246)	(711)	-	-
	2,912	4,158	-	-
Lease interest in suspence	(342)	(667)	-	-
As at 31 March	2,570	3,491	-	-
Lease payable with in one year	(1,024)	(921)	-	-
Payable with in 1-2 year	**1,546**	**2,570**	**-**	**-**

Notes to the Financial Statements contd.

25. Interest Bearing Loans and Borrowings (Contd.)

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

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
Cargills (Ceylon) PLC				
Bank overdraft				
Commercial Bank of Ceylon PLC	200,000	25,945	On demand, based on monthly AWPLR+1.0% p. a.	Corporate guarantee from C T Holdings PLC.
Seylan Bank PLC	100,000	-	On demand, based on weekly AWPLR+2.5% p.a.	Clean basis
Nations Trust Bank PLC	200,000	-	On demand, based on weekly AWPLR+1.0% p. a.	Clean basis
Deutsche Bank	45,000	21,842	On demand, based on the prevailing market interest rates	Clean basis
MCB Bank Limited	675,000	-	On demand, based on the prevailing market interest rates	Clean basis
Sampath Bank PLC	100,000	-	On demand, based on monthly AWPLR+1.0% p. a.	Clean basis
		47,787		
Short term loans				
Commercial Bank of Ceylon PLC	1,500,000	1,055,000	1-12 months, based on the prevailing market interest rates	Corporate guarantee of Rs.50 Mn. from C T Holdings PLC.
Seylan Bank PLC	1,000,000	-	1-3 months, based on the prevailing market interest rates	Clean basis
Hatton National Bank PLC	1,000,000	-	1-4 months, based on weekly AWPLR+0.75%	Clean basis
Sampath Bank PLC	1,800,000	880,000	1-6 months, based on the prevailing market interest rates	Clean basis
Nations Trust Bank PLC	2,800,000	1,060,000	1-3 months, based on the prevailing market interest rates	Clean basis
Bank of Ceylon	1,500,000	-	1-12 months, based on the prevailing market interest rates	Clean basis
		2,995,000		
		3,042,787		

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
Cargills Foods Company (Private) Limited				
Bank overdraft				
Cargills Bank Limited	-	333,380	On demand, based on the prevailing market interest rates	Fully secured against cash
Deutsche Bank	500,000	418,425	On demand, based on the prevailing market interest rates	Clean basis
Commercial Bank of Ceylon PLC	50,000	379,962	On demand, based on monthly AWPLR+1.0% p. a.	Corporate guarantee from Cargills (Ceylon) PLC.
Bank of Ceylon	115,000	89,146	On demand, monthly AWPLR+0.5% p.a.	Clean basis
		1,220,913		
Short term loans				
Standard Chartered Bank	2,100,000	1,999,679	1-4 months, based on the prevailing market interest rates	Clean basis
Bank of Ceylon	500,000	500,000	1-12 months, based on the prevailing market interest rates	Clean basis
Hatton National Bank PLC	1,250,000	1,075,000	1-4 months, based on weekly AWPLR+0.75%	Clean basis
Commercial Bank of Ceylon PLC	950,000	950,000	1-12 months, based on the prevailing market interest rates	Corporate guarantee of Rs.250 Mn. from Cargills (Ceylon) PLC.
ICICI Bank Limited	600,000	600,000	1-3 months, based on monthly SLIBOR+0.95% p. a.	Clean basis
		5,124,679		
		6,345,592		
Cargills Agrifoods Limited				
Bank overdraft				
Commercial Bank of Ceylon PLC	150,000	123,211	On demand, based on monthly AWPLR+1% p. a.	Corporate guarantee of Rs.155 Mn. from Cargills (Ceylon) PLC.
Cargills Bank Limited	-	27,129	On demand, based on the prevailing market interest rates	Fully secured against cash
		150,340		
Cargills Food Processors (Private) Limited				
Bank overdraft				
Cargills Bank Limited	-	135,385	On demand, based on the prevailing market interest rates	Fully secured against cash
Deutsche Bank	100,000	23,301	On demand, based on the prevailing market interest rates	Clean basis
Commercial Bank of Ceylon PLC	100,000	58,364	On demand, based on monthly AWPLR +1% p. a.	Corporate guarantee of Rs.50 Mn. from Cargills (Ceylon) PLC.
		217,050		

Notes to the Financial Statements contd.

25. Interest Bearing Loans and Borrowings (Contd.)

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
Cargills Food Services (Private) Limited				
Bank overdraft				
Deutsche Bank	5,000	925	On demand, based on the prevailing market interest rates	Clean basis
Hatton National Bank PLC	-	8	On demand, based on the prevailing market interest rates	Clean basis
Commercial Bank of Ceylon PLC	-	5,670	On demand, based on the prevailing market interest rates	Clean basis
Short term loans				
Commercial Bank of Ceylon PLC	75,000	54,000	1 month,based on the prevailing market interest rates	Clean basis
		54,000		
		60,603		
CPC Lanka Limited				
Bank overdraft				
Cargills Bank Limited	-	5,867	On demand, based on the prevailing market interest rates	Fully secured against cash
		5,867		
Cargills Quality Confectionaries (Private) Limited				
Bank Overdrafts				
Commercial Bank of Ceylon PLC	90,000	23,048	On demand, based on monthly AWPLR +1% p. a.	Corporate guarantee of Rs.150 Mn. from Cargills (Ceylon) PLC.
		23,048		
Short term loans				
Hatton National Bank PLC	200,000	65,000	1-4 months, based on weekly AWPLR+0.75%	Corporate guarantee of Rs. 200 Mn. from Cargills (Ceylon) PLC
Commercial Bank of Ceylon PLC	10,000	10,000	1-12 months, based on the prevailing market interest rates	Clean basis
		75,000		
		98,048		

