



**Cargills (Ceylon) PLC**  
Annual Report 2019 - 2020

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At the core of Cargills' over 175 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 themselves while contributing to the local economy. We take pride in helping encourage entrepreneurship in the country and improving the quality of life enjoyed by the communities they impact.

Our employees' hard work and determination have 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 2020, 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 their respective business units. The information covered is for the period from 1 April 2019 to 31 March 2020 which is the annual reporting cycle of the Cargills Group.

### Financial Reporting

The financial information has 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.

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.

### Non-Financial Reporting

Information supplementary to the 2019/20 Cargills (Ceylon) PLC Annual Report primarily on the Group's Sustainability Performance can be read at: <http://www.cargillsceylon.com/investors/annual-report/sustainability>. The Independent Assurance report by Messrs. KPMG providing reasonable assurance on the financial highlights on pages 3 to 4 and

limited assurance on the non-financial highlights on page 5 & performance summary on pages 17 to 32 is included in the supplementary information to the Cargills (Ceylon) PLC's Integrated Annual Report.

### 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 analysis.

### 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 International Integrated Reporting Council (IIRC).

# 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 Cargills commenced a general warehouse, import and wholesale business in the heart of Fort in Colombo. Once a simple establishment with humble beginnings, this transformed into one of Sri Lanka's leading consumer good entities. Initially known as the "House of Cargills", the business was incorporated as a Public Limited Liability Company on the 1st March 1946 under the guidance of the first Chairman, Sir Chittampalam A Gardiner. Over a quarter of a century later, the controlling interest of the Company was attained by Ceylon Theatres through the visionary leadership of Mr. Albert A. Page in 1981.

Mr. Albert A. Page was appointed as the Chairman of Cargills on 26th November 1982, and recognised the opportunity for a 139 year old brand to venture into retail trade. Thus, in 1983, the first Cargills Food City supermarket was established in Staple Street. 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'. Cargills Food City would go on to become a household name consisting of the most widespread modern retail network in the nation.

Cargills has been a long-time advocate for providing goods and services which were affordable and of nutritional value to customers without compromising on quality. Thus, started the company's investment into its first production facility in 1993 named Cargills Quality Food which specialised in processed food. The company also attained the franchise

license for the acclaimed international fast food chain KFC in 1996 in a bid to bring international restaurants to Sri Lanka, while innovating on their product portfolio to better fit the domestic clientele.

A major turning point for Cargills was in 1999 as the company committed to empowering local farming communities through its first vegetable collection centre in Hanguranketha. This, in turn, set up the agricultural supply chain which allowed Cargills to directly source produce from farmers.

Between the years 2000 and 2010, Cargills consolidated and greatly diversified its manufacturing businesses. In 2002, an investment was made in the international brand Wall's, which was restructured into Cargills Magic Ice Cream and is presently the most valued dairy ice cream brand in the minds of the consumer. Moreover, the conversion of the dairy facility also resulted in the expansion of the company's outgrower network to include dairy farmers as well. Cargills acquired the trusted KIST brand in 2003, and innovated on its array of value-added agri products to better cater to the consumer demand. In 2010, Kotmale was acquired which would go on to become the foremost dairy company in the country and within the same year, Cargills set foot into the confectionery market with its investment in KIST biscuits. All these ventures, matched with the extensive retail network, would form the Cargills ecosystem and establish Cargills as a household name. Leveraging on this ecosystem, the customer-centric and

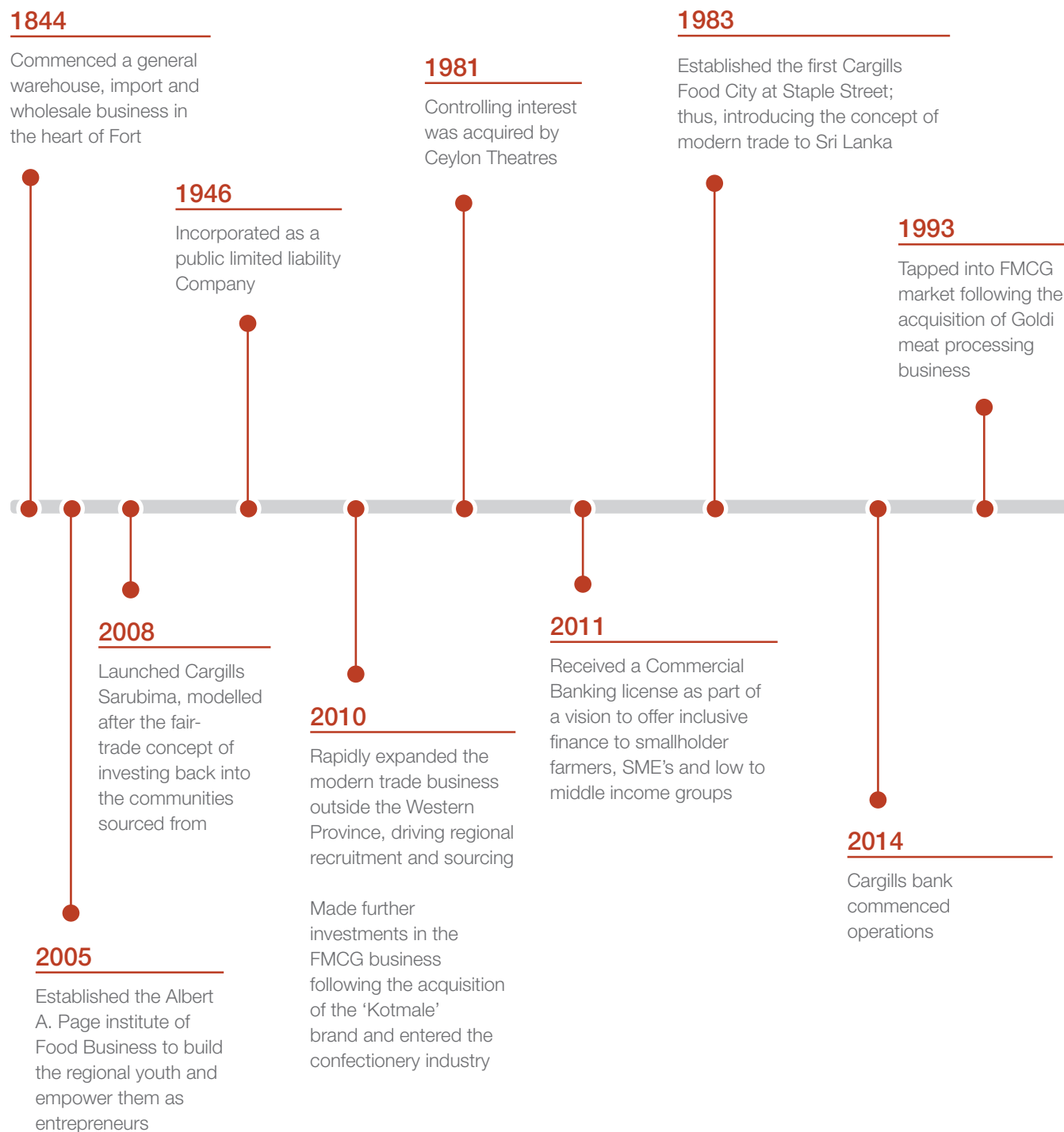
financially inclusive Cargills Bank was established in 2014, to transform the concept of conventional banking within Sri Lanka.

Reflecting on our journey of the last 175 years, notably in the last 37 years, we as a company have grown beyond that of a high-end department store, to an entity which resolutely serves Sri Lankans across all districts. Cargills' multifaceted business activities have set the benchmark for corporate excellence in Sri Lanka - modelling a better future for this country's generations to come. While the country's darkest hours may come and go, the legacy of Cargills will stand the test of time. Just as the late Chairman envisioned it would, a legacy of trust.





## Vision to Transform : The Journey





## 1996

Secured the franchise rights to the globally recognised QSR chain KFC, and thereafter, setting up the first KFC restaurant within the Majestic City premises

## 1999

Established the first fresh produce collection centre in Hanguranketha thereby developing a direct sourcing model with small holder farmers in the vicinity

## 2000

Advanced the supermarket model to bring quality of life and affordable nutrition to the general consumer

## 2002

Entered the dairy industry with the acquisition of an ice cream plant which led to the commencement of sourcing fresh dairy from local farmers

Further expanded the outgrower base with the acquisition of a fruit and vegetable processing facility

## 2017

Launched the Kotmale Dairy plant, Sri Lanka's first fully integrated dairy processing facility

## 2016

Launched the Cargills Sarubima and Farmer Citizens Award

Leveraging the Cargills ecosystem, the banking services were integrated to Cargills touch points in a bid to drive digitised banking in Sri Lanka

## 2018

Opened the 350th Cargills Food City supermarket in Pilimathalawa

## 2019

Bringing Sri Lanka's first gourmet supermarket experience through establishing Cargills Food Hall, at the Colombo City Centre Shopping Mall

Cargills incorporated the Cargills Foundation, to undertake the social development initiatives of the Group

## 2020

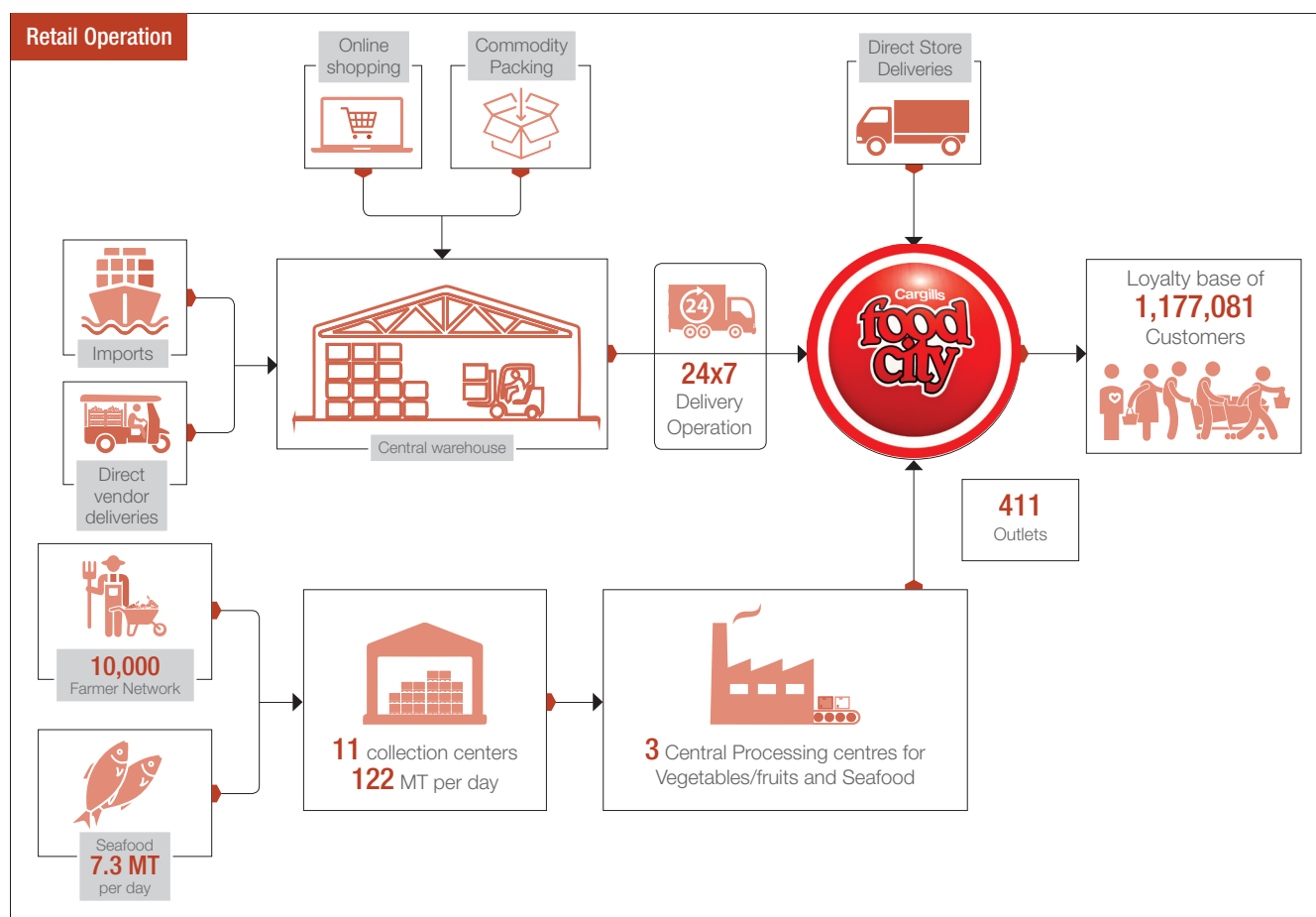
Opened the 400th Cargills Food City supermarket in Wattala

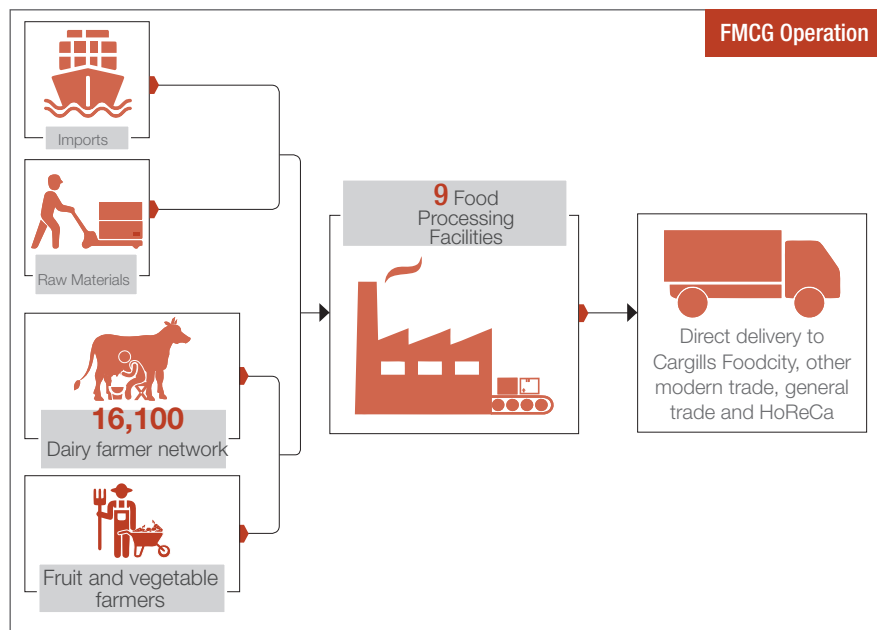
Launched the Kotmale Cheese processing plant in Hatton

## The Group Structure

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

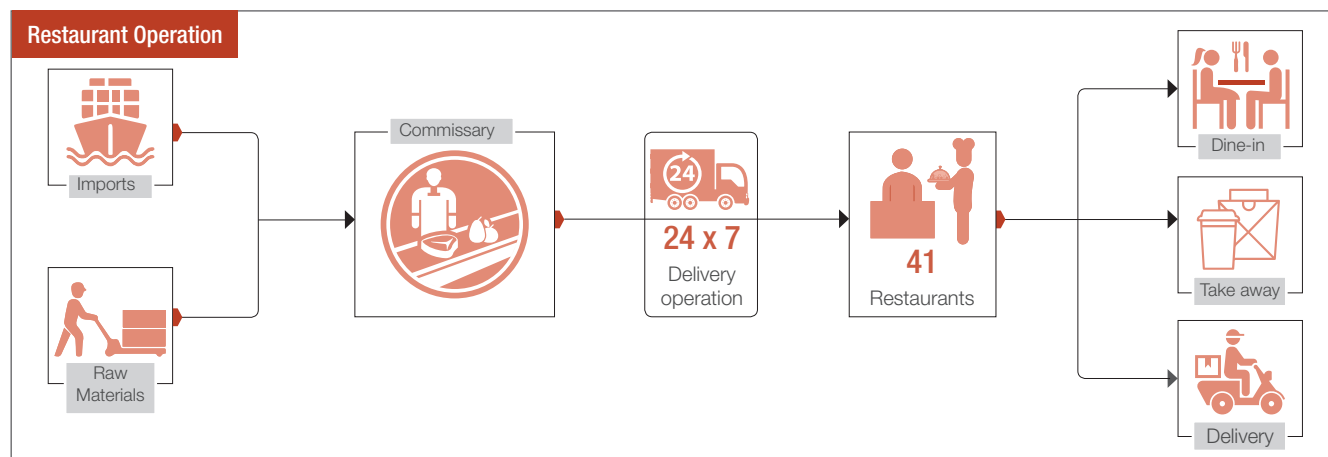
The Retail operations of the Group are performed by Cargills Foods Company (Pvt) Ltd (CFC) wherein IFC holds an equity stake of 8%. The Company has a focused management structure, headed by its Managing Director. The business has a dedicated operation for the sourcing of fresh produce from small-holder farmers. The value chain includes two central processing units and a 24 hour distribution operation while continuously maintaining the cold-chain. The dry goods warehouse is a separate operation while selected suppliers carry out direct store deliveries. As at 31 March 2020, 411 Cargills Food City outlets (including Cargills Food City Express and Cargills Food Hall) are operational across all 25 districts of Sri Lanka.