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
Cargills Quality Dairies (Private) Limited				
Bank overdraft				
Commercial Bank of Ceylon PLC	250,000	163,513	On demand, based on monthly AWPLR +1% p. a.	Corporate guarantee of Rs.70 Mn. from Cargills (Ceylon) PLC.
Seylan Bank PLC	200,000	13,589	On demand, based on monthly AWPLR +2.5% p. a.	Clean basis
Cargills Bank Limited	-	127,651	On demand, based on the prevailing market interest rates	Fully secured against cash
Deutsche Bank	100,000	83,779	On demand, based on the prevailing market interest rates	Clean basis
		388,532		
Short term loans				
Standared Chartered Bank	1,200,000	825,000	1-12 months, based on the prevailing market interest rates	Clean basis
Hatton National Bank PLC	1,750,000	1,675,000	1-4 months, based on weekly AWPLR+0.75%	Clean basis
		2,500,000		
		2,888,532		
Cargills Quality Foods Limited				
Bank overdraft				
Commercial Bank of Ceylon PLC	80,000	177,829	On demand, based on monthly AWPLR +1% p. a.	Corporate guarantee of Rs125 Mn. from Cargills (Ceylon) PLC.
Deutsche Bank	350,000	340,689	On demand, based on the prevailing market interest rates	Clean basis
Hatton National Bank PLC		41	On demand, based on weekly AWPLR+0.75%	Clean basis
		518,559		
Short term loans				
Standared Chartered Bank	600,000	400,000	1-6 months, based on the prevailing market interest rates	Clean basis
Hatton National Bank PLC	750,000	567,357	1-4 months, based on weekly AWPLR+0.75%	Clean basis
Commercial Bank of Ceylon PLC	70,000	70,000	1-12 months, based on the prevailing market interest rates	Clean basis
		1,037,357		
		1,555,916		

Notes to the Financial Statements contd.

25. Interest Bearing Loans and Borrowings (Contd.)

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
Millers Limited				
Bank overdraft				
Cargills Bank Limited	-	12,210	On demand, based on the prevailing market interest rates	Fully secured against cash
Deutsche Bank	200,000	149,822	On demand, based on the prevailing market interest rates	Clean basis
		162,032		
Short term loans				
Standared Chartered Bank	250,000	-	1-4 months, based on the prevailing market interest rates	Corporate guarantee of Rs. 250 Mn. from Cargills (Ceylon) PLC.
Commercial Bank of Ceylon PLC	200,000	65,000	1-12 months, based on the prevailing market interest rates	Corporate Guarantee of Rs. 215 Mn. from Cargills (Ceylon) PLC
Hatton National Bank PLC	200,000	-	1-4 months, based on weekly AWPLR+0.75%	Corporate Guarantee of Rs. 335 Mn. from Cargills (Ceylon) PLC
		65,000		
		227,032		
Ceylon Agro Development Company (Private) Limited				
Bank overdraft				
Cargills Bank Limited	-	33	On demand, based on the prevailing market interest rates	Fully secured against cash
		33		
Short term loans				
Hatton National Bank PLC		16,000	1-4 months, based on weekly AWPLR+0.75%	Clean basis
		16,000		
		16,033		
Kotmale Dairy Products (Private) Limited				
Bank overdraft				
Bank of Ceylon	10,000	-	On demand, based on the prevailing market interest rates	Corporate guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
Seylan Bank	-	28,764	On demand, based on the prevailing market interest rates	Clean basis
		28,764		
Import Loan facility				
Bank of Ceylon	40,000	-	Based on the prevailing market interest rates	Corporate guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
Series of Loan on Import				
Bank of Ceylon	40,000	-	Based on the prevailing market interest rates	Corporate guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
		28,764		
Kotmale Milk Products Limited				
Bank overdraft				
Pan Asia Bank Corporation Limited	5,000	-	On demand, based on the prevailing market interest rates	Corporate guarantee from Kotmale Holdings PLC.
Import Loan facility				
Pan Asia Bank Corporation Limited	20,000	-	Based on the prevailing market interest rates	Corporate guarantee from Kotmale Holdings PLC.

26. Capital Grant

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 profit or loss on a systematic and rational basis over the useful life of the asset. Grants related to income are presented as a credit in the profit or loss, under the heading 'other income' against the incurrence of related expenditure.

	Group	
	2018 Rs. '000	2017 Rs. '000
As at 1 April	73,382	84,863
Amortisation	(11,481)	(11,481)
As at 31 March	**61,901**	**73,382**

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.

Notes to the Financial Statements contd.

27. Employee Benefit Liabilities

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	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
As at 1 April	779,767	638,004	338,695	255,724
Transferred to subsidiary	-	-	-	24,110
Interest cost	89,047	66,992	38,950	29,383
Current service cost	90,501	76,952	32,322	28,664
Actuarial (gain) / loss	57,134	49,644	29,593	27,328
Acqusition of subsidiary	-	3,910	-	-
Benefits paid	(73,816)	(55,735)	(42,414)	(26,514)
As at 31 March	**942,633**	**779,767**	**397,146**	**338,695**

27.2 Liability recognised in the Statement of Financial Position

	Group		Company	
As at 31 March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Present value of defined benefit obligation	942,633	779,767	397,146	338,695
Net liability of defined benefit obligation	**942,633**	**779,767**	**397,146**	**338,695**

27.3 Amount recognised in the Profit /loss

Continuing operations				
Current service cost	90,501	76,952	32,322	28,664
Interest cost	89,047	66,992	38,950	29,383
	179,548	**143,944**	**71,272**	**58,047**

27.4 Amount recognised in Other Comprehensive Income

Actuarial (gain) / loss	57,134	49,644	29,593	27,328
	57,134	**49,644**	**29,593**	**27,328**

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 2018. The principal assumptions, used in the actuarial valuation were as follows:

	2018	2017
	%	%
Discount rate	10.5	11.5
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.

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.

Group	2018		2017	
	Increase Rs. '000	Decrease Rs. '000	Increase Rs. '000	Decrease Rs. '000
Discount rate (1% movement)	(46,302)	52,104	(37,114)	41,431
Salary increment rate (1% movement)	56,334	(51,017)	45,401	(41,385)

Company	2018		2017	
	Increase Rs. '000	Decrease Rs. '000	Increase Rs. '000	Decrease Rs. '000
Discount rate (1% movement)	(13,839)	15,353	(12,379)	13,595
Salary increment rate (1% movement)	17,545	(16,171)	15,609	(14,488)

Notes to the Financial Statements contd.

28. Trade and other Payables

As at 31 March	Group 2018 Rs. '000	Group 2017 Rs. '000	Company 2018 Rs. '000	Company 2017 Rs. '000
Trade payables	9,013,585	8,288,675	98,589	89,110
Other payables (note 28.1)	2,574,676	2,355,532	234,682	229,233
Accrued expenses	1,632,425	1,617,934	86,915	123,466
	13,220,686	**12,262,141**	**420,186**	**441,809**

28.1 Other payables of the company includes Nation Building Levy (NBT) payable, Economic Service Charge (ESC) payable and SRL payable

29. Dividends Payable

As at 31 March	Group 2018 Rs. '000	Group 2017 Rs. '000	Company 2018 Rs. '000	Company 2017 Rs. '000
Unclaimed dividends	68,229	69,409	63,836	66,389
	68,229	**69,409**	**63,836**	**66,389**

30. Segmental Information

Accounting Policy

Segment Reporting

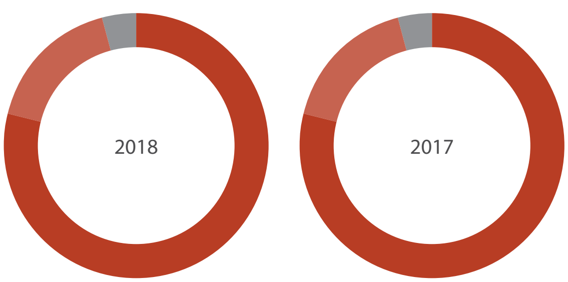
The Group's primary segments are retail, fast moving consumer goods (FMCG) and restaurant. There are no distinguishable components to be identified as geographical segments for the Group.

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.

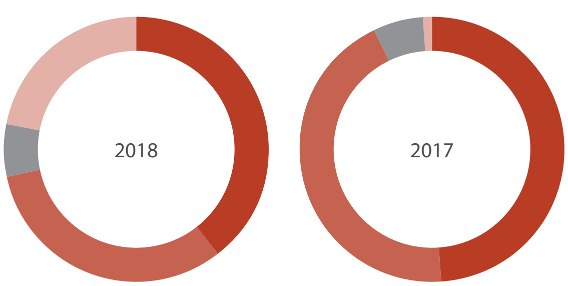
The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the Financial Statements of the Group.

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



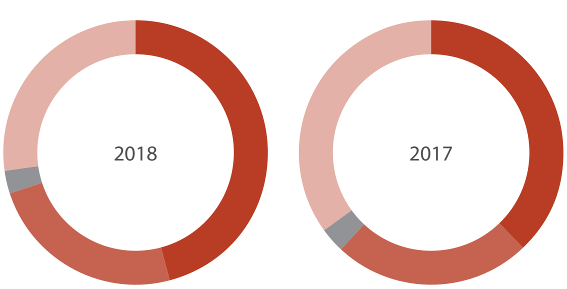
Revenue

	2018	2017
Retail	79%	79%
Fast moving consumer goods	17%	17%
Restaurant	4%	4%
Others	0%	0%



Profit Before Tax

	2018	2017
Retail	42%	49%
Fast moving consumer goods	34%	44%
Restaurant	7%	6%
Others	16%	1%



Segmental Assets

	2018	2017
Retail	46%	38%
Fast moving consumer goods	24%	24%
Restaurant	3%	3%
Others	27%	35%

Notes to the Financial Statements contd.