The FMCG segment of the Group is headed by assigned Operational Heads, and includes 8 production units and 1 primary processing facility along with 31 milk chilling centres. The Group's FMCG Brands are largely distributed within Sri Lanka with limited exports to India, Maldives and the Middle East. The Group's Distribution arm, Millers Limited, provides national distribution services for an assortment of world-renowned FMCG brands.

The Restaurants business comprises YUM! franchise KFC and the TGI Friday's Restaurants business, which also operate under a dedicated Operational Head. As at 31 March 2020, KFC operates 40 restaurants with dine-in, take away and delivery channels, along with a central commissary to service the preparatory activities of the chain.



## The Group Structure

Support services that cover Information Technology, Human Resources, Corporate Management and Legal are provided centrally to all business sectors while functions such as Marketing and Promotions are Brand assigned.

### Business Operation

Cargills Group operates the most diverse and extensive end-to-end supply chain pertaining to food and agriculture in Sri Lanka. Collaborating with a number of supply chain partners, the Group has been able to methodically execute a 24 hour, 365 day operation, to seamlessly connect a widespread network of farmers and suppliers with the end consumers.

Cargills Group's key sectors are Retail, Dairy (Milk, Cultured Products, Ice-cream), Beverages, Culinary Products, Processed Meat, Confectionary, Restaurants, 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 over 4,000 agriculture farmers and procurement of their produce occurs via a decentralised network of 11 Cargills Collection Centres. These Collection Centres allows the Group to form and maintain strong relationships with the farming community. The produce sourced through these Collection Centres are transported to

the Cargills Vegetable Processing Unit and the Cargills Fruit Processing Unit, both of which are centralized units which facilitate the consolidation, processing and dispatch of produce to Cargills Food City Outlets and other sectors of the Group.

The Group sources its requirements for the Dairy Sector from over 16,000 dairy farmers, a majority of whom belong to farmer societies, primarily located in the Central, North Western, North Central, Northern and Western provinces of the country. The dairy farmers are integrated into the Group's supply chain through an island-wide network of over 790 collection points, which are directly linked to 31 of Cargills' very own 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 oversee their own out-grower operations. The Seafood operation is undertaken by the Cargills Fish Collection Unit, 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 across the Group's sectors. The dry goods operation is undertaken through 3 permanent Cargills Distribution Centers - with a combined storage capacity exceeding 400,000 sq. ft. - and temporary Distribution Centers to meet the shifts in demand. Complementing 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.

Through the island-wide network of Cargills Food City Outlets, the Group's food categories have an extensive product reach. The FMCG sectors of the Group also reach out to most consumers 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, the Group's sales teams continuously monitor the outlet performance across the country.

Cargills also engages in delivery services directly to the customers, mainly in the Restaurants sector, and is operated through a Group-owned fleet and a few third-parties.

Over time, 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. A key focus of the Group is to consistently improve all its processes, by harnessing data and technology.



# Financial Highlights

## Financial Highlights

	Group			Company		
	2020 Rs.000	2019 Rs.000	Change %	2020 Rs.000	2019 Rs.000	Change %
<b>Operations</b>						
<b>Continuing Operations</b>						
Revenue	107,051,866	94,662,991	13.09	96,461	18,743	414.65
Profit from operations	7,060,621	4,682,326	50.79	851,913	1,930,826	(55.88)
Profit before taxation	4,199,634	3,402,935	23.41	738,640	1,617,803	(54.34)
Profit after taxation	2,761,419	2,033,813	35.78	652,460	1,540,019	(57.63)
<b>Financial Position</b>						
Non-current assets	49,375,858	36,642,556	34.75	15,100,249	14,569,995	3.64
Current assets	21,822,233	21,632,870	0.88	1,823,133	2,962,283	(38.46)
Current liabilities	39,546,115	34,365,900	15.07	4,145,219	4,250,711	(2.48)
Non - current liabilities	13,287,158	5,966,625	122.69	780,226	639,378	22.03
Capital and reserves, Minority Interest and other equity	18,364,818	17,942,901	2.35	11,997,937	12,642,189	(5.10)
<b>Per Share Data (Rs.)</b>						
Basic earnings per share	10.47	7.70	35.92	2.54	5.99	(57.65)
Dividends per share	6.00	1.90	215.79	6.00	1.90	215.79
Net assets per share	69.39	67.73	2.45	46.64	49.15	(5.11)
Market value per share	170.00	200.00	(15.00)	170.00	200.00	(15.00)
<b>Cash Flow</b>						
Net cash generated from / (used in)						
- Operating activities	6,476,207	4,465,728		739,995	(118,490)	
- Investing activities	(5,422,917)	(5,042,124)		228,699	393,979	
- Financing activities	(3,389,641)	1,634,205		(1,762,163)	(40,647)	

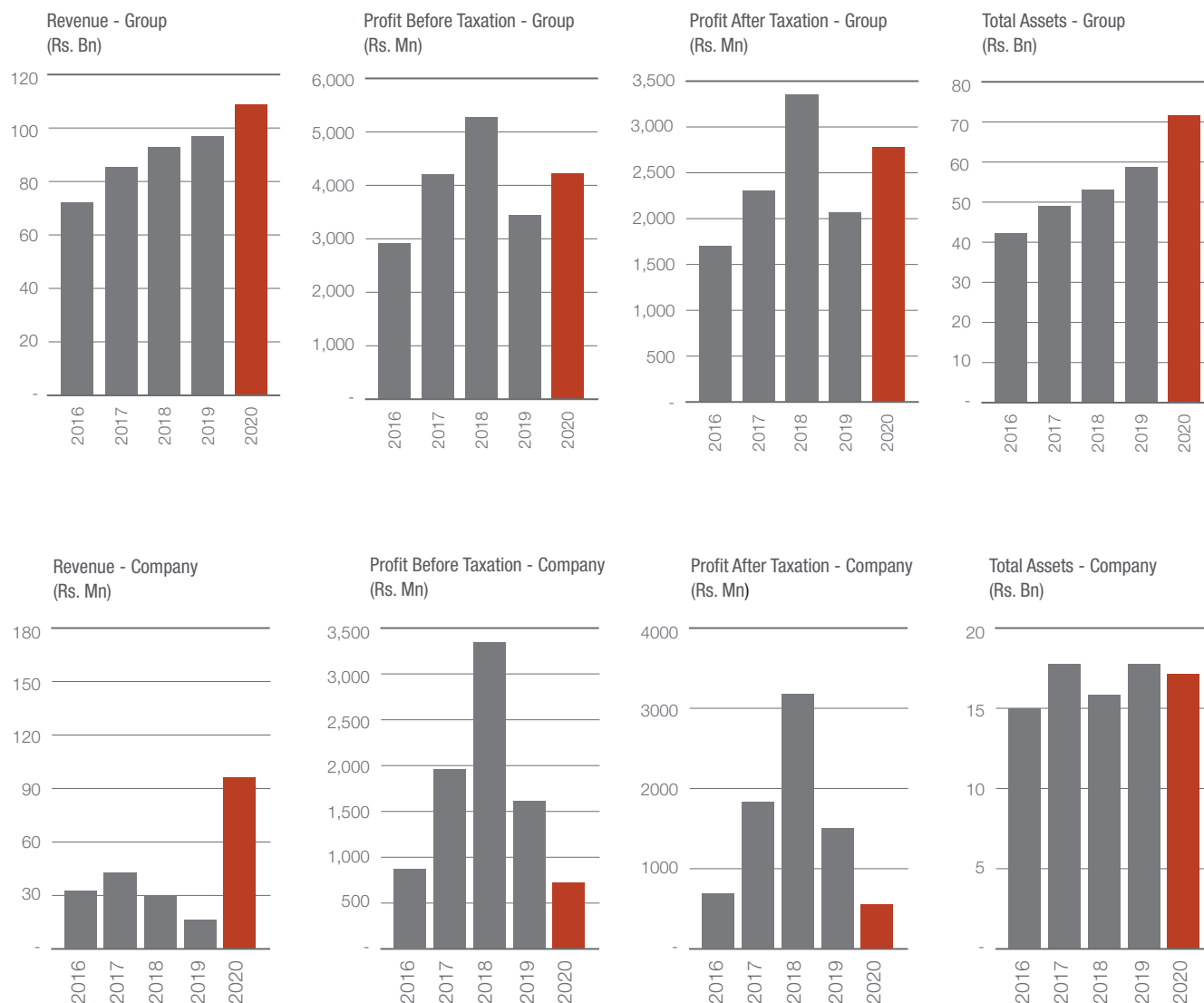


**LKR. 107,052 Mn**  
GROUP REVENUE



**LKR. 7,061 Mn**  
GROUP OPERATING PROFIT

## Financial Highlights contd.



**LKR. 4,200 Mn**  
GROUP PROFIT BEFORE TAX



**LKR. 2,761 Mn**  
GROUP PROFIT AFTER TAX

## Non-Financial Highlights

### Human Capital



New Recruits Retained  
as at 31 March 2020  
**3,725**

Permanent  
Employees  
**10,522**

### Social and Relationship Capital



Educational  
Scholarships  
**444**

Community  
Development Projects  
**33**

Registered  
Suppliers  
**558**

### Natural Capital

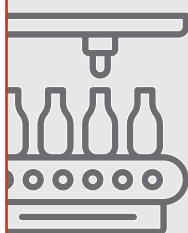


Energy Consumption  
Diesel/Petrol: **1,151,809 L**  
  
Gas: **752,212 Kg**

Furnace Oil  
**2,873,431 L**  
  
Electricity  
**115,973,249 Kwh**

Water Consumption  
**909,983,696 L**

### Manufactured Capital



Food City Outlets  
**411**

Fruit and Vegetable  
Collection Centres  
**11**

Milk Chilling Centres  
**31**

Delivery Operation  
Hours  
**24x7**

Food Processing Plants  
**8**

Fruit and Vegetables  
Purchased Daily  
**122 MTs**

Litres of Milk Procured Daily  
**147,945**

### Intellectual Capital



Experience  
Over **175 Years**

No. of employees with more than 15 years of service  
**Approximately 600 Employees**

## Our Businesses



### Retail

Cargills Food City is Sri Lanka's largest modern retailer. Its pioneer venture into modern trade in 1983 was a significant departure from the status quo of Sri Lankan retail. Built on the value proposition of offering affordable nutrition to the people, Cargills Food City has transformed into a household name in the hearts and minds of its customers. Today the Cargills retail operation is spread across the island in three formats as 'Cargills Food City' supermarkets, 'Cargills Food City Express' minimarts, and the 'Cargills Food Hall' gourmet store. As at 31 March 2020, Cargills Food City has 411 outlets covering all districts of Sri Lanka.

### Dairy

Magic and Kotmale are Sri Lanka's most widely consumed dairy brands, renowned for their quality and freshness. By continually supporting domestic small-holder dairy farmers, Cargills Quality Dairies & Kotmale Dairy Products produce ice cream, fresh and flavoured milk, yoghurt, yoghurt drinks, curd, cheese and butter to meet the demand for quality value-added dairy products. Through its innovation-driven focus, Magic and Kotmale have grown their market share exponentially. Cargills Quality Dairies is 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.



### Beverage and Culinary

One of the most trusted brands in the country, KIST entered the Cargills fold in 2002 following 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. The nutritious KIST nectar range has revolutionised the market without compromising on its genuine fruity taste. Furthermore, KIST offers healthy alternatives to its popular products to promote a better lifestyle and also meet the rising health-conscious consumer needs. Today, the KIST brand has solidified its place as an essential in every Sri Lankan kitchen.





## Processed Meats

Cargills entered the food manufacturing business through the acquisition of the 'Goldi' meats facility in 1993. Today, the range consists of 'Goldi', 'Sams' 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.

## Confectionery

Originally a regional biscuit facility, the company was acquired in 2010 and was transformed into Cargills Quality Confectioneries (Private) Limited. The Company is engaged in the manufacturing, distribution and marketing of biscuits and confectioneries under the Brand name 'KIST'. With the aim of increasing market share, a key focus is on new product development and maintaining the quality of production to international brand standards.



## Marketing and Distribution

The Group's distribution arm, Millers, is a long-established distribution and logistics operation in the country geared with a network to reach all 25 districts of Sri Lanka. Millers is the island wide distributor for several revered global brands such as Kraft, Cadbury, Bonlac, Oreo, Tang, Toblerone, Rauch, Lorenz, Lotte etc., as well as the mass market distributor for its own brands Classic Mackerel and Milca Cheese.

## Restaurants

Cargills secured the KFC franchise in 1996 and today, KFC Sri Lanka is the largest and most popular international restaurant chain in the country. With 40 outlets island wide, the success of KFC lies in the innovation of a beloved international recipe to better suit the Sri Lankan palate. The locally inspired additions to the KFC menu have now been included into the regional product portfolio. Bringing another international brand to the local market, Cargills secured the 'TGI Fridays' franchise for Sri Lanka in 2012.



## Chairman's Message

### Dear Shareholder,

On behalf of the Board of Directors of Cargills (Ceylon) PLC, I am pleased to present to you the Annual Report and Audited Financial Statements for the year ended 31st March 2020.

This year marked a significant milestone for the Group as we celebrated 175 years of being in business and building towards the betterment of the country. While this financial year was not without its challenges, for instance, the unfortunate events of Easter Sunday and the outbreak of the COVID-19 pandemic, we remained committed to serving our country when needed the most, backed by the strength and resolve shown by our people.

### Macro-economic Landscape

From a macro-economic viewpoint, economic activity remained muted amidst pressures emanating from the external environment. The economy grew by 2.3% in 2019, a notable decline against the 3.3 % growth from the preceding year. The tourism sector bore the brunt of the impact from the aftermath of the Easter Sunday event in April 2019, but the adverse spillover effects contracted consumer activity across the economy.

Against the backdrop of a challenging domestic environment, the Agriculture sector - which employs over a quarter of the country's workforce - recorded a growth of only 0.6% in 2019, compared to the previous year's 6.5% growth. The Industries sector reported a marginal growth of 2.7%, while growth of the Services sector was halved to 2.3%, owing to the decline in tourism-related activity.

With heightened domestic vulnerabilities giving way to subdued consumer and investor sentiment, consumer discretionary spending remained modest throughout the calendar year, growing 2.9% in 2019 as opposed to 3.7% in 2018.

Following the presidential elections and the subsequent implementation of tax relief policies, business confidence improved and made way for discretionary spending to rebound. However, recovery efforts in economic activity were hampered in March 2020 due to the COVID-19 pandemic which impacted the world. This resulted in disruptions due to a national lockdown imposed by the government.

### Business Overview

The Group's flagship brand, Cargills Food City, has long become a household name in the country's modern trade, leveraging on price competitiveness and sustainable markets. During the 2019/20 financial year, the Group's retail network further expanded to 411 outlets during the year, with the 400th outlet being opened in the third quarter, corresponding with the 36th anniversary of opening the first outlet in 1983. In the Group's continuous bid to drive technological advancements and improve productivity, construction of the centralised logistics centre is going as planned. Despite the temporary setback posed by the COVID-19 pandemic in the latter part of the fourth quarter, the Retail segment witnessed notable growth throughout 2019/20.

Carrying on from the previous year, robust growth was achieved in the FMCG sector which was primarily driven by the

Dairy sub-sector performance. In line with unceasingly assisting the local dairy farming community, Cargills established itself as the leading milk collector in Sri Lanka within the third quarter, sourcing approximately 150,000 litres per day. Moreover, the Dairy segment materially augmented its brand positioning by diversifying its Cheese, Butter, Ice Cream and Flavoured RTD milk categories. With the evolving consumption patterns, the growth opportunities in the FMCG market are substantial, and the Group plans on capitalising on these via prudent investments.

The positive performances recorded by the other two operating sectors were juxtaposed with the Restaurants sector performance, which lagged behind. While the overall YoY consumption has been favourable, the Restaurants sector was severely impacted by the Easter Sunday events and the gradual recovery was further affected by the outbreak of COVID-19 in the concluding weeks of the fourth quarter.

Following a challenging year for Cargills Bank, the listing deadline has been deferred to June 2021 and the capital raising to meet the Bank's enhanced regulatory requirements has been deferred to December 2022. Presently, management is being further strengthened by external consultants to fast-track the business model which will allow the Bank to operate the way it was intended to. Pushing ahead, I am cautiously optimistic about the Bank's future prospects.

## Group Performance Summary

Despite the challenging external environment, the Group delivered a commendable performance in 2019/20, recording a revenue of Rs. 107,052 Mn, growing 13.09% YoY. Operating profit witnessed a growth by 50.79% YoY to Rs. 7,061 Mn, and profit after tax was recorded at Rs. 2,761 Mn, at a growth rate of 35.78% YoY. The Group's financial performance is further analysed under the Management and Financial Review section in this Annual Report.

## Commitment to Sustainability

As a socially responsible Sri Lankan corporate entity, sustainability remains firmly entrenched at the heart of our business. To reduce our carbon footprint on the environment, 2.5 MW of rooftop solar panels are currently functioning at our manufacturing facilities, with three retail outlets also generating solar energy.

With regards to the KFC Plastic-Free initiative which commenced in the preceding financial year, further progress was made by substituting rice packs and take-away bags with environmentally friendly alternatives. Cargills Food City continues to encourage our customers to reduce the usage of plastic bags by offering a range of reusable bags.

Under the Cargills Sarubima banner, the Agricultural Modernisation Project further expanded to include 80 more farmers. Equipping them with the relevant technical know-how and best modern agricultural practices, enables our farmers to market their produce under the SL-GAP certification, which makes them competitively viable which in turn, improves their overall livelihood.