	Retail		Fast moving consumer goods		Restaurant		Other		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Revenue	72,663,916	66,554,225	22,100,907	20,323,981	3,614,482	3,268,984	30,210	42,189	98,409,515	90,189,379
Intra segment revenue	-	-	(197,273)	(235,325)	-	-	-	-	(197,273)	(235,325)
Inter segment revenue	(644,396)	(119,399)	(6,244,509)	(5,602,088)	-	-	(30,210)	(41,697)	(6,919,115)	(5,763,184)
	72,019,520	**66,434,826**	**15,659,125**	**14,486,568**	**3,614,482**	**3,268,984**	**-**	**492**	**91,293,127**	**84,190,870**
Segment operating profit	**2,502,018**	**2,647,446**	**2,183,327**	**2,117,274**	**382,276**	**266,719**	**1,195,316**	**59,681**	**6,262,937**	**5,091,120**
Net finance cost	(283,134)	(126,556)	(398,208)	(318,120)	(9,888)	(4,167)	(615,933)	(676,259)	(1,307,163)	(1,125,102)
Change in fair value of investment property	-	-	9,575	16,625	-	-	67,712	149,711	77,287	166,336
Share of equity accounted investees results	-	-	-	-	-	-	212,273	21,780	212,273	21,780
Profit before taxation	**2,218,884**	**2,520,890**	**1,794,694**	**1,815,779**	**372,388**	**262,552**	**859,368**	**(445,087)**	**5,245,334**	**4,154,134**
Income tax expense										
Current income tax	(551,675)	(541,362)	(703,066)	(730,248)	(136,815)	(102,857)	(217,639)	(213,263)	(1,609,195)	(1,587,730)
Deferred income tax	(66,173)	(186,881)	(193,748)	(90,603)	6,441	2,334	(51,738)	(7,058)	(305,218)	(282,208)
Profit for the year	**1,601,036**	**1,792,647**	**897,880**	**994,928**	**242,014**	**162,029**	**589,991**	**(665,408)**	**3,330,921**	**2,284,196**
Attributable to :										
Equity shareholders of the parent	1,472,049	1,649,235	896,480	994,328	242,014	162,029	589,991	(665,408)	3,200,534	2,140,184
Non controlling interest	128,987	143,412	1,400	600	-	-	-	-	130,387	144,012
	1,601,036	**1,792,647**	**897,880**	**994,928**	**242,014**	**162,029**	**589,991**	**(665,408)**	**3,330,921**	**2,284,196**
Segment assets										
Non current assets										
Property plant and equipment	12,161,676	9,847,941	6,407,412	5,804,897	856,936	971,328	5,650,793	5,251,769	25,076,817	21,875,935
Investment property	-	-	128,450	118,875	-	-	1,598,102	4,658,317	1,726,552	4,777,192
Intangible assets	50,018	-	700,034	859,868	116,340	91,746	445,294	373,893	1,311,686	1,325,507
Available for sale investments	-	-	49	60	42	59	19,577	20,863	19,668	20,982
Prepayments of leasehold buildings	-	-	22,750	23,625	-	-	144,060	147,909	166,810	171,534
Investment in equity accounted investees	-	-	-	-	-	-	5,366,761	5,143,229	5,366,761	5,143,229
Deferred tax assets	-	-	2,296	49,197	6,117	7,483	-	-	8,413	56,680
	12,211,694	**9,847,941**	**7,260,991**	**6,856,522**	**979,435**	**1,070,616**	**13,224,587**	**15,595,980**	**33,676,707**	**33,371,059**

	Retail		Fast moving consumer goods		Restaurant		Other		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current assets										
Inventories	7,248,744	6,221,817	2,217,437	2,044,518	74,235	65,534	5,369	4,740	9,545,785	8,336,609
Trade and other receivables	2,722,237	2,110,870	2,252,937	1,801,426	140,221	124,729	636,798	651,220	5,752,193	4,688,245
Amount due from related companies	33,742	8,620	3,451	3,101	-	-	806,676	736,126	843,869	747,847
Short term investments	707,102	58,666	263,385	525,451	-	-	2,952	4,691	973,439	588,808
Cash and cash equivalents	1,045,280	709,374	726,821	773,498	97,158	30,531	131,029	57,465	2,000,288	1,570,868
	11,757,105	**9,109,347**	**5,464,031**	**5,147,994**	**311,614**	**220,794**	**1,582,824**	**1,454,242**	**19,115,574**	**15,932,377**
Total segmental assets	**24,243,899**	**18,957,288**	**12,725,022**	**12,004,516**	**1,291,049**	**1,291,410**	**14,532,311**	**17,050,222**	**52,792,281**	**49,303,436**
Segment liabilities										
Non current liabilities										
Borrowings	-	-	1,546	2,570	-	-	-	-	1,546	2,570
Deferred tax liability	413,479	346,424	608,899	425,413	92,382	100,188	237,890	167,938	1,352,650	1,039,963
Deferred income	-	-	61,901	73,382	-	-	-	-	61,901	73,382
Employee benefits	480,722	390,658	64,765	50,414	-	-	397,146	338,695	942,633	779,767
Put liability	-	-	-	-	-	-	3,089,325	2,761,159	3,089,325	2,761,159
	894,201	**737,082**	**737,111**	**551,779**	**92,382**	**100,188**	**3,724,361**	**3,267,792**	**5,448,055**	**4,656,841**
Current liabilities										
Trade and other payables	10,418,658	9,585,870	1,855,362	1,670,748	526,358	563,605	420,308	441,918	13,220,686	12,262,141
Current tax liabilities	685,582	689,231	1,391,469	1,101,795	305,990	173,616	211,196	167,736	2,594,237	2,132,378
Amount due to related companies	2,925	-	250	-	-	-	-	196	3,175	196
Dividends payable	-	-	4,393	3,020	-	-	63,836	66,389	68,229	69,409
Borrowings	6,345,592	3,291,933	4,971,556	4,653,686	277,653	291,105	3,042,787	7,573,824	14,637,588	15,810,548
	17,452,757	**13,567,034**	**8,223,030**	**7,429,249**	**1,110,001**	**1,028,326**	**3,738,127**	**8,250,063**	**30,523,915**	**30,274,672**
Total segmental liabilities	**18,346,958**	**14,304,116**	**8,960,141**	**7,981,028**	**1,202,383**	**1,128,514**	**7,462,488**	**11,517,855**	**35,971,970**	**34,931,513**
Other information										
Capital expenditure	4,021,997	1,210,209	1,187,406	1,462,862	87,028	198,569	56,967	455,458	5,353,398	3,327,098
Depreciation	1,214,944	971,769	720,161	607,884	179,561	171,170	53,983	48,889	2,168,649	1,799,712

Segmental information - the secondary segments (geographical segments)

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

Notes to the Financial Statements contd.

31. Commitments

As at 31 March	Group 2018 Rs. '000	Group 2017 Rs. '000	Company 2018 Rs. '000	Company 2017 Rs. '000
Capital commitment				
Approved and contracted	2,026,543	2,112,839	511,862	890,448
Financial commitments				
(a) Future payments of operating lease rentals				
- within 1 year.	1,115,657	1,212,518	1,960	1,890
- between 1 -5 years	6,849,979	6,260,567	11,235	9,310
- more than 5 years	12,142,942	11,479,496	146,405	150,570
	20,108,578	18,952,581	159,600	161,770
(b) Settlement of letter of credits and import bills	112,157	36,173	-	-

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/concessionary rate 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. 560.07 Mn, Cargills Agrifoods Limited - Rs. 34.8 Mn, Cargills Quality Dairies (Private) Limited - Rs. 208.8 Mn, Cargills Quality Foods Limited - Rs.122.6 Mn and Kotmale Dairy Products (Private) Limited Rs. 76.94 Mn.

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

Letter of guarantee to Commercial Banks

The company has given letters of guarantee to Commercial Banks on behalf of the subsidiary companies amounting to Rs. 1.8 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. 25 Mn) amounting to Rs. 75 Mn. 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. 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 2018.

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 transactions
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. 352.09 Mn (2017- Rs. 277.70 Mn) and Rs. 43.37 Mn (2017 - Rs. 38.74 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 Amount 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 contd.

34. Transactions with Group Companies (Contd.)

34.3 Transactions with related companies

	Group		Company	
For the year ended 31 March	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Transaction with related parties				
Subsidiaries				
Sale / (Purchase)	-	-	35,092	41,097
Other Income / (Expense)	-	-	760,616	767,043
Fund Transfer / (Settlement)	-	-	(715,732)	(1,035,265)
Holding company				
Sale / (Purchase)	-	-	-	-
Other Income / (Expense)	3,225	-	3,225	-
Fund Transfer / (Settlement)	-	(729)	-	-
Other related companies				
Sale / (Purchase)	3,310	10,207	-	-
Other Income / (Expense)	134,227	122,579	91,811	120,399
Fund Transfer / (Settlement)	(38,241)	(396,728)	(24,290)	(396,439)

The other expense relating to Company includes employee benefit cost transfer to subsidiaries amounting to Rs. 41.04 Mn (2017 - Rs. 35.85 Mn) for the year ended 31st March 2018.

Net dividends received from subsidiary companies

	2018 Rs.'000	2017 Rs.'000
Cargills Quality Foods Limited	1,538,039	1,223,627
Cargills Foods Company (Private) Limited	644,670	1,194,008
Kotmale Holding PLC	855	970
Dawson Office Complex (Private) Limited	267,347	-

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 Food Company (Private) Limited had the following transaction during the year and the amount outstanding as at 31 March 2018 was Rs. 8.36 Mn (2017 - Rs. 6.23 Mn).

Purchases for re-sale in the ordinary course of business of Rs. 79.98 Mn (2017 - Rs. 68.95 Mn) Rental income of Rs. 0.98 Mn (2017 - 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 (Group)	Loans and Receivables (L&R)		Available- for- sale Financial Assets (AFS)	
As at 31st March	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Financial assets measured at fair value				
Other financial instruments	-	-	19,668	20,982
Financial assets not measured at fair value				
Trade and other receivables	5,752,193	4,688,245	-	-
Amounts due from related companies	843,869	747,847	-	-
Other financial assets	973,439	588,808	-	-
Cash at bank and in hand	2,000,288	1,570,868	-	-
Total	9,569,789	7,595,768	19,668	20,982

Notes to the Financial Statements contd.

36. Financial Instruments (Contd.)

Financial Liabilities by categories financial liabilities measured at Amortised cost.

As at 31st March (Group)	Other Financial Liabilities (36.1.(a)) 2018 Rs. '000	2017 Rs. '000
Financial liabilities not re-measured at fair value		
Interest bearing loans and borrowings	14,639,134	15,813,118
Trade and other payables	13,220,686	12,262,141
Amounts due to related companies	3,175	196
Total	27,862,995	28,075,455

Financial Assets by Categories (Company) As at 31st March	Loans and receivables (L&R) 2018 Rs. '000	2017 Rs. '000	Available- for- sale Financial Assets (AFS) 2018 Rs. '000	2017 Rs. '000
Financial assets measured at fair value				
Other financial instruments	-	-	19,577	20,863
Financial assets not measured at fair value				
Trade and other receivables	635,515	650,915	-	-
Amounts due from related companies	924,502	766,706	-	-
Other financial assets	-	4,691	-	-
Cash at bank and in hand	12,594	53,142	-	-
Total	1,572,611	1,475,454	19,577	20,863

As at 31st March	Other financial Liabilities (36.1.(a)) 2018 Rs. '000	2017 Rs. '000
Financial Liabilities by Categories measured at amortised cost (Company)		
Interest bearing loans and borrowings	3,042,787	7,306,824
Trade and other payables	420,186	441,809
Amounts due to related companies	21,242	14,170
Total	3,484,215	7,762,803

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 separately 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)

	Level 1		Level 2		Level 3		Total	
As at 31st March	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Group								
Freehold land and buildings	-	-	-	-	11,673,264	10,498,454	11,673,264	10,498,454
Investment property	-	-	-	-	1,726,552	4,777,192	1,726,552	4,777,192
Available for sale-Financial Assets	19,668	20,982	-	-	-	-	19,668	20,982
Company								
Freehold land and buildings	-	-	-	-	2,611,075	2,592,844	2,611,075	2,592,844
Investment property	-	-	-	-	3,207,009	3,274,803	3,207,009	3,274,803
Available for sale-Financial Assets	19,577	20,863	-	-	-	-	19,577	20,863

Notes to the Financial Statements contd.