## Appropriation

An interim dividend of Rs. 1.90 per share was declared in November 2019. A final dividend of Rs. 3.20 per share has been declared, pending approval at the upcoming Annual General Meeting. While the Group underlines its capital commitments towards long-term investments, it also maintains a consistent dividend policy. We remain assured that the Group will continue to create sustainable capital wealth in the future.

## Change in the Board of Directors

I would like to place on record my deep appreciation for the invaluable contribution made by Mr. Parakrama Devasiri Rodrigo to the Group in his four years as a Board Director, as he will not be seeking reelection at the upcoming Annual General Meeting. I, along with the Board, wish him the very best in his future endeavours.

I also take this opportunity to warmly welcome Mrs. Indira Malwatte, who was appointed to the Board in the capacity of an Independent and Non-Executive Director with effect from 1st February 2020. I am confident that her expertise and experience will greatly contribute to the Group.

## Outlook

The Group has performed ably this past financial year, even though it has been one of the more challenging ones in recent times due to the events of Easter Sunday 2019 and the outbreak of a global pandemic. Pertaining to the latter, the Group expects the impact on performance in the ongoing financial year to be heavily skewed towards the

first quarter, with gradual recoveries to be expected in the second. Despite the current landscape, we at Cargills take pride in being a Sri Lankan food company that predominantly sources its supplies and materials locally. Moving forward into our 176th year, the company's key focus will be to further re-invest in our brands to gain an optimal position within the marketplace.

I would like to extend my sincere thanks to the Board of Directors whose leadership and foresight continues to steer the company to greater heights. I also express my gratitude to our shareholders for their continued trust in our business model and invite you to remain with us on this journey of contributing towards a better Sri Lanka.

Last but not least, given the volatile landscape due to the ongoing COVID-19 pandemic, I am deeply humbled by how the team has rallied on the vision of Cargills to ensure that a stronger bond is built with our partners, to serve the needs of the community at large. Their unwavering support and commitment have reaffirmed my confidence that Cargills will continue to forge ahead and solidify its position as an essential service provider to the country, while retaining its value proposition of providing affordable nutrition of the highest standards.

(Signed)  
**Louis Page**  
 Chairman

05 August 2020

## Profile of Directors

### **Louis Page**

*Chairman, Non-Executive Director*

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,  
Executive Director*

Mr. V. Ranjit Page possesses over 35 years of management experience with expertise in food retailing, food service, and manufacturing, having introduced the concept of supermarketing 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,  
Executive Director*

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 30 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 of Cargills (Ceylon) PLC in May 2010, and appointed a Director of the holding company C T Holdings PLC in December 2016.

### **Priya Edirisinghe**

*Independent Non-Executive 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 Bakertilly Edirisinghe & Co., Chartered Accountants and currently serves as Consultant/Advisor. He is the Managing Director of PE Management Consultants (Pvt) Ltd. He counts over 50 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**

*Independent Non-Executive 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 which includes 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). He is also the Chairman of Ambeon Capital PLC, and Ambeon Holdings PLC and is a Director on the Boards of Millennium I.T. E.S.P. (Pvt) Ltd, and Dankotuwa Porcelain PLC, among its other companies. Mr. Gardiner counts over 25 years of management experience in a diverse array of business. He holds a Bachelor's Degree in Business from the Royal Melbourne Institute of Technology, Australia and, a Bachelor's Degree in Business (Banking and Finance) from Monash University, Australia. He has been a Council Member of HelpAge Sri Lanka for several years.

## **Yudy Kanagasabai**

*Independent Non-Executive Director*

Mr. Y. Kanagasabai (Yudhishtiran Kanagasabai) was appointed a Director of the Company and a member of the Audit Committee and Related Party Transactions Review Committee on 25 February 2019. He also serves on the Board of a subsidiary, Cargills Foods Company (Private) Limited, and its Audit Committee and Corporate Governance & Nominations Committee (since July 2016). He is also a Non-Executive Director of Cargills Bank (since end October 2019), and is a member of Bank's Board Human Resources & Remuneration Committee and Strategic Planning Committee, and is also the Chairperson of the Board Credit Committee.

Mr. Kanagasabai is a Fellow of the Institute of Chartered Accountants of Sri Lanka, and served PricewaterhouseCoopers since its inception in 1981. He held progressively responsible positions before being appointed as Senior Partner / Chief Executive Officer in 2006, from which position he retired in 2017. He elevated the profile of both the Sri Lankan and the Maldives practices of the Firm to consistently provide quality solutions to clients within the appropriate standards and applicable best practices. He has extensive knowledge of current economic, social and regulatory issues.

He is a Non-Executive Independent Director of Ceylon Tobacco Company PLC and Chairperson of the Audit Committee, Related Party Transactions Committee, and member of Remuneration and Compensation Committee and Corporate Social Investment Committee and Nominations Committee, since February 2018. He is also a Non-Executive Independent Director and Chairperson of the Audit Committee of Millenium Information Technologies (Private) Limited, Non-Executive Independent Director and member of the Board Audit Committee of Hunters Limited PLC, Lanka Canneries Limited and Easwaran Brothers Exports (Private) Limited.

He was a Non-Executive Independent Director and Chairperson of the Board Audit Committee of Union Bank PLC (a subsidiary of Texas Pacific Group) and has also served as a Commissioner of The Insurance Regulatory Commission of Sri Lanka.

## Profile of Directors contd.

### **Sunil Mendis**

*Independent Non-Executive Director*

Desamanya Sunil Mendis was formerly the Chairman of Hayleys Group, and a former Governor of the Central Bank of Sri Lanka. He possesses over 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.

### **Joseph Page**

*Non-Executive 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 35 years of management experience in the private sector.

### **Errol Perera**

*Independent Non-Executive Director*

Mr. Errol Perera has held Senior Management positions Overseas and in Sri Lanka. He was instrumental in attracting direct foreign investment in several Projects with Board of Investment approval including Venture Capital and Unit Trust 'start-ups'. 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.

### **Asoka Pieris**

*Non-Executive Director*

Mr. H. A. Pieris (Asoka Pieris) was appointed a Director of the Company on 25 February 2019.

He was also appointed to the Board of subsidiary company Cargills Foods Company (Private) Limited as Director Consultant Advisor on 1 March 2019 and appointed as Managing Director on 1 February 2020.

He 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 and a Certified Global Management Accountant.

He has wide and varied experience in the fields of Marketing, Finance, and Manufacturing both in Sri Lanka and overseas.

He was the Group Chief Executive Officer of Singer Group in Sri Lanka, from July 2010 to October 2018. He also has overseas working experience in Hong Kong as the Vice President Finance of Singer Asia Limited for two years and in Marketing in Singer Jamaica. He has been a Director of Public Quoted Companies in Sri Lanka, Bangladesh and Indonesia and a Director of Non Quoted Companies in India and Hong Kong.

## **Deva Rodrigo**

*Independent Non-Executive Director*

Desamanya Parakrama Devasiri Rodrigo, a chartered accountant, had a career with the international accounting and consulting firm PwC joining it in east Africa in 1974 and serving in its London offices in 1980. He was a Founder Partner when PwC established its Sri Lankan firm in 1981, and held the position of senior partner from 1992 to 2006. He was the chairman of the Ceylon Chamber of Commerce from 2004 to 2006. He has previously held public office as a member of the Telecommunication Regulatory Commission and as a member of the Monetary Board of the Central Bank of Sri Lanka. He is a director of Ambeon Capital PLC and has served on the boards of Chevron Lubricants, Cargills Bank, Ceylon Tobacco, Holcim and John Keells Holdings.

## **Indira Malwatte**

*Independent Non-Executive Director*

Indira Malwatte was appointed a Director of the Company on 1 February 2020.

She holds a Combined Degree in Economics and Geography from the University of Peradeniya Sri Lanka and was the first woman Chairperson of the EDB.

She commenced her career in international marketing at the Ceylon Tea Promotion Bureau in Tokyo, Japan and joined the Export Development Board (EDB) in June 1981. She has over 40 years of experience in serving the Government both internationally and locally as a Top Export Promotion Professional. She has hands on experience in the private sector, exporting perishable produce and entering new and demanding markets where the Company had the honor of being the first Agricultural entity in Sri Lanka to be GlobalGAP certified.

She has in-depth knowledge on multi sectors ranging from Industrial, Agricultural, Services, Supply Chain Management and International Marketing. She has served as the focal point on a number of World Bank, ITC, GlZ, CBI and JETRO export development projects.

She served on the Boards of the National Gem and Jewellery Authority, National Design Centre, Development Holdings Limited and Chairperson of the National Packaging Centre and the Mushroom Development Centre. She was a Member of the Agency for International Trade responsible for trade negotiations and developing the national trade and export strategies of Sri Lanka and a Member of the Task Force on FDI and Exports.

In July 2016 she was internationally recognized for her long years of service in Business & Commerce by the Women's International Film & Television Showcase (The Wifits) with The Wifits Foundation Lifetime Achievement Award 2016-Business in London, UK. She was the first Sri Lankan to be bestowed with this honor.

She was also recognized by Zonta Sri Lanka with the "Woman of Achievement" Award on Management in September 2017 and Women in Management Top 50 Professional & Career Woman Gold 2018 State & Government Sector in 2018. She was featured on the "The 2018 A – List of Sri Lanka Business People" by the LMD Magazine.

Currently she is a Non-Executive Director of Lanka Shipping and Logistics Ltd, and engaged in Consultancies on International Trade and developing the SME Sector.

# Management and Financial Review

## Operating Environment

During the period of review, the country's economic climate remained sluggish in terms of real economic growth, with the Agriculture and Industry sectors showing moderate growth and the Services sector witnessing a downturn due to the severe impact of the Easter Sunday attack which negatively impacted consumer confidence and disrupted market conditions. Following the introduction of favourable fiscal measures in the latter part of 2019, the economy was marginally revitalised. However, consumer activity was further hampered by the country-wide curfew impositions ensuing from the COVID-19 pandemic in March 2020.

## Agriculture

The Agricultural sector is pivotal to the Sri Lankan economy as it employs over a quarter of the country's workforce and accounted for 7.0% of the overall GDP in 2019. Recording a modest growth of 0.6% in 2019 versus 6.5% in 2018, the contraction in growth was chiefly attributed to the diminishing growth rates in the sub-sectors of rice, spices, fruits, vegetables and beverage crops. Disruptions owing to extreme weather conditions further declined sector growth. Furthermore, the inclement weather caused transient domestic food supply shortages, which led to moderate consumer price volatility.

## Industries

The Industries sector accounted for 26.4% of the country's GDP and recorded a marginal growth of 2.7% in 2019 against 1.2% in 2018. The incremental growth was mainly driven

by construction in conjunction with manufacturing activities which account for a significant share of the sector.

## Services

Reflecting the dire impact of the tragic events of April 2019, growth in the Services sector halved to 2.3% in comparison to the previous year. Although the Services sector accounts for 57.4% of the overall GDP, this was the lowest recorded growth in nearly five years. The impact mainly extended to tourism-related activities which include accommodation, transportation, and wholesale and retail trade activities. Consumer activity pertaining to the sub-sectors of accommodation and food and beverage declined during the year in part due to heightened domestic fragilities, curbing the overall growth of the Services sector.

## Rate of Exchange

The domestic exchange rate remained broadly stable throughout 2019, although marginally appreciating by 0.6% against the US Dollar. The stabilised exchange rate was mainly due to improvements seen in the current account matched with favourable liquidity measures present in the domestic FOREX market. However, in the second week of March 2020, the Rupee faced notable pressure with the COVID-19 pandemic, depreciating by 4.5% in March 2020 alone. The monetary measures implemented by the CBSL in order to curtail the external sector constraints also contributed to the Rupee devaluation. To counteract any further depreciation, the CBSL has responded with several emergency policy measures.

## Group Response to COVID-19

The implications of COVID-19 are unprecedented, with the pandemic bringing about severe socio-economic disruptions across the globe. Sri Lanka was no exception and while the government has enforced measures to control the spread of the virus, the curfews effectively brought the domestic economy to a standstill.

While the COVID-19 pandemic has posed staffing challenges and supply chain bottlenecks, Cargills has reinforced its commitment to be an essential service provider to the nation. Taking all the recommended measures to ensure the health and safety of our employees and customers, Cargills has been resolute in serving the people's food needs during these uncertain times. Despite the Group facing numerous challenges, businesses have been operating to the best of their abilities, while continuously re-engineering their processes to keep pace with the rapidly changing external environment.

Considering the COVID-19 outbreak in the country, the following 4 committees were appointed in April 2020, to meet the needs of the community and ensure business continuity, with team members across the Group under each discipline. Post COVID-19, these committees will continue to function to protect and support the growth of businesses. They are:

### 1. Health & Safety

Updated the policy and processes on health and safety for the Group in view of COVID-19, to identify the potential risks in the workplace



## 2. Engineering & Maintenance

Implementing cost-saving initiatives in areas pertaining to operations, maintenance and utility consumption to improve their KPIs and share relevant guidelines on all engineering and safety-related issues.

## 3. Finance

Ensuring that internal systems and procedures are strictly adhered to across all business units and managing their cash flow, inventory management and cost-saving initiatives.

## 4. IT

Supporting all businesses via productivity improvements from a technological standpoint while meeting the challenges and capitalising on the opportunities.

## Retail

By the second week of the outbreak, Cargills implemented international practices such as limiting the number of customers on the shop floor and ensuring queues both at the outlet entrance and checkout counters followed social distancing guidelines. Separate queues were assigned for senior citizens as well and outlets in high risk areas were closed.

Once curfew was imposed by the government, the team modified the business model as required, and door-to-door deliveries were begun where customers could place orders via phone calls or “Cargills Rewards” which was transformed to function as a new online delivery portal. Outlets remained open to the public in areas where curfew was lifted, and strict guidelines were issued to

adhere to social distancing to prevent the spread of the virus.

The team also ventured into the e-commerce market during this time, by partnering with various third parties to further expand the retail delivery network. Moreover, the Group pioneered and operated Asia’s first-ever mobile supermarket, “Cargills 2 Home”, to further meet the needs of the consumers, and presently, 3 mobile supermarkets are fully operational.

## Fast Moving Consumer Goods (FMCG)

Owing to the stringent lockdown, national distribution of all FMCG products commenced during this period via door-to-door deliveries either through the CFC channel or direct sales.

To match the rise in demand for the Dairy categories, the team combined and co-branded the Magic mobile units with Kotmale products for home delivery. For the Convenience Foods sector, in addition to product deliveries, the team has also identified new opportunities in the Indian export market even though it has been on a downward trend since the pandemic.

The primary and secondary distribution channels of the Agrifoods sector were moderately disrupted due to the general trade being closed. Therefore, sales during this pandemic period were highly dependent on modern trade orders and eventually, direct sales to the customers. Moreover, Confectionery direct sales commenced during this period, with the performance being commendable.

The Millers Group faced many challenges due to COVID-19, one being the shutdown of outsourced operations. The import restrictions further posed challenges to the confectionery segment, but warehouses were stocked to supply to the modern trade channel during this time. Moreover, increasing freight charges matched with the exchange rate depreciation also impacted the business. However, necessary cost-saving initiatives were taken while servicing of the modern trade channel continued.

## Restaurants

Being the most severely impacted sector amid this crisis, the required cost-cutting initiatives were put in place and outlets were opened to the public in areas where curfews were eased. With the implementation of the contactless delivery system to ensure the health and safety of our customers and staff, home deliveries were conducted by a majority of the restaurants during curfew hours.

## Group Financial Review

The Cargills Group recorded a turnover of Rs. 107,052 Mn for the financial year, up 13% over the corresponding period. Gross profit recovered from its decline from last year, growing 28.2% to Rs. 11,827 Mn. Other income witnessed a marginal growth of 0.25% YoY to Rs. 2,185 Mn.

Even though Group operating expenses rose by 3.36% in the year in review, operating profit was reported at Rs. 7,061 Mn, up 50.79% YoY. Adjusted for the non-recurring gain, Group operating profit increased by 51% to Rs. 7,061 Mn for the period. Due to the adoption of SLFRS 16 – Leases in the preparation

## Management and Financial Review contd.

of the financial statements, reported net finance costs rose 84.44% YoY to Rs. 2,628 Mn.

Reported profit before tax increased by 23.41% YoY to Rs. 4,200 Mn, while adjusted for non-recurring items, profit before tax rose by 23.41% to Rs. 4,200 Mn. Profit after tax was recorded at Rs. 2,761 Mn for the year with Group CAPEX for the year at Rs. 5,519 Mn.

In the year 2019, Cargills Bank further positioned itself in the financial services space, with loans increasing 13% YoY to Rs. 27,013 Mn, and deposits rising by 26% YoY to Rs. 25,042 Mn.

### Retail Operations

Cargills Food City – the Retail arm of the Group and Sri Lanka's largest modern trade chain has geographical representation across all 25 districts. The retail operation comprises three formats, “Cargills Food City” supermarkets, “Cargills Food City Express” minimarkets and more recently, “Cargills Food Hall”. The Group extended the retail network to include a further 31 outlets during the year, taking the tally to a total of 411 outlets at the close of the financial year. Aligning with the 36th anniversary of commencing retail operations, the 400th Cargills Food City outlet was ceremoniously opened in October 2019.