36. Financial Instruments (Contd.)

36.2.1 Assets and liabilities measured at fair value - Recurring

The following table shows the valuation techniques used by both Group and the Company in measuring level 3 fair values and the significant unobservable inputs used.

Asset and liabilities	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Property, plant and equipment - Freehold land and building	**Market comparable method** - This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property	Price per perch of land/ Price per square foot	Estimated fair value will increase (decrease) if ; Price per perch/sq ft increases (decreases)
	Income Method - The net income generated by the property is used in conjunction with certain factors is used to calculate its fair value.	Cash flows from property discounted at an appropriate rate	Estimated fair value will increase/(decrease) if ; market interest rate increases/ (decreases)
Investment property - Freehold land and building	**Market comparable method** - This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property	Price per perch of land/ Price per square foot	Estimated fair value will increase (decrease) if ; Price per perch/sq ft increases (decreases)
	Income Method - The net income generated by the property is used in conjunction with certain factors is used to calculate its fair value.	Cash flows from property discounted at an appropriate rate	Estimated fair value will increase/(decrease) if ; market interest rate increases/ (decreases)

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.

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 oversee how management monitors compliance with the Group's risk management processes/ guidelines and procedures and reviews the adequacy of the risk management framework in relation to the risks. The Audit Committee is assisted in its oversight role by 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 arise principally from the Group's receivables from customers.

Carrying amount of financial assets represents the maximum credit exposure

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

	Group		Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Trade receivables	2,824,313	2,133,384	89,516	4,128
Loans and advances	41,304	26,860	10,779	17,068
Amount due from related companies	843,869	747,847	924,502	766,706
Cash and cash equivalents	2,000,288	1,570,868	12,594	53,142
Total credit risk exposure	**5,709,774**	**4,478,959**	**1,037,391**	**841,044**
Available for sale investments	19,668	20,982	19,577	20,863
Total equity risk exposure	**19,668**	**20,982**	**19,577**	**20,863**

Notes to the Financial Statements contd.

37. Financial Risk Management (Contd.)

37.1.1 Trade receivables

	Group		Company	
As at 31 March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Past due 1 - 30 days	1,891,442	1,653,815	86,231	2,082
Past due 31 - 60 days	548,135	326,127	1,662	1,233
Past due 61 - 90 days	201,130	90,370	1,261	813
> 91 days	183,606	63,072	362	-
	2,824,313	**2,133,384**	**89,516**	**4,128**

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. 2000.28 Mn and Rs. 12.59 Mn at 31 March 2018 (2017 - Rs. 1,570.87 Mn and Rs. 53.14 Mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks, which are rated AAA(lka) to A(lka), based on Fitch Ratings.

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 2018

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	-	-	-	-	-	-	-
Financial instruments in current liabilities							
Trade & other payables	13,220,686	-	-	-	-	-	13,220,686
Amounts due to related companies	3,175	-	-	-	-	-	3,175
Current portion of finance lease liabilities	1,024	-	-	-	-	-	1,024
Short term loan	11,813,036	-	-	-	-	-	11,813,036
Bank overdraft	2,823,528	-	-	-	-	-	2,823,528
	27,861,449	-	-	-	-	-	**27,861,449**

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

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	12,262,141	-	-	-	-	-	12,262,141
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
	28,072,885	**2,570**	-	-	-	-	**28,075,455**

Notes to the Financial Statements contd.

37. Financial Risk Management (Contd.)

The following are the contractual maturities of financial liabilities as at 31 March 2018

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	420,186	-	-	-	-	-	420,186
Amounts due to related companies	21,242	-	-	-	-	-	21,242
Short term loan	2,995,000	-	-	-	-	-	2,995,000
Bank overdraft	47,787	-	-	-	-	-	47,787
	3,484,215	-	-	-	-	-	3,484,215

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

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.

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.

	Group		Company	
As at 31 March	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Total Liabilities	35,971,970	34,931,513	4,294,308	8,472,354
Less: Cash and Cash Equivalents	2,000,288	1,570,868	12,594	53,142
Net Debt	33,971,682	33,360,645	4,281,714	8,419,212
Total Equity	**16,820,311**	**14,371,923**	**11,510,378**	**9,505,705**
Net Debt to Equity Ratio	2.02	2.32	0.37	0.89