Maintaining a bond with the local farming community, Cargills sourced over 44 Mn kilograms of produce within the period of review, while generating over Rs. 5 Bn in direct revenue for our vegetable and fruit farmers. Cargills also continues to uphold its conviction in the adoption of sustainable farming practices by our

local farmers. By offering higher farmgate prices, we encourage our farmers to adhere to Good Agricultural Practices (GAP), and presently, many of our farmers are eligible for certification. These farmers are enabled the facility to market their produce under international standards of quality and nutrition, giving them a competitive edge in the shifting consumer environment. Launched the preceding year, the “Cargills Good Harvest” brand continues to offer customers a safer option, which is certified as Sri Lanka Good Agricultural Practice (SL-GAP) produce.

The farmer base under the Cargills Sarubima Agricultural Modernisation Project (AMP) was extended to include another 80 farmers, bringing the total to 160 small scale farmers. The AMP assists our farmers with field installations and necessary financing and further bestows upon them the relevant technical know-how to improve productivity. Under this project banner, farmers are also encouraged to use biological agricultural inputs in lieu of excessively chemicalized alternatives, i.e., fertilisers and pesticides. This initiative has proved fruitful, as it has empowered the farmers with increased yields and reduced input costs.

### Financial Performance

The Retail sector recorded a revenue of Rs. 83,720 Mn, up 13.12% over the previous year. Despite the challenging macroeconomic landscape and subdued demand conditions, the sector recorded notable growth throughout the year in review. The performance was mainly driven by increasing same-store sales and transaction volumes matched with notable contributions by the new outlets.

Leveraging on its strong top-line performance, the sector recorded an operating profit of Rs. 2,937 Mn at a robust growth rate of 97.59% YoY. With 31 new outlets opened during the period of review, sector CAPEX for 2019/20 stood at Rs. 2,883 Mn. Furthermore, net finance costs have grown 175.88% YoY to Rs. 1,716 Mn which is mainly attributable to the adoption of SLFRS 16 - Leases in the preparation of the financial statements.

	2019/20 Rs. Mn	2018/19 Rs. Mn	Growth (%)
Revenue	83,720	74,004	13
EBIT	2,937	1,487	98
PBT	1,221	864	41
PAT	846	621	36
CAPEX	2,883	3,239	(11)

## FMCG

The FMCG sector of the Group comprises the food manufacturing and distribution operations. Dairy, Agrifoods, Convenience Foods and Confectioneries fall under manufacturing, while trading and distribution are undertaken by Millers Limited.

The Dairy segment is yet again the main driving force in FMCG growth, in spite of the challenging external environment. Led by the market leading brands 'Kotmale' and 'Magic', this sector reported a noteworthy performance of double digit top line growth. The Dairy product portfolio has a wide range of products including UHT milk, Flavoured RTD milk, Ice Cream, Yoghurt, Butter and Cheese. We further diversify our portfolio by offering consumers options pertaining to the product categories in Ice cream (take home and impulse) and Yoghurt (set, stirred and drinking). Further expanding on our portfolio, the team launched and rebranded numerous products in the Cheese, Butter, Ice Cream and Flavoured RTD milk categories.

Cargills sources approximately 150,000 litres of fresh milk per day from our extensive network of over 15,000 smallholder dairy farmers. In the year concluded, total milk collection amounted to 54 million litres, with direct revenue generation to smallholder farmers totalling over Rs. 4.3 Bn. In a bid to further enhance domestic production, Cargills continually engages with farmers and farmer societies by providing technical inputs and other extension services. Our farmers are connected to an integrated supply chain of 31 chilling centres that reach 790

collection points islandwide. Meanwhile, the fact that national production only meets approximately 35-40% of the demand, poses a substantial challenge to any local processing operations which must compete with cheaper milk powder imports.

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 consumer demand for healthier alternatives to other beverages has increased. To further meet this shift in demand, KIST drove growth in its 'Lite' nectar range which does not contain any added sweeteners. KIST has looked to further differentiate itself from others in the market by adding the flavours Aloe Vera and Green Apple to its nectar product portfolio. Regarding its 'KIZZ' range of sparkling fruit drinks, six new flavour options were launched during the year. Further, the business also launched its instant noodles product line, which at present, consists of Vegetable and Chicken flavours.

The Convenience Foods segment consists of the 'Goldi', 'Sam's', 'Finest' and 'Island's Finest' ranges of products. This segment recorded a notable single digit revenue growth which was primarily driven by the modern trade channel. Procuring raw materials remains a challenge for the sector in the absence of established supply chains. However, the team is in the process of renegotiating prices with existing suppliers for raw materials and meat with a strategy being implemented to fully secure raw materials

and packing materials for the following months. Purchasing expenses will be lowered by directly importing key raw material and packing materials in lieu of purchasing locally at higher prices. The issue of currency devaluation will also be mitigated by settling import bills via export proceeds. The sector continues to focus on enhancing its products for the consumers in terms of health and nutrition, by lowering the salt content and removing monosodium glutamate (MSG) from the product range.

A new initiative that is underway in the 2020/21 financial year will be the production of pre-prepared meals in frozen form. The pre-prepared meal product range would comprise marinated products, fried chicken products and rice products (biryani, fried rice and rice & curry) and is planned to be sold at our modern trade outlets at affordable prices to the consumer.

The Confectioneries business continued to increase its market demand and product reach, supplemented by the introduction of chocolate enrobed and cookies premium product ranges. The rationalization of the Confectionery product portfolio has enabled the business to focus on the key growth categories, while also freeing up production capacity for better use.

During the period under review, the trading and distribution operation of Millers witnessed a deterioration in performance. While product costs were positively impacted by the stabilised exchange rate throughout 2019, disruptions in the warehouse operations and outsourced services contributed to

## Management and Financial Review contd.

the decrease in performance. Nonetheless, the team will continue to focus its efforts to driving key performing brands and will also pursue further opportunities to introduce leading global brands into the domestic market.

### Financial Performance

The FMCG sector recorded a revenue of Rs. 19,179 Mn, growing 14.26% YoY. Sales were driven by the focus on category growth of the existing products and supplemented by the launch of new products during the period of review. Rising consumer demand, matched with targeted marketing strategies further contributed to the positive performance. Sector operating profit was recorded at Rs. 3,346 Mn, up 27.12% from the previous year, with net finance costs rising to Rs. 527 Mn against Rs. 448 Mn in 2018/19. Sector CAPEX for the year was Rs. 1,969 Mn (Rs. 1,205 Mn in 2018/19).

	2019/20 Rs. Mn	2018/19 Rs. Mn	Growth (%)
Revenue	19,179	16,786	14
EBIT	3,346	2,632	27
PBT	2,819	2,191	29
PAT	1,863	1,235	51
CAPEX	1,969	1,205	63

### Restaurants

The Group's Restaurant sector consists of globally renowned franchises KFC and TGIF. Cargills acquired the franchise rights to the QSR chain KFC in 1996 and has now transformed it into one of the leading restaurant chains in the country, with a broad network of 40 outlets across the island. The TGIF franchise was secured in 2012 and its flagship restaurant was opened at Colombo Fort in October 2013. However, in November 2019, the TGIF establishment was relocated to operate from the One Galle Face shopping plaza to capitalise on its sought-after customer base.

Despite the weak consumer sentiment prevalent throughout the year, KFC posted single digit top line growth during the year, with operational efficiency improvements being the key driver. The popularity of the chain stems from its menu mix of freshly prepared chicken as well as innovated products better suited for the local palate. While the in-house delivery system operated as usual, the onboarding of external delivery partners such as UberEats and PickMe Food proved advantageous for both KFC and TGIF operations during the year.

## Financial Performance

The Restaurants sector reported a turnover of Rs. 4,152 Mn, at a growth of 7.2% YoY. However, KFC same store sales growth witnessed a downturn during the period of review, largely due to the tight consumer environment.

The sector recorded an operating profit of Rs. 367 Mn, up 15% YoY, while net finance costs rose to Rs. 106 Mn in the year, (Rs. 14 Mn in 2018/19). Sector CAPEX for the year was Rs. 142 Mn (Rs. 538 Mn in 2018/19).

	2019/20 Rs. Mn	2018/19 Rs. Mn	Growth (%)
Revenue	4,152	3,873	7
EBIT	367	319	15
PBT	261	304	(14)
PAT	208	222	(6)
CAPEX	142	538	(74)

The performance of the Group during the pandemic period is indicative of the future course of Cargills. As the consumer landscape is undergoing a magnitude of changes, Cargills will continue to re-engineer its core business models to meet these changes. Cargills will keep investing in value chains across the country, focused on community development as the building block of growth while looking towards exceeding stakeholder expectations.

Although the country is facing challenging times, the Group nonetheless, is optimistic about the future and sees great opportunities to further consolidate and drive transformative change to grow the Cargills brand.

## Outlook

Going forward, the Group will continue to monitor the impact of COVID-19 on its operations and also implement further measures for the business to return to normalcy. The Group is proud to reaffirm its faith in its employees, who duly stepped up during this recent time of crisis, and would like to extend its sincere thanks to them for the overwhelming support they have shown. The hard work and uncompromising dedication of these unsung heroes, truly cements Cargills as an essential service provider to the nation.

Our work to advance environmental sustainability, support rural economic empowerment, and offer healthier food choices for our customers is further demonstrated by our commitment to report our actions and results. We continue to look for more ways to lead and have an even greater impact on the communities that we serve. We also remain steadfast in our commitment to compliance, ethics and doing business the right way.



# Corporate Governance

## 1. Corporate Governance at Cargills

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.

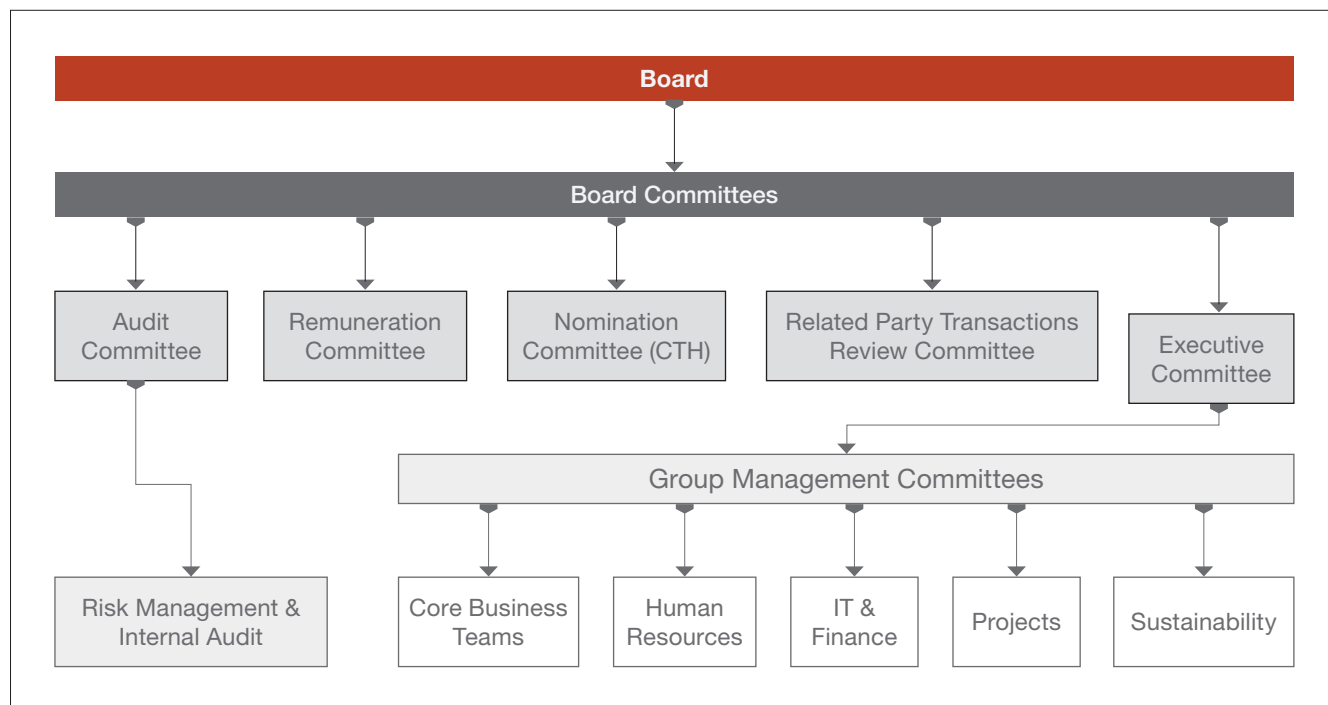
## 2. The Corporate Governance Framework

Our Corporate Governance Framework is illustrated in the diagram below.



### 3. Internal 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 The Board of Directors

##### 3.1.1 Board Composition

The Company currently has twelve Directors in the Board comprising ten Non-Executive Directors (of whom seven are independent) and two Executive Directors.

The Board consists of a mix of Independent, Executive, Non-Executive Directors to maintain the Board independence and also to maintain CSE Listing Rules.

##### 3.1.2 Board Independence and Conflict of Interest

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 seven Independent Non-Executive Directors have submitted signed confirmations of their independence.

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

## Corporate Governance contd.

### 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 Nominations Committee will take into account all factors it considers appropriate, including, among other things, breadth of experience in business and industry, financial acumen, integrity, leadership as well as the diversity of the board.

Details of new Directors are disclosed to the shareholders at the time of their appointment by 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 or reappointment. 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 Other Board Memberships

The Group, in assessing the performance of the individual Director, considers whether sufficient time and attention has been given by the Director to the affairs of the Group while holding board membership in other companies. The Group expects Directors to devote sufficient time in the affairs of the Company though it does not impose a 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 Directors' Remuneration Policy

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	-	Independent (Chairman)
Mr. Sunil Mendis	-	Independent
Mr. E. A. D Perera	-	Independent
Mr. P. D. Rodrigo	-	Independent
Mr. Y. Kanagasabai	-	Independent

The Audit Committee comprises five members who are Non-Executive Directors who are Independent or deemed Independent. The Chairman of the Audit Committee 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. 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

In terms of the Group policy, the Audit Committees should meet at least once in every quarter, two of which should be attended by the company auditors. The procedure in place is for the Group Managing Director/Deputy CEO, Group Chief Financial Officer, Group Chief Risk Officer, heads of finance of the business sectors and Senior Manager of Internal Audit to attend all meetings when scheduled and for the Deputy Chairman/CEO to attend Audit Committee meetings as and when requested to

do so by the Audit Committee. Besides this, procedure is in place to circulate the various documents and for clarification of matters raised by the members of the Audit Committee. Where necessary, approvals may also be given by circular resolutions.

### Meetings

The Audit Committee met five times during the year, three of which were with the participation of the company's external auditors.

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

Name	Meetings Held	Meetings Attended
Mr. A. T. Priya Edirisinghe, Chairman	5	5
Mr. Sunil Mendis	5	4
Mr. Errol A. D. Perera	5	4
Mr. P. Deva Rodrigo	5	5
Mr. Y. Kanagasabai	5	4

### Scope

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

- Oversight of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS
- Oversight of the Company's compliance with financial reporting requirements, information requirements of the Companies Act and SEC and other related regulatory bodies
- Oversight of the processes to ensure that the Company's internal controls and risk management procedures are adequate to ensure the various risk exposures are mitigated
- Assessment of the performance and independence of the External Auditors and make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and approval of the remuneration and terms of engagement
- Review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process
- Develop and implement policy on the engagement of the External Auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the External Auditors
- Review the Company's annual audited Financial Statements and quarterly Financial Statements to ensure compliance with the Sri Lanka Accounting Standards and other relevant laws and regulations

## Corporate Governance contd.

- Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations
- 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 statutes including Corporate Governance rules and that the presentation of such Financial Statements are consistent with those of the previous quarter or year as the case may be, and further states any departures from financial reporting, statutory requirements and Group policies, (if any).

Quarterly Compliance Certificates were also obtained from the finance, legal, and secretarial divisions of the Company on a standardized exception reporting format perfected by the Audit Committee, stating any instances (where applicable) of, and reasons for, non-compliance, along with a Risk Management & Internal Audit Report submitted by the GCRO.

### Internal Audit, Controls and Risk Management

The Audit Committee reviewed the Internal Audit Reports containing details of the audit coverage, compliance to the laws, regulations, established policies and procedures. The Risk Management report containing detailed risk assessments and risk mitigation actions pertaining to different business units were reviewed by the Audit Committee to give assurance that the risk management process is carried out in an effective manner.

### 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 2021.

*(Signed)*

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

*Chairman – Audit Committee*

05 August 2020



### 3.2.2 Nominations Committee Report

The Nominations Committee of the Parent Company (CTH) acts as the Nomonations Committee of Cargills (Ceylon) PLC.

#### Composition

The Nominations Committee of the Parent Company consists of the following members;

Mr. Louis Page	- Non Executive/ Non Independent (Chairman)
Mr. A T P Edirisinghe	- Independent
Mr. Sunil Mendis	- Independent
Mr. Ranjit Page	- Executive Director ( <i>Deputy Chairman / CEO</i> )

#### Scope

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

#### Meetings

The Committee meets once each year or as required.

### 3.2.3 Remuneration Committee Report

The Remuneration Committee of Cargills (Ceylon) PLC consists of three Non - Executive Directors - Messrs. Sunil Mendis (Chairman), A.T. P. Edirisinghe and Deva Rodrigo. The Chairman, Deputy Chairman &/ CEO, and the Group 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 also oversees the administration aspects of the Employee Share Option Scheme (ESOS) which was initiated in the Financial Year 2017/18.

The Committee met once during the year under review.

(Signed)

**Sunil Mendis**

*Chairman – Remuneration Committee*

05 August 2020

### 3.2.4 Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee (RPTRC) is 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	- Independent (Chairman)
Mr. Sunil Mendis	- Independent
Mr. E. A. D Perera	- Independent
Mr. P. D. Rodrigo	- Independent
Mr. Y. Kanagasabai	- Independent

## Corporate Governance contd.

The RPTR Committee comprises five members who are Non-Executive Directors who are independent or deemed independent. The Chairman of the RPTRC is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of Chartered Institute of Management Accountants. 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 a related party transactions policy consistent with that proposed by the RPT Code of the SEC and recommending for adoption by the Board of Directors of the Company and its listed subsidiaries
- Reviewing and recommending improvements to the control procedures 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 matters that the Committee deems to be significant.

### Meetings

The Related Party Transactions Review Committee (RPTRC) met five times during the year. The meetings were also attended by the Group Managing Director of the Company, Group Chief Financial Officer, Group Chief Risk Officer, as well as the heads of finance of the business sectors.

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

Name	Meetings Held	Meetings Attended
Mr. A.T. Priya Edirisinghe, Chairman	5	5
Mr. Sunil Mendis	5	4
Mr. Errol A. D. Perera	5	4
Mr. P. Deva Rodrigo	5	5
Mr. Y. Kanagasabai	5	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 into 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 35 to the Financial Statements.

(Signed)

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

*Chairman – Related Party Transactions Review Committee*

05 August 2020

## 4. Leadership

### 4.1 Board Leadership

The role of our Board of Directors includes setting the strategic direction, 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 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. There is a clear and an 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

## Corporate Governance contd.

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. The key functions and responsibilities of the Board are:

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

### 4.1.3 Board Meetings

The Board met five times in the year under review, and the following table shows the attendance record for the same.

#### Attendance at Board Meetings

Name	Position	Meetings Held	Meetings Attended
Mr. L. R. Page	Chairman	5	5
Mr. V. R. Page	Deputy Chairman/ CEO	5	5
Mr. M. I. Abdul Wahid	Managing Director	5	5
Mr. A. T. P. Edirisinghe	Non-Executive Director	5	5
Mr. S. E. C. Gardiner	Non-Executive Director	5	1
Mr. Y. Kanagasabai	Non-Executive Director	5	5
Mr. Sunil Mendis	Non-Executive Director	5	2
Mr. J. C. Page	Non-Executive Director	5	2
Mr. E. A. D. Perera	Non-Executive Director	5	1
Mr. H. A. Pieris	Non-Executive Director	5	5
Mr. P. D. Rodrigo	Non-Executive Director	5	4
Mrs. C.I. Malwatte	Non-Executive Director	Appointed on 1st February 2020	

## 5. Business Practices and Ethics

Good governance is embedded in the Group's culture creating an enabling environment for growth in a structured, predictable and sustainable manner.

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'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.



## Corporate Governance contd.

### 6. Strategic and Performance Management

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

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.

#### 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 the external and internal environment of the company enables the effective selection of suitable strategies.

Constantly changing environment requires continuous review of both internal as well as external environments 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 performances are reviewed against the budget on a monthly basis and corrective measures are taken, wherever required.

The Group through its performance management system focuses on developing talents, organizing people to be more effective and motivating 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.

### 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 reports to the Board directly through the Audit Committee assuring the independence.

To ensure effective internal controls and compliance the Group has laid down the following measures:

- All operations under each functional area are executed based on periodically updated and validated Standard Operating Procedures (SOPs)
- 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 Group has a comprehensive risk management process to identify key risks and take necessary risk mitigation strategy;

Group's financial reporting is carried out by the centralized corporate reporting unit independent from operations. The Audit Committee reviews all financial and related information that are reported and disseminated;

- The centralized legal department coordinates with all business sectors to ensure that the Group complies with applicable laws and regulations;
- 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 with professional firms to carry out non-audit services such as fixed assets verification, stock verification and process documentation periodically.

## 7.2 Internal Audit

The Group Internal Audit assists and supports management continuously by reviewing the internal controls. The Internal Audit function is independent of management and reports functionally to the Board, through the Audit Committee and administratively to the Group CEO.

The Audit Committee reviews and approves the annual work plan prepared by the Internal Audit. It also ensures that audit resources are appropriately allocated to focus on the high-risk areas.

The Audit Committee meets with the Internal Audit, 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.

## 7.4 Risk Management

The Group has an Enterprise Risk Management framework through which it manages the risks facing the Group.

Risk Committees for each business sector were established to manage the risks stemming from the external environment, strategy and business operations.

Risk Management section and the notes to the financial statements of the Annual Report carry a detailed discussion of the Group's Enterprise Risk Management Process.

## 7.5 Information Technology Governance

Group recognizes 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

## Corporate Governance contd.

information provided by IT systems for their decision making.

Information Technology, in addition to being a strategic asset to the Company also associated with significant risks. The strategic nature of the IT and its related risks should be well governed and managed 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 to achieve its objectives.

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

### 7.6 Sustainability Governance

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

The adherence to the standard operating procedures pertaining to the sustainability by the business units are reviewed by the management regularly. The performance related to sustainability is 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

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

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

### 10. Stakeholders Engagement

The Board values the Company's stakeholders and strives to take their concerns and interests into account when making business decisions. This not only enables it to anticipate and manage risk effectively, but also helps it identify new business opportunities and improve the Group's relationship with its stakeholders.

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

The shareholders are given the opportunity at the AGM to get updates from the Chairman and Group CEO on the Group's performance, to ask questions, and to express a view and vote on the various matters of Company business on the agenda. Shareholders may also ask questions from 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.

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. Any change to this ratio should be rectified within 90 days.	Compliant	Ten 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	Seven out of ten Non-Executive directors are determined to be independent
b.	Each NED should annually submit 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 18 and Note 01 on page 42
c.	A brief resume of 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 of at least 2 independent NEDs or more than 2 NEDs majority of whom shall be independent.	Compliant	Remuneration Committee Report on page 33. The aggregate remuneration paid to the Directors is given in the Note 35.1 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	Compliant	

## 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	
a.2	One NED shall be appointed as Chairman of the Committee by the Board of Directors	Compliant	
a.3	CFO shall attend the AC meetings, and CEO when requested to attend	Compliant	
a.4	The Chairman of the AC or one member should be a member of a recognized professional accounting body	Compliant	
B. Functions of the Audit Committee			
b.1	Overseeing the preparation, presentation of the financial statements and adequacy of disclosures in accordance with SLFRS/LKAS	Compliant	Audit Committee Report on page 30.
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 reappointment or removal of External Auditors and to approve their remuneration and terms of engagement.	Compliant	
C.	The Annual Report should include the names of the Audit Committee members, the basis for the determination of the independence of the External Auditors and a report of the AC setting out the manner of compliance with the above requirements during the specified period	Compliant	

### Note 01:

Based on the declarations provided by the Non-Executive Directors, the Board has decided the following Directors as independent:

Messrs. P. D. Rodrigo, Y. Kanagasabai and Mrs. C.I. Malwatte and

Messrs. A. T. P. Edirisinghe and Sunil Mendis who have served on the Company's Board for a period in excess of nine years and are also Directors of C T Holdings PLC which has a significant shareholding in the Company, and

Messrs. S. E. C. Gardiner and E. A. D. Perera who have served on the Company's Board for a period in excess of nine years

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



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
<b>A. Directors</b>			
<b>A.1 The Board</b>			
A.1.1	The Board should meet regularly, at least once in every quarter and to execute board responsibilities while providing information to the board on a structured and regular basis.	In place	Corporate Governance Report – Section 4.1.3
A.1.2	<p>The Board is to provide entrepreneurial leadership by undertaking responsibilities for</p> <ul style="list-style-type: none"> <li>• Ensuring the formulation and implementation of sound business strategy</li> <li>• Skills and succession of the key management personnel</li> <li>• Approving budgets and major capital expenditure</li> <li>• Ensure effective system to secure integrity of information, internal controls, business continuity and risk management</li> <li>• Ensure compliance with laws, regulations and ethical standards</li> <li>• Ensure all stakeholder interests are considered in corporate decision making</li> <li>• Sustainable business development and consider the need of integrated reporting</li> <li>• Adopting appropriate accounting policies and compliance with financial regulations</li> <li>• Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks</li> <li>• Ensuring that a process is established for corporate reporting on annual and quarterly basis or more as relevant to the company.</li> </ul>	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	One third of directors can call for a resolution to be presented to the Board where they feel it is in best interest of the company to do so.	In place	
A.1.8	Every Director should receive appropriate training when first appointed to the Board and subsequently necessary. The Board should regularly review and agree on the training and development needs of the Directors.	In place	

# Corporate Governance contd.

	Principle	Status	Details/Reference
<b>A.2 Chairman and Chief Executive Officer</b>			
A.2.1	Justification for combining the posts of Chairman and CEO in one person	N/A	
<b>A.3 Chairman's Role</b>			
A.3.1	<p>The Chairman should conduct board proceedings in a proper manner and ensure,</p> <ul style="list-style-type: none"> <li>• The agenda for board meetings is developed in consultation with the CEO, Directors and the Company Secretary taking into consideration matters relating to strategy, performance, resource allocation, risk management and compliance.</li> <li>• Sufficiently detailed information of matters included in the agenda should be provided to Directors in a timely manner.</li> <li>• All directors are made aware of their duties and responsibilities and committee structures through which it will operate in discharging its responsibilities.</li> <li>• The effective participation and contribution of the Directors is secured</li> <li>• All directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusion of matters of corporate concern on the agenda.</li> <li>• A balance of power between Executive and Non-Executive Directors is maintained.</li> <li>• The views of Directors on issues under consideration are ascertained</li> <li>• The Board is in complete control of the Company's affairs and alerts to its obligations to all stakeholders</li> </ul>	In place	
<b>A.4 Financial Acumen</b>			
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance	In place	
<b>A.5 Board Balance</b>			
A.5.1	At least 3 members or one third of the Board, whichever is higher should be NEDs. 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 three NEDs, all three such NEDs should be independent	N/A	
A.5.3	<p>Definition of Independent Directors</p> <p>For a director to be deemed 'independent' such director should be independent of management and free of any business or other relationship that could materially interfere.</p>	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

	Principle	Status	Details/Reference
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	
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	
A.5.8	The SID should make himself available for confidential discussions with other Directors who may have concerns	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	
<b>A.6 Supply of information</b>			
A.6.1	The management should provide the Board with appropriate and timely information	In place	
A.6.2	The agenda and papers required for a meeting should be provided to the Directors at least seven days before the meeting.	In place	
<b>A.7 Appointments to the Board</b>			
A.7.1	A Nominations Committee should be established and its Chairman and members should be disclosed in the Annual Report	In Place	Corporate Governance Report – Section 3.2.2
A.7.2	The Nominations Committee should annually assess the combined knowledge and experience of the Board.	In Place	
A.7.3	Upon the appointment of a new Director, a brief resume, the nature of expertise, details of directorship in other companies, independence/non-independence in the Board of the new Director should be disclosed to shareholders	In place	
<b>A.8 Re – Election</b>			
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.8.3	In the event of resignation of director prior to completion of his/her appointed term, the director should provide a written communication to be provided to the board of his/her reasons for resignation.	N/A	

# Corporate Governance contd.

	Principle	Status	Details/Reference
<b>A.10 Disclosure of Information in respect of Directors</b>			
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 18
<b>A.11 Appraisal of Chief Executive Officer (CEO)</b>			
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>B. Directors' Remuneration</b>			
<b>B.1 Remuneration Procedure</b>			
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 of whom the majority should be independent. The Chairman should be an Independent Non-Executive Director and should be 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>B.2 The level and make up of Remuneration</b>			
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	Executive Directors' remuneration should be designed to promote the long-term success of the company.	In place	
B.2.3	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies.	In place	Corporate Governance Report – Section 3.2.3
B.2.4	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.2.5	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	

	Principle	Status	Details/Reference
B.2.6	Executive share option should not be offered at a discount.	N/A	
B.2.7	The Remuneration Committee should follow the given guidelines in designing schemes of performance related remuneration.	In place	
B.2.8	The Remuneration Committee should appropriately decide on compensation commitments of Directors.	In place	
B.2.10	The Remuneration of NEDs should reflect the time commitment, responsibilities and market practices.	In place	
<b>B.3 Disclosure of Remuneration</b>			
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 33. The aggregate remuneration paid to the Directors is given in the Note 35.1 to the financial statements.
<b>C. Relations with shareholders</b>			
<b>C.1 Constructive use of Annual General Meeting (AGM) and conduct of general meetings</b>			
C.1.1	The Notice for AGM and related papers should be sent to the shareholders before the meeting as per the relevant statute.	In place	
C.1.2	The Company should propose a separate resolution at the AGM on each substantially separate issue .	In place	
C.1.3	The Company should count all proxy votes with respect to each resolution.	In place	
C.1.4	Chairpersons of Board Committees should be available at the AGM to answer questions.	In place	
C.1.5	A summary of proceedings governing voting should be circulated with every Notice of General Meeting.	In place	
<b>C.2 Communication with shareholders</b>			
C.2.1	There should be a channel to reach all shareholders in order to disseminate timely information.	In place	
C.2.2/ C.2.3/ C.2.4	The Company should disclose <ul style="list-style-type: none"> <li>• Policy and methodology for communication with shareholders</li> <li>• How the above policy and methodology will be implemented</li> <li>• The contact person for such communication</li> </ul>	In place	
C.2.5	A process to make all Directors aware of major issues and concerns of shareholders should be in place and disclosed.	In place	
C.2.6	The Company should decide the person to contact in relation to shareholders' matters.	In place	



## Corporate Governance contd.

	Principle	Status	Details/Reference
C.2.7	The process for responding to shareholder matters should be formulated by the Board and disclosed.	In place	
<b>C.3 Major and Material Transactions</b>			
C.3.1	Directors should disclose to shareholders all proposed material transactions including related party transactions.	In place	
C.3.2	Public listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the SEC and by the CSE.	In place	
<b>D. Accountability and Audit</b>			
<b>D.1 Financial and Business Reporting</b>			
D.1.1	The Board should present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	In place	
D.1.2	The Board should present the interim, other price sensitive reports and reports to regulators.	In place	
D.1.3	The Board should, before it approves the Company's financial statements obtain from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance.	In place	Corporate Governance Report – Section 3.2.1
D.1.4	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 Directors have complied with best practices of Corporate Governance. Property, plant and equipment is reflected at fair value, where it is different from fair value adequate disclosures are made The Review of internal controls and risk management The business is a going concern	In place	Annual Report of the Directors' on the affairs of the Company on page 59.
D.1.5	The Annual Report Should contain a statement of Directors' responsibility.	In place	Statement of Directors' responsibilities on page 63.
D.1.6	The Annual Report should contain a "Management Discussion and Analysis".	In place	Management and Financial Review on page 22.

	Principle	Status	Details/Reference
D.1.7	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.1.8	The Board should adequately and accurately disclose the related party transactions in the Annual Report.	In place	Note 35 to the financial statements
<b>D.2 Risk Management and Internal Control</b>			
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	Corporate Governance Report – Section 7 & Enterprise Risk Management Report on page 52.
D.2.2	The directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency, or liquidity.	In place	Corporate Governance Report – Section 7 & Enterprise Risk Management Report on page 52.
D.2.3	Companies should have an internal audit function.	In place	Corporate Governance Report – Section 7 & Enterprise Risk Management Report on page 52
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	Corporate Governance Report – Section 7 & Enterprise Risk Management Report on page 52.
<b>D.3 Audit Committee</b>			
D.3.1	The Audit Committee should comprise exclusively of Non-executive directors with a minimum of three Non-executive directors of whom at least two should be independent. If there are more non- executive directors, the majority should be independent. The committee should be shared by an independent non- executive director.	In place	Corporate Governance Report – Section 3.2.1
D.3.2	The Audit Committee should have a written term of reference, dealing clearly with its authority and duties.	In place	Corporate Governance Report – Section 3.2.1
D.3.3	The annual report should include the names of the Audit Committee members, the basis for the determination of the independence of the External Auditors and a report of the AC setting out the manner of compliance with the above requirements during the specified period.	In place	Corporate Governance Report – Section 3.2.1

## Corporate Governance contd.

	Principle	Status	Details/Reference
<b>D.4 Related Party Transactions Review Committee</b>			
D.4.1	A related party and related party transactions will be as defined in LKAS 24.	In place	
D.4.2	The board should establish a Related Party Transactions (RPT) Review Committee consisting exclusively of Non-Executive Directors with a minimum Three Non-Executive Directors of whom the majority should be independent. The Chairman should be an Independent Non-Executive Director appointed by the Board.	In place	Corporate Governance Report – Section 3.2.1
D.4.3	RPT Review Committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board of Directors.	In place	
<b>D.5 Code of Business Conduct and Ethics</b>			
D.5.1	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.5.2	The Company should have a process in place to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	In place	
<b>D.6 Corporate Governance Disclosures</b>			
D.6.1	The Directors should include in the Company's Annual Report, a Corporate Governance Report setting out the manner and extent to which the company has complied with the principles and provisions of such code.	In place	Corporate Governance Report – Section 3.2.1
<b>E. Institutional Investors</b>			
<b>E.1 Shareholder Voting</b>			
E.1.1	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the views of shareholders are communicated to the Board as a whole.	In place	Corporate Governance Report – Section 10
<b>E. 2 Evaluation of Governance Disclosures</b>			
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	

	Principle	Status	Details/Reference
<b>F. Other Investors</b>			
<b>F.1 Investing/Divesting Decisions</b>			
F.1.	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	In place	
<b>F.2 Shareholder Voting</b>			
F.2	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	In place	
<b>G. Internet of Things and Cyber Security</b>			
G.1	The Board should have a process to identify how in the organization's business model, IT devices within and outside the organization can connect to the organization's network to send and receive information and the consequent cybersecurity risks that may affect the business.	In place	Corporate Governance Report – Section 10
G.3	The Board should allocate regular and adequate time on the board meeting agenda for discussions about cyber- risk management.	In place	
G.4	The Board should ensure the effectiveness of the cybersecurity risk management through independent periodic review and assurance.	In place	
<b>H. Environment, Society and Government (ESG)</b>			
H.1 to H.1.5	Adherence to ESG principles are disclosed in the supplementary sustainability information to the Annual Report.	In place	Supplementary sustainability information: <a href="http://www.cargillsceylon.com/investors/annual-report/sustainability">http://www.cargillsceylon.com/investors/annual-report/sustainability</a>

# Enterprise Risk Management

At Cargills we believe that a robust Enterprise Risk Management (ERM) process is vital to achieve a sustainable growth in the business in the current volatile and complex business environment where businesses are exposed to numerous risks. The Group manages the enterprise risks through an integrated risk management framework, with the objective of maximizing risk adjusted returns in line with the risk appetite.