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

Five Year Financial Summary

Group	2014	2015	2016	2017	2018
Continuing Operations	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Revenue	58,322,854	61,631,285	71,441,850	84,190,870	91,293,127
Profit from operation	2,210,842	1,571,788	3,463,013	5,091,120	6,262,937
Profit before taxation	1,130,210	804,653	2,886,008	4,154,134	5,245,334
Profit after taxation	649,560	247,217	1,690,581	2,284,196	3,330,921
Discontinued Operations					
Profit/loss from discontinued operation, net of tax	-	352,761	-	-	-
Profit for the year	649,560	599,978	1,690,581	2,284,196	3,330,921
Attributable to					
Owners of the company	642,593	576,179	1,623,986	2,140,184	3,200,534
Non controlling interest	6,967	23,799	66,595	144,012	130,387
	649,560	599,978	1,690,581	2,284,196	3,330,921
Financial position					
Stated capital	130,723	130,723	130,723	130,723	6,530,709
Reserves	12,132,893	12,411,816	13,990,556	13,826,109	9,797,683
Non controlling interest	45,946	336,608	383,539	415,091	491,919
Capital and reserves	12,309,562	12,879,147	14,504,818	14,371,923	16,820,311
Current assets	10,762,976	12,609,562	14,931,269	15,932,377	19,115,574
Current liabilities	(24,093,936)	(20,392,074)	(23,755,857)	(30,274,672)	(30,523,915)
Working capital	(13,330,960)	(7,782,512)	(8,824,588)	(14,342,295)	(11,408,341)
Non current assets	28,581,903	24,553,989	27,279,866	33,371,059	33,676,707
Non current liabilities	(2,941,381)	(3,892,330)	(3,950,460)	(4,656,841)	(5,448,055)
Non controlling interest	(45,946)	(336,608)	(383,539)	(415,091)	(491,919)
Net assets	12,263,616	12,542,539	14,121,279	13,956,832	16,328,392
Key Indicators					
Growth in turnover (%)	5.32	5.67	15.92	18.55	8.44
Growth in earnings (%)	(46.39)	(7.63)	181.77	35.11	45.82
Operating profit to turnover (%)	3.79	2.55	4.85	6.05	6.86
Earnings to turnover (%)	1.48	0.97	2.37	2.71	3.65
Return on total assets (%)	1.65	1.61	4.01	4.63	6.31
Growth in total assets (%)	10.61	(5.54)	13.58	16.36	7.08
Growth in capital and reserves (%)	2.25	4.63	12.62	(0.92)	17.04
Return on capital and reserves (%)	5.28	4.66	11.66	15.89	19.80
Return on investment (%)	5.34	4.76	12.35	15.82	21.36
Earnings per share (Rs.)	2.87	2.57	7.25	9.55	14.27
Dividends per share (Rs.)	2.00	2.00	3.50	5.60	6.00
Net assets per share (Rs.)	54.75	55.99	63.04	62.31	63.78
Dividends paid per share (Rs.)	2.00	2.00	2.55	7.85	6.00
Dividend pay out (%)	69.72	77.75	48.28	58.64	42.06
Dividends paid	448,000	448,000	571,370	1,758,400	1,344,000
Debt equity ratio (times)	2.20	1.89	1.91	2.43	2.14
Interest cover (times)	1.64	1.89	5.73	4.53	4.79
Current ratio (times)	0.45	0.62	0.63	0.53	0.63
Quick assets ratio (times)	0.19	0.31	0.33	0.25	0.31
Capital additions	3,335,299	1,788,079	2,264,911	3,327,098	5,353,398
Market capitalisation	30,576,000	30,688,000	33,600,000	42,044,800	49,894,400

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 255,999,927 shares in issue as at 31 March 2018 except for Dividend per share ratio.

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	2,611,075	2018
Staple Street - Colombo 2	81.5 Perches	20,970	828,600	2018
Braybrooke Place	78 Perches	5,146	666,855	2018
Canal Raw - Colombo 01	15 Perches	12,300	377,747	2018
Cargills Square - Jaffna	Leasehold	99,164	1,005,700	2018
Dematagoda	84 Perches	-	308,000	2018
Cargills Foods Company (Private) Limited				
Kandy	88 Perches	25,174	1,350,085	2018
Maharagama	145 Perches	15,827	595,050	2018
Nuwara Eliya	57 Perches	9,617	223,500	2018
Mattakkuliya (111)	330 Perches	80,967	826,000	2018
Park Road	-	4,610	54,000	2018
Kohuwala	29 Perches	6,225	115,055	2018
Mattakkuliya (141)	288 Perches	44,469	515,800	2018
Gampaha	82.6 Perches	39,565	341,500	2018
Moratuwa	78.6 Perches	-	275,100	2018
Ingiriya (Lot A,C,D,B1)	26 Acres	-	243,000	2018
Cargills Quality Foods Limited				
Ja - Ela	5.1 Acres	38,381	410,640	2018
Mattakkuliya	1.3 Acres	16,517	401,700	2018
Ja ela	4 Acres	28,976	111,250	2018
Cargills Agrifoods Limited				
Katana	11.3 Acres	68,184	544,046	2018
Millers Limited				
Kelaniya	1.5 Acres	55,770	365,000	2018
Nittambuwa	112 Perches	-	128,450	2018
CPC Lanka Limited				
Katoolaya estate, Thawalantenne	4 Acres	16,706	59,350	2018
Cargills Quality Dairies (Private) Limited				
Mirigama, Baduragoda	49.8 Perches	-	7,000	2018
Kotmale Dairy Products (Private) Limited				
Mulleriyawa	1.7 Acres	28,862	186,690	2018
Bogahawatta	1 Acres	16,301	28,500	2018
Hatton	17.4 Acres	12,479	91,845	2018
Fredrick North Hotel Company Limited				
Boralesgamuwa	2.5 Acres	23,168	324,810	2018
The Empire Investments Company (Private) Limited				
Bandarawela	85 Perches	6,345	360,645	2018
Katubedda	1.15.Acres	3,500	461,350	2018

Investor Relations Supplement

1. General

Stated capital	Rs. 6,530,708,400
Issued shares	255,999,927
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 2018				31 Mach 2017			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 - 1,000	1,099	57.75	188,846	0.07	1,121	60.73	244,234	0.11
1,001 - 10,000	537	28.22	1,788,451	0.70	478	25.89	1,683,758	0.75
10,001 - 100,000	195	10.25	5,945,757	2.32	188	10.18	5,913,404	2.64
100,001 - 1,000,000	55	2.89	13,912,036	5.43	45	2.44	13,255,924	5.92
1,000,001 and over	17	0.89	234,164,837	91.47	14	0.76	202,902,680	90.58
	1,903	**100.00**	**255,999,927**	**100.00**	**1,846**	**100.00**	**224,000,000**	**100.00**