## Risk Management Framework

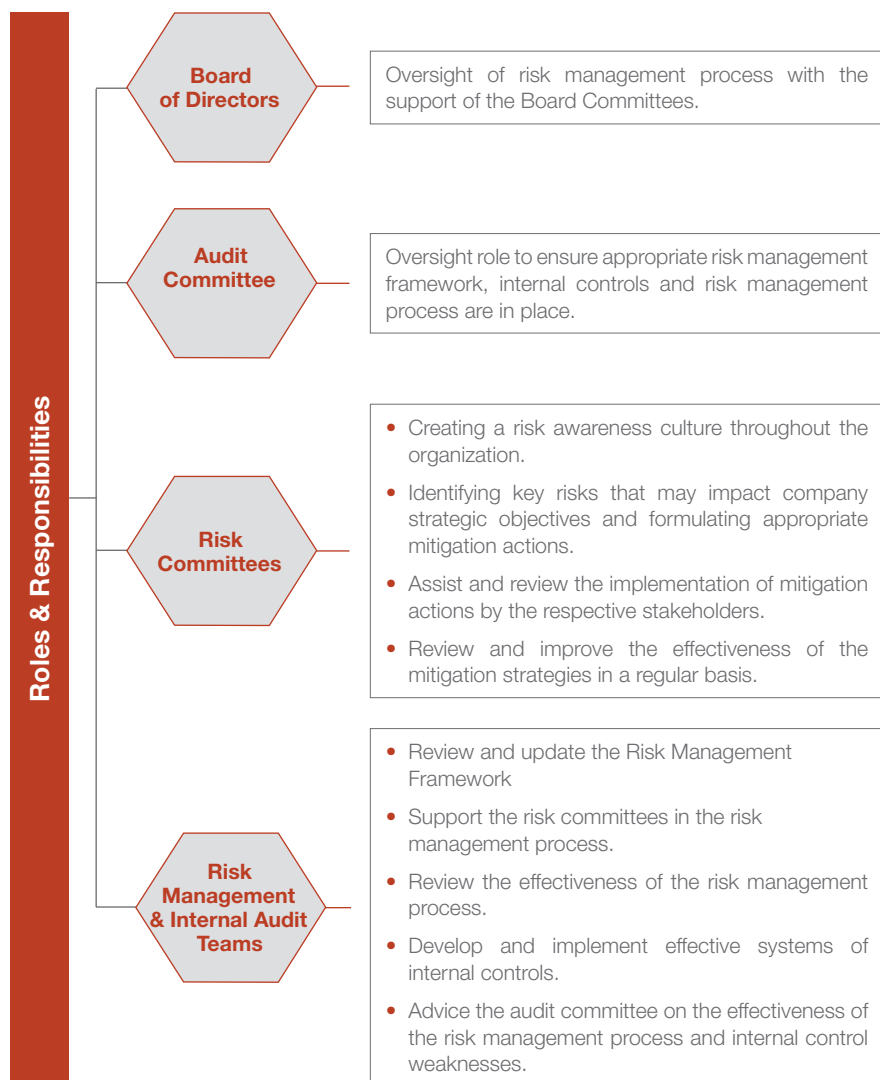
The comprehensive and integrated risk management framework helps to minimize the adverse impact of the risks, thus enabling the Group to leverage market opportunities effectively and enhance its long-term competitive advantage.

The key components of the risk management framework are illustrated below.



The key elements of risk management revolve around the vision, mission, core values, culture and strategic objectives of Cargills. The governance structure at the highest level consists of the Board of Directors, Audit Committee, Group Management Committees, Risk Committees, Risk Management Team and Internal Audit Team. The Board of Cargills Ceylon PLC, has the oversight responsibility for risk management and some of its responsibilities are delegated to Board Committees.

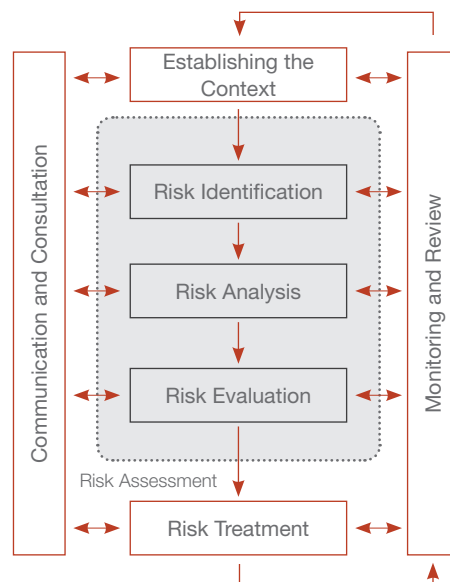
The key roles and responsibilities of the key stakeholders of risk management function are summarized as follows:



The risk management policies and procedures specify the risk management methodologies used, roles and responsibilities and risk management process. Internal control systems are in place to ensure adherence to policies, rules,

regulations and to minimise the risks. The Three lines of defense mechanism functions as an integral part of the control system. Engagement of a third party for assurance enhances the effectiveness of risk management. The organization operates with a clear risk management strategy which specifies the management approach towards risk taking. The risk management process at Cargills encompasses practices relating to identification, analysis, evaluation, mitigation and monitoring of the strategic, operational, financial, external and hazard risks. The risk management process positively contributes to business improvement by providing management with a greater insight into risks and their impacts.

The iterative risk management process is depicted below.





## Enterprise Risk Management contd.

### Overview of Key Risks Affecting the Business

Risk Area	Potential Impact	Mitigation Action
Employee Retention and Talent Management	Failure to attract, retain and develop people with the right caliber could severely impact the long-term growth potential of the business.	HR planning, recruitment, training and development programs, employee welfare and reward and recognition aspects are effectively carried out to be in line with market demands and to demonstrate a strong value proposition to employees.
Product Quality and Safety	Unsatisfactory safety and quality levels of products impact customer trust and confidence and affect business performance.	Robust quality assurance practices are in place throughout the value chain to ensure food safety and quality. Required quality and standard certification are obtained to affirm the product and process quality.
Competition	Increased competition in the Retail, FMCG and Restaurant sectors have a potential impact on our long term revenue and profitability.	We continuously assess the business environment and incorporate changes into our business model to maintain agility in order to be competitive in the market and to enhance the customer experience.
Consumer Buying Power	Declining GDP, loss of employment, reduction in employment benefits and reduced foreign remittances lead to a reduction in personal disposable income which can negatively impact the demand for our products.	We continuously attempt to provide value for money with our products offered by our retail and FMCG sectors and also in the restaurant sector with enhanced services.
Reputation	Failure to protect the reputation of the group and brands could lead to a loss of trust and confidence and affect the customer base.	Measures are in place to maintain the quality of products, processes and people. Cargills Values and Code of Conduct are embedded into our engagement processes with the customers, suppliers and other stakeholders. Systems are in place to capture feedback and address the concerns of all stakeholders.
Business Strategy	Selection of a wrong business strategy or failure to implement the strategies effectively could impact the business performance.	Our robust strategic management process involves all key internal stakeholders and led by senior management. Strategies are communicated clearly to employees at all levels. Implementation of strategies is monitored regularly to ensure they are executed as planned.
Inventory and Supply Chain	Interruption to supply of goods and materials affects our operations. Poor management of inventory increases the risk of obsolete inventory, stock adjustments as well as stock holding costs.	Supply chain risk is managed through centralized procurement function, sourcing from a broader supplier base, effective vendor management , effective portfolio management, stringent inventory control measures and adequate insurance cover.

Risk Area	Potential Impact	Mitigation Action
Health and Safety	The inability to provide a safe working environment results in injuries or loss of life that cannot be measured in financial terms.	Stringent health and safety processes are in place and regular health and safety reviews are conducted to ensure safety and hazard free environment for the employees, customers and other stakeholders.
Cyber Security	Circumventing information security controls through a cyber-attack can cause substantial impairment to the business by means of economic cost, reputational damage and legal consequences.	The company has recognized that it is extremely important to manage cyber risks on a continuous basis. Periodic reviews of current information security controls are carried out by the internal team which is further strengthened with periodic reviews made by an independent organization specialized in cyber security. Appropriate investments are made as recommended by the expert teams to upgrade, replace or implement new systems or controls.
IT systems and infrastructure	Failure of key IT systems and outdated IT infrastructure could have a substantial impact on our business operations.	The existing IT systems and infrastructure are reviewed regularly and upgrades or replacements are made as appropriate. All third party supplied hardware and software are covered by up to date maintenance agreements.
Funding and Liquidity	Inability to source adequate funds for ongoing business operations, the expansion projects and also for other investments can negatively impact the business operations.	Internally generated funds are utilized for investments as much as possible. A combination of long term and short term borrowings is utilized for financing. The Group has established banking facilities with all major banks and financial institutions and adequate collateral to obtain funds as and when required.
Credit Management	There would be adverse impacts on the liquidity position as a result of payment delays and non-payment by customers.	Sales to our distributors are covered by bank guarantees. Robust credit control process is in place to avoid bad debts.
Regulatory 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.	Appropriate strategies are developed through regularly monitoring the changes in the regulations and their impact on the business. Adherence to regulations by the business is closely monitored.
Interest Rates	Steep upward movement in the interest rate could have a severe impact on the financial performance of the Group.	The Group operations are funded by long term loans and short term loans with floating interest rates. Interest rates movements are monitored and appropriate steps are taken to mitigate the financial impact due to the interest rate fluctuations.

## Enterprise Risk Management contd.

Risk Area	Potential Impact	Mitigation Action
Foreign Exchange Rates	Fluctuation of foreign exchange rates have an impact on the prices of imported raw material, equipment and consumer products sold through retail chain and Millers.	Foreign exchange rates are monitored by our import division and necessary steps are taken to minimize the adverse impacts.
Commodity Prices	Fluctuations in the commodity prices could affect the prices of raw material as well as the products sold through our retail chain.	Measures including monitoring market prices, alternate sourcing arrangements and forward booking are in place to manage commodity price fluctuations in the market.
Hazards	Hazards such as natural disasters, civil unrest, terrorist attacks could adversely affect the business operations.	Contingency plans are in place to mitigate the hazard risks and to ensure the business continuity. Adequate insurance covers are obtained against all identified risks.
Sustainability	Inability to address negative impacts to the environment and society can affect the long term survival of the organization.	Continuous efforts are in place to minimize plastic usage, use of non-renewable energy, harmful waste disposal and excessive water consumption. We support our farming community with sustainable farming practices.
Pandemic	Pandemics can result in business interruptions, health and safety and food security concerns. It may also necessitate changes to the business models.	Contingency plans are in place to mitigate the pandemic risks and to ensure the business continuity. Adequate measures are in place to ensure health and safety of customers and employees and food security.

# Financial Statements

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

The Directors are pleased to submit the Annual Report together with the audited financial statements of Cargills (Ceylon) PLC and consolidated audited financial statements of the Group for the year ended 31 March 2020 which were approved by the Board of Directors on 05 August 2020.

## Review of the Year

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

## Activities

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

## The Group:

- Operates a chain of supermarkets and convenience stores
- Distributes world renowned FMCG brands.
- Manufactures/produces/processes and markets processed meat, dairy ice cream, yoghurt, cheese, milk, nectars & fruit juices, jams, cordials, sauces, and biscuits.
- Operates the 'Kentucky Fried Chicken' and 'TGIF' franchise restaurants in Sri Lanka
- Operates a Hotel in the hill-country.
- 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 2020 given on pages 70 to 155 form an integral part of the Annual Report of the Board.

## Auditor's Report

The independent auditor's report is set out on pages 64 – 68.

## Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on the pages 76 to 155.

## Results and Dividends

	Group		Company	
For the year ended 31st March	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit for the year after taxation amounted to	2,761,419	2,033,813	652,460	1,540,019
Less: Amount attributable to non controlling interest	(69,327)	(53,567)	-	-



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

	Group		Company	
For the year ended 31st March	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
The profit attributable to shareholders was	2,692,092	1,980,246	652,460	1,540,019
To which profit brought forward from previous year is added	9,210,192	7,743,933	5,854,635	4,814,260
Other comprehensive income	(10,353)	(27,587)	(9,801)	(13,244)
Adjustment on initial application of SLFRS 16, net of tax	(781,355)	-	(17,598)	-
Transfer of value of expired employee share options	83,597	-	83,597	-
Leaving an amount available to the appropriation of	11,194,173	9,696,592	6,563,293	6,341,035
From which your directors have made appropriation as follows:				
Dividend paid for the year ended 31st March 2019				
Interim Rs. 1.90 per share for Financial Year 2018/19	-	486,400	-	486,400
Final Rs. 4.10 per share for Financial Year 2018/19	1,054,606	-	1,054,606	-
Dividend paid for the year ended 31st March 2020				
Interim Rs. 1.90 per share for Financial Year 2019/20	488,720	-	488,720	-
Leaving an unappropriated balance to be carried forward of	9,650,847	9,210,192	5,019,967	5,854,635

A final dividend of Rs. 4.10 per share (Rs.1054.61 Mn) was paid on 05 Aug 2019 for the year ended 31st March 2019. 1st interim dividend of Rs. 1.90 per share (Rs. 488.72 Mn) was paid on 12 December 2019 for the year ended 31 March 2020. A final dividend of Rs. 3.20 per share is proposed for the year ended 31st March 2020. This will be reflected in the subsequent year's financial statements. (Refer Note 34 to the financial statements on page 143 )

### Reserves

After the above mentioned appropriations, the total reserves of the Group stands at Rs. 11,093 Mn (2019 - Rs. 10,890 Mn), while the total reserves of the Company stands at Rs. 5,241 Mn (2019- Rs. 6,111 Mn).

### Stated Capital

Stated Capital of the company as at 31 March 2020 was Rs. 6,757 Mn (2019 - Rs. 6,531 Mn). The detail of the stated capital is given in Note 22 to the financial statements on page 122.

### Capital Expenditure

The Group's capital outlay on property, plant and equipment amounted to Rs. 5,452 Mn (2019 - Rs. 5,233 Mn) while the capital outlay of the Company on property, plant and equipment amounted to Rs. 33 Mn (2019 - Rs. 76 Mn). Details are given in the Statement of Cash Flows on page 75.

The movement of property, plant and equipment during the year is given in Note 12 to the financial statements on pages 100 to 102.

### Investment Property

The fair value of land and buildings classified as investment property of the Group and the Company as at 31 March 2020 amounted to Rs. 1,857 Mn and Rs. 4,029 Mn respectively. Details of investment property held by the Group and the Company are disclosed in Note 14 to the Financial Statements on page 108.

### Market Value of Properties

The land and buildings of the Group were revalued as at 31 March 2018. Details are given in Note 12 to the financial statements on page 103. 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 158 and 159 in the financial statements.

### Shareholdings

The Company is a subsidiary of C T Holdings PLC and there were 1,869 registered shareholders as at 31 March 2020 (31 March 2019 - 1,811).

An analysis of shareholdings according to the size of holding and the names of the 20 largest shareholders is given on page 160 and 161.

### Directorate

The Directors listed on the inner back cover have been directors of the company throughout the year under review, other than the Directors against whose names dates of cessation, resignation, and appointment have been indicated.

Ms. C. I. Malwatte who was appointed on 01 February 2020 retires in terms of the Company's Articles of Association and being eligible offers herself for re-appointment at the annual general meeting.

Mr. S.E.C. Gardiner retires by rotation in terms of the Company's Articles of Association and being eligible offers himself for re-election.

Messrs. L. R. Page, A. T. P. Edirisinghe, Sunil Mendis and E. A. D. Perera having surpassed seventy years are due to retire in terms of Section 210 (2) (b) of the Companies Act No. 07 of 2007 at the conclusion of the annual general meeting, and offer themselves for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 07 of 2007.

Mr. P. D. Rodrigo who has been a Director since 01 July 2016, retires from the directorate in terms of Section 210 (2) (b) of the Companies Act No. 07 of 2007 at the conclusion of the annual general meeting having surpassed seventy years of age. He does not seek re-election.

The re-election of the retiring Directors has the unanimous support of the other Directors.

### Directors' Remuneration

The remuneration of the directors is given in Note 35.1 on page 144 to the consolidated financial statements.

### Directors' Interests in Contracts

Directors' interests in transactions of the company are disclosed in Note 35.4 to the financial statements on page 145 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.

### Directors' Shareholdings

The Directors' shareholdings in the Company were as follows:

As at 31st March	2020	2019
Mr. Louis Page	42,011	42,011
Mr. Ranjit Page	17,573,814	17,335,169
Mr. Imtiaz Abdul Wahid	111,379	4,571
Mr. Priya Edirisinghe	-	57,143
Mr. Sanjeev Gardiner	22,857	22,857
Mr. Sunil Mendis	22,857	22,857
Mr. Joseph Page	520,000	520,000
Mr. Errol Perera	11,429	11,429
Mr. Deva Rodrigo	-	-
Mr. Asoka Pieris	-	-
Mr. Yudhishtan Kanagasabai	-	-
Mrs. Indira Malwatte	-	-

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

## Donations

During the year donations amounting to Rs. 115,000 were made by the Company. In addition, the Group made investments amounting to Rs. 47.72 Mn for various community projects during the financial year.

## Employment

The number of persons employed by the Company and Group as at 31 March 2020 was 2,095 (2019 – 1,902) and 10,522 (2019 – 8,932), respectively.

There have been no material issues pertaining to employees and industrial relations of the Company and the Group.

## Employee Share Option Scheme (ESOS)

Details of the options granted, options exercised, the grant price and the options cancelled or lapsed and outstanding as at 31 March 2020, are disclosed in Note 24.1 to the financial statements on page 125 to 127.

The Directors confirm that the Company has not granted any funding to employees to exercise options.

## Auditor

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 Auditor and the fee paid to the Auditor are disclosed in Note 08 to the financial statements on page 92. 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 Group are given in Note 34 to the financial statements on page 143.

## 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)  
**H S Ellawala**  
*Company Secretary*

05 August 2020

## Statement of Directors' Responsibility

The Companies Act No.07 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 64 to 68.

Considering the present financial position of the Company and of the Group and the forecasts for the next year, the Directors have adopted the going concern basis for the preparation of these financial statements.

The Directors confirm that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs) which have been supported by reasonable and prudent judgments and estimates.

The Directors are responsible for ensuring that the Company and the Group maintain adequate accounting records to be able to disclose with reasonable accuracy, the financial position of the Company and the Group and for ensuring that the financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act and the Listing Rules of the Colombo Stock Exchange.

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

**H S Ellawala**

*Company Secretary*

05 August 2020

# Independent Auditor's Report



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426  
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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, 2020, 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 70 to 155 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, 2020, 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 18 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 of the business" or "investment assets" due to the uncertainties that exist with respect of the interpretation of the application. In the event the Group's position is not held by the Authorities, the impact on the Company and the Group is disclosed in Note 18 to the financial statements. Our opinion is not modified in respect of this matter.

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

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan FCA	M.N.M. Shameel ACA	Ms. C.T.K.N. Perera ACA
A.M.R.P. Alahakoon ACA		
<b>Principals</b> - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K Sumanasekara FCA		



### 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.

Risk Description	Our Response
<p><b>Valuation of Investment Property – Group</b></p> <p>As described in Note 14 the Group has recognised Investment Property in the amount of Rs. 1,857 Mn (2019: Rs. 1,819 Mn).</p> <p>Management's assessment of fair value of investment properties is based on valuations performed by a qualified independent property valuer in accordance with recognised industry standards.</p> <p>Valuation of investment properties is considered a Key Audit Matter due to the subjective nature of property valuations using level 3 assumptions which depend on the nature of property, its location and expected future net rental values, market yields, value per square foot, market price per perch, capitalisation rates and comparable market transactions. A change in the key assumptions will have a significant impact to the valuation.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Assessing the objectivity, independence, competence and qualifications of the external valuer.</li> <li>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 recognised industry standards.</li> <li>Assessing the adequacy of disclosures made in the financial statements in relation to fair value of investment properties.</li> </ul>
<p><b>Carrying value of inventories - Group</b></p> <p>As described in Note 19 the Group has recognised Inventory in the amount of Rs. 10,537 Mn (2019: Rs. 9,762 Mn).</p> <p>The Group holds a significant level of inventory across a broad and diversified product range, over many locations. At 31 March 2020 14.8% of total assets of the Group consisted of inventory.</p> <p>Due to the change in consumer demands judgment is exercised with regard to categorisation of stock as obsolete and/or slow moving to be considered for provision/write offs; estimates are then involved in arriving at provisions against cost in respect of slow moving and obsolete inventories located in 14 locations of the subsidiaries and many outlets to arrive at valuation based on lower of cost and net realisable value. Given the level of judgments, estimates, number of items and locations involved this is considered to be a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Testing the design and implementation and operating effectiveness of the key controls over inventories.</li> <li>Assessing whether the Group's policies had been consistently applied in respect of the judgment and estimates made in respect of inventory provisioning.</li> <li>Considering the principles of accounting for the inventory write offs and also carrying out a comparison of inventory levels, to sales data to corroborate whether slow moving and obsolete inventories had been appropriately identified.</li> <li>Attending stock counts as at the year end at sample locations of supermarkets, outlets and warehouses. In addition, assessing the effectiveness of the physical count controls in operation at each count location to identify damaged stocks, expired stocks and stock shortages that are written off in a timely manner and evaluating the results of the other cycle counts performed by the management and third parties throughout the period to assess the level of count variances that are also adjusted periodically.</li> </ul>



Independent Auditor's Report contd.

Risk Description	Our Response
<b>Transition to SLFRS 16, Leases - Group</b>  <p>As described in Note 2.11.1 &amp; 3.9 (accounting policies) and Note 13 (Leases), the Group has recognised right of use assets in the amount of Rs. 8,488 Mn and lease liabilities in the amount of Rs. 9,768 Mn, at the date of transition.</p> <p>The Group adopted SLFRS 16, Leases, on 1 April 2019 on a modified retrospective basis. SLFRS 16 requires, among other matters, a lessee to recognise a right-of-use asset and lease liability for most operating leases.</p> <p>Impact assessment of SLFRS 16 is significant to our audit, as the balances recognised in the financial statements are material, policy election required for the new accounting standard, the implementation process to identify and process all relevant data associated with the leases is complex and the measurement of the right-of-use asset and lease liability is based on assumptions such as discount rates (incremental borrowing rate) and the lease term, including termination and renewal options.</p> <p>The adjustments arising from applying SLFRS 16 are material to the Group, and the disclosure of impact is a key focus area in our audit. Therefore, this is considered to be a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluating management's process and controls implemented to identify lease contracts to be assessed based on the selected transition approach and any practical expedients applied.</li> <li>• Evaluating the appropriateness of the selection of accounting policies based on the requirements of SLFRS 16 and transition approach.</li> <li>• Assessing whether transition gave rise to any indicators of management bias by evaluating the reasonableness of management's key judgements and estimates made in preparing the transition adjustments.</li> <li>• Evaluating the completeness, accuracy and relevance of data used in preparing the transition adjustments as of 1 April 2019.</li> <li>• Assessing the adequacy of the disclosures of the impact of the new standard on the consolidated financial statements.</li> </ul>
<b>Revenue - Group</b>  <p>As described in Note 4 the Group has recognised revenue in the amount of Rs. 107,052 Mn (2019: Rs. 94,663 Mn).</p> <p>For the financial year ended 31 March 2020, revenue from the sale of goods from the retail and FMCG segment continued to be the main revenue stream for the Group amounting to Rs. 102,900 Mn which is 96% of Group revenue.</p> <p>Based on the Group's business model, there are many different types of revenues, arising from different types of transactions and events with customers.</p> <p>We identified revenue recognition as a key audit matter because of its significance to the consolidated financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluating the appropriateness of the Group's revenue recognition policies, including the recognition, measurement and classification criteria as well as disclosure requirements as per SLFRS 15.</li> <li>• Testing the operating effectiveness of key controls over the revenue recognition and measurement.</li> <li>• Testing the operating effectiveness of key IT application controls over revenue, in addition to evaluating the integrity of the general IT control environment.</li> <li>• Performing test of details over revenue by inspecting a sample of invoices and credit notes.</li> </ul>

**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.

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

## Independent Auditor's Report contd.



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.

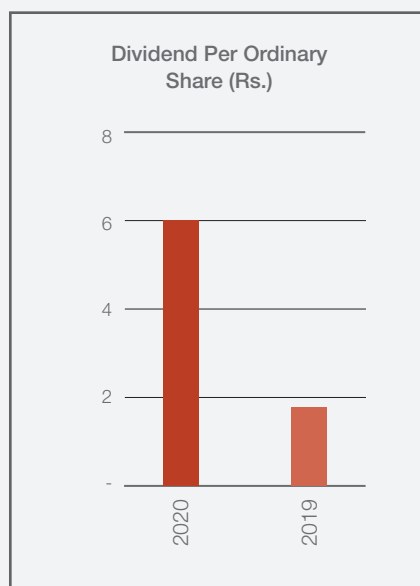
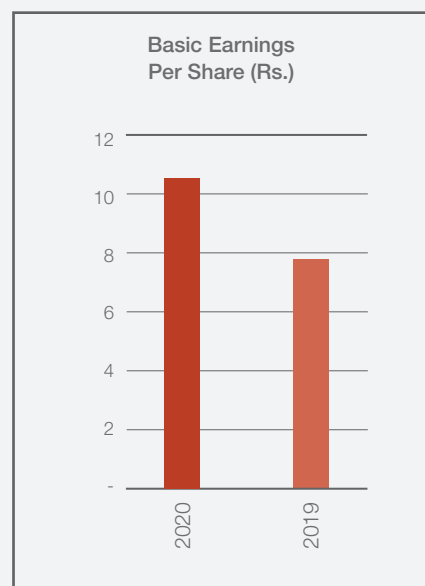
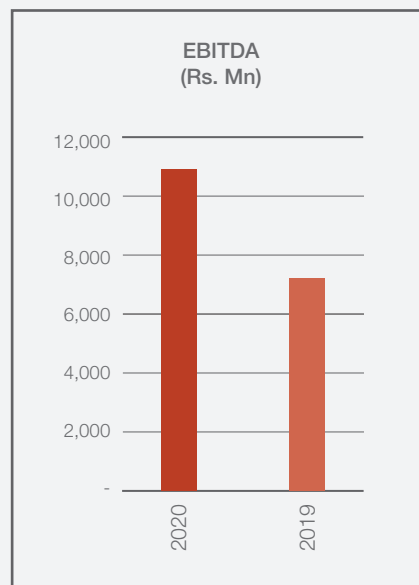
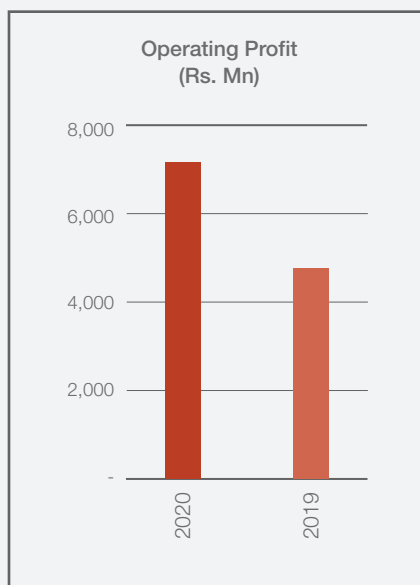
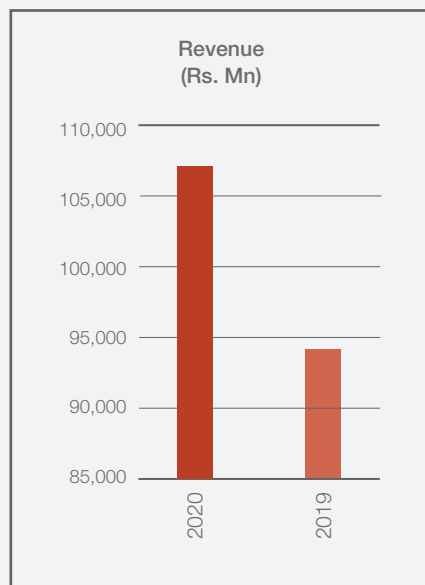
CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1798.

*(Signed)*

**CHARTERED ACCOUNTANTS**  
Colombo, Sri Lanka

5 August, 2020

## Group Financial Performance



# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Revenue	4	107,051,866	94,662,991	96,461	18,743
Cost of sales	5	(95,224,472)	(85,434,302)	(96,419)	(17,933)
<b>Gross profit</b>		<b>11,827,394</b>	<b>9,228,689</b>	<b>42</b>	<b>810</b>
Other income	6	2,185,204	2,179,674	1,631,343	2,754,486
Distribution expenses		(2,963,015)	(2,906,096)	(7,970)	(9,319)
Administrative expenses		(3,370,018)	(3,292,433)	(666,971)	(718,798)
Other expenses		(618,944)	(527,508)	(104,531)	(96,353)
<b>Results from operating activities</b>		<b>7,060,621</b>	<b>4,682,326</b>	<b>851,913</b>	<b>1,930,826</b>
Net finance cost	7	(2,627,621)	(1,424,664)	(279,290)	(345,359)
Changes in fair value of investment property	14	36,700	91,212	166,017	32,336
Share of profit/(loss) of equity accounted investees, net of tax	16.4	(270,066)	54,061	-	-
<b>Profit before tax</b>	<b>8</b>	<b>4,199,634</b>	<b>3,402,935</b>	<b>738,640</b>	<b>1,617,803</b>
Income tax expense	9	(1,438,215)	(1,369,122)	(86,180)	(77,784)
<b>Profit for the year</b>		<b>2,761,419</b>	<b>2,033,813</b>	<b>652,460</b>	<b>1,540,019</b>
<b>Other comprehensive income (OCI)</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Actuarial gain/(loss) on employee benefit liability	28.3	(59,313)	(11,961)	(13,613)	(18,395)
Share of other comprehensive income/(expense) in equity accounted investee, net of tax	16.4	29,823	(18,591)	-	-
Net change in fair value of equity investments at FVOCI	16.3.1	(3,055)	(5,131)	(3,070)	(5,114)
Tax on other comprehensive income	18	16,631	3,349	3,812	5,151
<b>Other comprehensive income for the year, net of tax</b>		<b>(15,914)</b>	<b>(32,334)</b>	<b>(12,871)</b>	<b>(18,358)</b>
<b>Total comprehensive income for the year</b>		<b>2,745,505</b>	<b>2,001,479</b>	<b>639,589</b>	<b>1,521,661</b>
<b>Profit attributable to:</b>					
Equity holders of the parent		2,692,092	1,980,246	652,460	1,540,019
Non-controlling interest		69,327	53,567	-	-
<b>Profit for the year</b>		<b>2,761,419</b>	<b>2,033,813</b>	<b>652,460</b>	<b>1,540,019</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent		2,678,684	1,947,528	639,589	1,521,661
Non-controlling interest		66,821	53,951	-	-
<b>Total comprehensive income for the year</b>		<b>2,745,505</b>	<b>2,001,479</b>	<b>639,589</b>	<b>1,521,661</b>
<b>Earnings per share</b>					
Basic (Rs.)	10.1	10.47	7.70	2.54	5.99
Diluted (Rs.)	10.2	10.46	7.69	2.54	5.98

Figures in brackets indicate deductions

The notes on pages 76 to 155 are an integral part of these financial statements.

# Statement of Financial Position

As at 31 March	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	12	30,694,180	27,877,020	2,784,641	2,801,303
Right of use assets	13.1	10,170,741	-	185,904	-
Investment property	14	1,856,914	1,818,798	4,028,718	3,514,555
Intangible assets	15	1,385,814	1,412,714	1,615	22,203
Investments in subsidiaries	16.1	-	-	2,993,191	2,963,591
Investment in equity accounted investees	16.2	5,037,504	5,296,632	5,094,787	5,113,672
Other financial assets	16.3	11,482	14,537	11,393	14,463
Prepayment on leasehold land and building	17	200,912	212,108	-	140,208
Deferred tax asset	18	18,311	10,747	-	-
Total non-current assets		49,375,858	36,642,556	15,100,249	14,569,995
Current assets					
Inventories	19	10,536,870	9,762,036	21,471	11,943
Trade and other receivables	20	7,261,524	6,988,908	690,249	1,682,799
Amounts due from related companies	21	1,008,226	913,394	1,105,756	1,037,244
Other financial assets	16.3	881,034	860,130	-	-
Cash and cash equivalents	25	2,134,579	3,108,402	5,657	230,297
Total current assets		21,822,233	21,632,870	1,823,133	2,962,283
Total assets		71,198,091	58,275,426	16,923,382	17,532,278
EQUITY					
Stated capital	22	6,756,591	6,530,709	6,756,591	6,530,709
Other equity	23	(3,659,385)	(3,456,493)	-	-
Reserves	24	5,101,211	5,136,662	221,379	256,845
Retained earnings		9,650,847	9,210,192	5,019,967	5,854,635
Total equity attributable to equity holders of the parent		17,849,264	17,421,070	11,997,937	12,642,189
Non-controlling interest		515,554	521,831	-	-
Total equity		18,364,818	17,942,901	11,997,937	12,642,189
LIABILITIES					
Non-current liabilities					
Interest bearing loans and borrowings	26	10,957,940	409	50,356	-
Deferred tax liability	18	1,058,391	1,386,624	212,756	193,443
Capital grants	27	38,937	50,419	-	-
Employee benefit liability	28	1,231,890	1,072,680	517,114	445,935
Put liability	23	-	3,456,493	-	-
Total non-current liabilities		13,287,158	5,966,625	780,226	639,378
Current liabilities					
Trade and other payables	29	13,726,209	14,956,675	271,302	620,367
Current tax liabilities		3,174,755	2,501,500	135,717	90,869
Amounts due to related companies	21	15,208	5,822	53,009	4,238
Dividend payable	30	79,629	64,588	79,629	64,589
Interest bearing loans and borrowings	26	18,890,929	16,837,315	3,605,562	3,470,648
Put liability	23	3,659,385	-	-	-
Total current liabilities		39,546,115	34,365,900	4,145,219	4,250,711
Total liabilities		52,833,273	40,332,525	4,925,445	4,890,089
Total equity and liabilities		71,198,091	58,275,426	16,923,382	17,532,278

Figures in brackets indicate deductions.