4. Analysis of shareholders

	31 March 2018				31 Mach 2017			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Group of								
Institutions	124	6.52	221,426,359	86.49	130	7.04	194,284,848	86.73
Individuals	1,779	93.48	34,573,568	13.51	1,716	92.96	29,715,152	13.27
Total	**1,903**	**100.00**	**255,999,927**	**100.00**	**1,846**	**100.00**	**224,000,000**	**100.00**
Residents	1,809	95.06	240,439,556	93.92	1,747	94.64	209,364,740	93.47
Non residents	94	4.94	15,560,371	6.08	99	5.36	14,635,260	6.53
Total	**1,903**	**100.00**	**255,999,927**	**100.00**	**1,846**	**100.00**	**224,000,000**	**100.00**

5. Group companies

In March 2018,

- Dawson Office Complex (Private) Limited repurchased 23,500,001 of the shares that were in issue for a cash consideration of Rs. 3,646,025,155.
- Cargills Quality Foods Limited transferred 5,700,002 shares of Cargills Food Processors (Private) Limited to Cargills (Ceylon) PLC. Accordingly as at 31st March 2018 the company directly holds 5,700,002 shares representing 100% of the issued share capital of Cargills Food Processors (Private) Limited.

6. Share valuation

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

	2018 Rs	2017 Rs
Highest	220.50	201.00
Lowest	180.00	140.00
Last traded price	194.90	187.70

7. Top 20 shareholders

The holdings of the top 20 shareholders

	31 Mach 2018		31 Mach 2017	
	Number of Shares	%	Number of Shares	%
C T Holdings PLC	179,713,417	70.20	157,249,240	70.20
Mr. V R Page	17,142,964	6.70	15,000,093	6.70
Employees' Provident Fund	8,407,333	3.28	7,356,416	3.28
Odeon Holdings (Ceylon) (Private) Limited	5,511,909	2.15	4,822,920	2.15
Ms. M M Page	5,133,946	2.01	4,195,803	1.87
Ceylon Guardian Investment Trust PLC - A/C No.1	4,772,229	1.86	4,175,700	1.86
BNYMSANV RE-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	3,970,920	1.55	3,474,555	1.55
Seb Ab - Tundra Frontier Opportunities Fund	2,609,579	1.02	105,000	0.05
BNYMSANV- First State Investments ICVC - Stewart Investors Indian Subcontinent Fund	1,705,829	0.67	3,927,600	1.75
BNYMSANV RE-Butterfield Trust (Bermuda) Limited	1,551,429	0.61	1,297,500	0.58
Mellon Bank N.A. - Florida Retirement System	1,487,771	0.58	1,301,800	0.58
Bank of Ceylon - A/C No. 1	1,484,129	0.58	1,303,613	0.58
Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	1,031,737	0.40	902,770	0.40
GF Capital Global Limited	1,016,000	0.40	889,000	0.40
The Associated Newspapers of Ceylon Limited	914,103	0.36	799,840	0.36
J.B. Cocoshell (Pvt) Ltd	670,759	0.26	703,858	0.31
Sir Chittampalam A Gardiner Trust	643,474	0.25	563,040	0.25
Ceylon Guardian Investment Trust PLC - A/C No.2	521,771	0.20	456,550	0.20
Mr. J C Page	520,000	0.20	455,000	0.20
Mr. P E Muttukumaru	480,000	0.19	420,000	0.19
Total	**239,289,299**	**93.47**	**209,400,298**	**93.45**

8. Public holding

The percentage of shares held by the public and number of public shareholders as at 31 March 2018 is 20.38%. (2017 - 20.53%) and 1,883 (2017 - 1,825) respectively.

Notice of Annual General Meeting

Notice is hereby given that the seventy second Annual General Meeting of the Company will be held on Monday, 27 August 2018, at 10.00 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 2018, with the Report of the Auditors thereon
2. To re-elect Directors

   a) S. V. Kodikara, and

   b) P. S. Mathavan, 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,

   e) E. A. D. Perera, and

   f) Deva Rodrigo, 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:

Ordinary Resolution (i)

"Resolved that Priya Edirisinghe, 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", and

Ordinary Resolution (ii)

"Resolved that Sunil Mendis, a retiring Director, who has attained the age of seventy four years be and is hereby reappointed a Director of the Company and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director"

Ordinary Resolution (iii)

"Resolved that Errol Perera, 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 (iv)

"Resolved that Deva Rodrigo, a retiring Director, who has attained the age of seventy three years be and is hereby reappointed a Director of the Company and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director"

3. To authorise the Directors to determine contributions to charities for the financial year 2018/19
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

S L W Dissanayake
Company Secretary

02 August 2018

Notes :

i. A member is entitled to appoint a proxy to attend and vote at the meeting in his or her stead and the proxy need not be a member of the Company.

ii. A form of proxy is enclosed for this purpose.

iii. The instrument appointing a proxy must be completed and deposited at the registered office of the Company not less than 48 hours before the time fixed for the meeting.

Notes

Notes

Proxy Form

For use at the seventy second Annual General Meeting

*I/We ……

of………

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

…………………………………………………………………whom failing ………………………………………………………………………………………

of …………………………………………………………………………………………………or failing him/her,

the Chairman of the Meeting as *my/our Proxy to represent *me/us and to vote for on *my/our behalf at the seventy second Annual General Meeting of the Company to be held on Monday, 27 August 2018 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

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

Company Secretary
Sarath Dissanayake

Remuneration Committee
Sunil Mendis (Chairman)
Priya Edirisinghe
Deva Rodrigo

Audit Committee
Priya Edirisinghe (Chairman)
Sunil Mendis
Errol Perera
Deva Rodrigo

Related Party Transactions Review Committee
Priya Edirisinghe (Chairman)
Sunil Mendis
Errol Perera
Deva Rodrigo

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

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
Cargills Enterprise Solutions (Private) 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 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

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www.cargillsceylon.com

Cargills (Ceylon) PLC
No. 40, York Street, Colombo 1