The notes from pages 76 to 155 are an integral part of these financial statements.

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

(Signed)

Dilantha Jayawardhana  
Group Chief Financial Officer

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

(Signed)

Ranjit Page  
Deputy Chairman / CEO

(Signed)

Imtiaz Abdul Wahid  
Managing Director / Deputy CEO

05 August 2020  
Colombo

# Statement of Changes in Equity - Group

Group	Stated capital	Capital reserve	Revaluation reserve	FVOCI reserve	Other equity	Employee share option reserve	Retained earnings	Non controlling interest	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2018	6,530,709	7,928	4,884,927	-	(3,089,325)	150,970	7,843,183	491,919	16,820,311
Adjustment on initial application of SLFRS 9 from equity accounted investees, net of tax	-	-	-	1,418	-	-	(99,250)	-	(97,832)
Adjusted balance as at 1 April 2018	6,530,709	7,928	4,884,927	1,418	(3,089,325)	150,970	7,743,933	491,919	16,722,479
Profit for the period	-	-	-	-	-	-	1,980,246	53,567	2,033,813
Other comprehensive income	-	-	-	(5,131)	-	-	(27,587)	384	(32,334)
Total comprehensive income	-	-	-	(5,131)	-	-	1,952,659	53,951	2,001,479
Transactions with owners of the Company, recognized directly in equity									
Put option over non-controlling interests	-	-	-	-	(367,168)	-	-	-	(367,168)
Equity-settled share based payment	-	-	-	-	-	96,550	-	-	96,550
Dividends (Note 11)	-	-	-	-	-	-	(486,400)	(24,039)	(510,439)
Balance as at 31 March 2019	6,530,709	7,928	4,884,927	(3,713)	(3,456,493)	247,520	9,210,192	521,831	17,942,901
Balance as at 1 April 2019	6,530,709	7,928	4,884,927	(3,713)	(3,456,493)	247,520	9,210,192	521,831	17,942,901
Adjustment on initial application of SLFRS 16, net of tax	-	-	-	-	-	-	(781,355)	(64,341)	(845,696)
Adjusted balance as at 1 April 2019	6,530,709	7,928	4,884,927	(3,713)	(3,456,493)	247,520	8,428,837	457,490	17,097,205
Profit for the period	-	-	-	-	-	-	2,692,092	69,327	2,761,419
Other comprehensive income	-	-	-	(3,055)	-	-	(10,353)	(2,506)	(15,914)
Total comprehensive income	-	-	-	(3,055)	-	-	2,681,739	66,821	2,745,505
Transactions with owners of the Company, recognized directly in equity									
Exercise of share options (Note 22)	225,882	-	-	-	-	-	-	-	225,882
Put option over non-controlling interests	-	-	-	-	(202,892)	-	-	-	(202,892)
Equity-settled share based payment	-	-	-	-	-	51,201	-	-	51,201
Transfer of value of expired employee share options (Note 24.1.3)	-	-	-	-	-	(83,597)	83,597	-	-
Dividends (Note 11)	-	-	-	-	-	-	(1,543,326)	(8,757)	(1,552,083)
Balance as at 31 March 2020	6,756,591	7,928	4,884,927	(6,768)	(3,659,385)	215,124	9,650,847	515,554	18,364,818

Figures in brackets indicate deductions.

The notes from pages 76 to 155 are an integral part of these financial statements.



# Statement of Changes in Equity - Company

Company	Stated capital Rs. '000	Revaluation reserve Rs. '000	FVOCI reserve Rs. '000	Employee share option reserve Rs. '000	Retained earnings Rs. '000	Total Equity Rs. '000
Balance as at 1 April 2018	6,530,709	14,439	-	150,970	4,814,260	11,510,378
Profit for the period	-	-	-	-	1,540,019	1,540,019
Other comprehensive income	-	-	(5,114)	-	(13,244)	(18,358)
Total comprehensive income	-	-	(5,114)	-	1,526,775	1,521,661
Transactions with owners of the Company, recognized directly in equity						
Equity-settled share based payment	-	-	-	96,550	-	96,550
Dividends (Note 11)	-	-	-	-	(486,400)	(486,400)
Balance as at 31 March 2019	6,530,709	14,439	(5,114)	247,520	5,854,635	12,642,189
Balance as at 1 April 2019	6,530,709	14,439	(5,114)	247,520	5,854,635	12,642,189
Adjustment on initial application of SLFRS 16, net of tax	-	-	-	-	(17,598)	(17,598)
Adjusted balance as at 1 April 2019	6,530,709	14,439	(5,114)	247,520	5,837,037	12,624,591
Profit for the period	-	-	-	-	652,460	652,460
Other comprehensive income	-	-	(3,070)	-	(9,801)	(12,871)
Total comprehensive income	-	-	(3,070)	-	642,659	639,589
Transactions with owners of the Company, recognized directly in equity						
Exercise of share options (Note 22)	225,882	-	-	-	-	225,882
Equity-settled share based payment	-	-	-	51,201	-	51,201
Transfer of value of expired employee share options (Note 24.1.3)	-	-	-	(83,597)	83,597	-
Dividends (Note 11)	-	-	-	-	(1,543,326)	(1,543,326)
Balance as at 31 March 2020	6,756,591	14,439	(8,184)	215,124	5,019,967	11,997,937

Figures in brackets indicate deductions.

The notes from pages 76 to 155 are an integral part of these financial statements.

## Statement of Cash Flows

For the year ended 31 March	Note	Group		Company	
		2020	2019	2020	2019
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash flows from operating activities					
Profit before taxation		4,199,634	3,402,935	738,640	1,617,803
Adjustments for:					
Depreciation on property,plant and equipment	12	2,602,530	2,431,028	50,059	46,518
Employee benefit expense	28	228,302	193,311	86,962	73,034
Amortisation of intangible assets	15	92,097	96,410	20,588	34,456
Amortisation of prepayment on leasehold land and building	17	-	4,727	-	3,852
Depreciation of right of use assets	13	1,074,641	-	14,997	-
Amortisation of deferred income	27	(11,482)	(11,482)	-	-
Gain on disposal of property, plant and equipment	6	(5,090)	(43,531)	(3,438)	(1,250)
Change in fair value of investment property	14	(36,700)	(91,212)	(166,017)	(32,336)
Impairment of / (reversal of impairment) for inventories		(527)	(6,418)	-	-
Impairment of / (reversal of impairment) for trade receivable and other receivables		68,999	22,621	(500)	4,560
Net finance costs	7	2,627,621	1,424,664	279,290	345,359
Dividend income	6	(669)	(664)	(502,388)	(1,758,360)
Impairment of investment in associate	16	18,885	7,767	18,885	7,767
Share of (profit) / loss on equity accounted investees, net of tax	16	270,066	(54,061)	-	-
Equity settled share based payment transactions		49,120	92,629	19,520	36,809
Operating profit before working capital changes		11,177,427	7,468,724	556,598	378,212
Changes in working capital					
- (Increase) / decrease in inventories		(774,307)	(92,758)	(9,528)	(6,574)
- (Increase) / decrease in trade and other receivables		(631,589)	(1,229,959)	970,255	63,376
- (Increase) / decrease in amount due from related companies		(92,751)	(85,322)	(66,716)	(130,305)
- Increase / (decrease) in trade and other payables		(532,006)	1,589,490	(349,065)	200,182
- Increase / (decrease) in amount due to related companies		9,386	2,647	48,771	(17,004)
Cash generated from operations		9,156,160	7,652,822	1,150,315	487,887
Income taxes paid		(896,398)	(1,426,869)	(4,886)	(137,436)
Interest paid		(1,655,150)	(1,704,721)	(376,323)	(447,788)
Retiring gratuity paid	28	(128,405)	(55,504)	(29,111)	(21,153)
Net cash generated (used in) / from operating activities		6,476,207	4,465,728	739,995	(118,490)

For the year ended 31 March	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cash flows from investing activities					
Acquisition and construction of property, plant and equipment	12	(5,452,267)	(5,233,383)	(33,397)	(75,817)
Acquisition and construction of investment property	14	(1,416)	(1,034)	(348,146)	(275,210)
Acquisition of intangible assets	15	(65,197)	(197,437)	-	(1,814)
Interest income received	7	229,418	280,057	104,416	102,429
Dividend received	6	669	664	502,388	643,141
Proceeds from disposal of property, plant and equipment	6	37,667	45,683	3,438	1,250
(Addition) / disposal to other financial assets		(20,904)	113,351	-	-
Addition to prepayment on leasehold land and building	17	(150,887)	(50,025)	-	-
Net cash generated (used in) / from investing activities		(5,422,917)	(5,042,124)	228,699	393,979
Cash flows from financing activities					
Proceeds from issue of shares	23	225,882	-	225,882	-
Net proceeds from / (repayment of) short term borrowings		(148,427)	2,149,422	(445,000)	445,000
Net proceeds from / (repayment of) long term borrowings		(1,145)	(1,137)	-	-
Lease payments	13	(1,928,909)	-	(14,759)	-
Dividend paid to shareholders	11	(1,528,285)	(490,041)	(1,528,286)	(485,647)
Dividend paid to non-controlling interest		(8,757)	(24,039)	-	-
Net cash generated (used in) / from financing activities		(3,389,641)	1,634,205	(1,762,163)	(40,647)
Net increase in cash and cash equivalents		(2,336,351)	1,057,809	(793,469)	234,842
Cash and cash equivalents					
At the beginning of the year		288,569	(769,240)	199,649	(35,193)
Movement during the year		(2,336,351)	1,057,809	(793,469)	234,842
At the end of the year		(2,047,782)	288,569	(593,820)	199,649

The figures in brackets indicate deductions.

The notes from pages 76 to 155 are an integral part of these financial statements.

# Notes to the Financial Statements

## 1. Corporate Information

### 1.1 Reporting Entity

Cargills (Ceylon) PLC ('the Company') is a Quoted Public Limited Liability Company domiciled in Sri Lanka and listed in the Colombo Stock Exchange. The Company's registered office is located at No. 40, York Street, Colombo 1.

### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Group for the year ended 31 March 2020 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 C T Holdings PLC which is a Quoted Public Limited Liability Company domiciled in Sri Lanka and listed in the Colombo Stock Exchange.

### 1.4 Number of Employees

The staff strength of the Company as at 31 March 2020 is 2,095 (1,902 as at 31 March 2019).

The staff strength of the Group as at 31 March 2020 is 10,522 (8,932 as at 31 March 2019).

### 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', 'Food City Express' and 'Food Hall'.

- 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 'Goldi', 'Cargills Finest' 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', 'Tang', 'Oreo', 'Lotte', 'Loacker', 'Toblerone', 'Energizer', 'Bega', 'Langnese', and 'Indomie' etc.

- 5) production, importation and distribution of agricultural seeds.

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

## 2. Basis of Preparation

### 2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31 March 2020 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:

- Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Group for the year under review;
- Statement of Financial Position providing the information on the financial position of the Group as at the year-end;
- Statement of Changes in Equity depicting all changes in shareholder's equity of the Group during the year under review;
- Statement of Cash Flows providing the information to the users, on the ability of the Group to generate cash and cash equivalents during the year under review; 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.

This is the first set of the Group's annual Financial Statements in which SLFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 2.11.

## 2.2 Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of these Financial Statements of 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 Directors, Statement of Directors' Responsibility, and the certification on the Statement of Financial Position.

## 2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Group for the year ended 31 March 2020 (including comparatives) were approved and authorized by the Board of Directors for issue on 05 August 2020.

## 2.4 Basis of Measurement

The Financial Statements of 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.
Land and Building	Cost / Revaluation	12
Investment Properties	Fair Value	14
Equity Investments at FVOCI	Fair Value	16.3
Employee Benefit Liability	Present value of the defined benefit obligation	28
Put liability	Present value of exercise price	23
Employee share option reserve	Fair value	24.1

## 2.5 Presentation of Financial Statements

The assets and liabilities of 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 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 realise the assets and settle the liability simultaneously. Income and expenses are not offset in the 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 Financial Statements of the Group are presented in Sri Lankan Rupees (Rs.), which is the Group's functional and presentation currency.

All financial information presented in rupee has been rounded to the nearest thousands, unless otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements'.

## 2.7 Materiality and Aggregation

Each material class of similar items is presented as a group in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

## 2.8 Comparative Information

Comparative information is reclassified wherever necessary to conform with the current year's presentation.

## 2.9 Use of Judgements and Estimates

In preparing these Financial Statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

## Notes to the Financial Statements contd.

### 2.9.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Financial Statements is included in the following notes:

- Note 4 - Revenue Recognition: whether revenue from made-to-order products is recognised over time or at a point in time;
- Note 13 - Lease Term: whether the Group is reasonably certain to exercise extension options; and
- Note 18 - Deferred Tax Liabilities: Determination of whether lands should be considered as a business asset or an investment asset.

### 2.9.2 Assumption

Information about assumptions and estimation uncertainties at 31 March 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 28 - Measurement of defined benefit obligations: key actuarial assumptions;
- Note 19 - Provision for inventory;
- Note 14 - Determination of fair value of investment property: key valuation assumptions;
- Note 24.1 - Determination of fair value of ESOS at grant date;
- Note 23 - Determination of fair value of exercise price for put liability;
- Note 15 - Impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts;

- Note 16.2 - Equity-accounted investees: whether the Group has significant influence over an investee; and
- Note 33 - Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources

### 2.10 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.

### 2.11 Changes in Significant Accounting Policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these Financial Statements.

The Group has applied SLFRS 16 with an initial application date of 1 April 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below. A number of other new standards are also effective from 1 April 2019, but they do not have a material effect on the Group's Financial Statements.

The Group applied SLFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained

earnings at 1 April 2019. Accordingly, the comparative information presented for 2018/19 is not restated – i.e. it is presented as previously reported, under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS 16 have not been applied to comparative information.

### 2.11.1 SLFRS 16 – “Leases”

#### 2.11.1.1 Definition of a Lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under SLFRS 16, the Group now assesses whether a contract is or contains a lease based on the definition of lease, as explained in Note 3.9.

#### 2.11.1.2 As a Lessee

As a lessee, the Group mainly leases properties and vehicles. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the Group. Under SLFRS 16, the Group recognises right-of-use assets and lease liabilities for all of its leases. i.e these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

#### 2.11.1.2.1 Leases Classified as Operating Leases Under LKAS 17

At transition, lease liabilities were measured at the present value of remaining lease payments, discounted at the Group's incremental borrowing rate as at 01 April 2019. The right-of-use assets are measured at their carrying amount as if SLFRS 16 has been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application. The Group applied this approach to all leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used the following practical expedient when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- used hindsight when determining the lease term.

#### 2.11.1.4 Impact on Financial Statements

On transition to SLFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

At 1 April 2019	Note	Group Rs. '000	Company Rs. '000
Right-of-use assets	13.1	8,487,783	192,472
Deferred tax asset	18	1,761	-
Deferred tax liability	18	(189,779)	(3,349)
Lease liabilities	13.2	9,767,501	60,388
Prepayment on leasehold land and building	17	(166,793)	(144,043)
Trade and other receivables		(352,130)	(8,988)
Trade and other payables		(761,405)	-
Retained earnings		(781,355)	(17,598)
Non controlling interest		(64,341)	-

When measuring the lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. Incremental borrowing rate is 11% - 13%.

At 1 April 2019	Group Rs. '000	Company Rs. '000
Operating lease commitments as at 31 March 2019 as disclosed under LKAS 17 in the Group / Company's Financial Statements	25,819,181	157,640
Adjustment to update for SLFRS 16	(6,128,538)	60,919
Impact of discounting using incremental borrowing rate as at 01 April 2019	(9,900,337)	(135,364)
Recognition exemption for leases with less than 12 months of lease term at transition	(22,805)	(22,807)
Lease liabilities recognised at 1 April 2019	9,767,501	60,388



## Notes to the Financial Statements contd.

### 3. Significant Accounting Policies

#### 3.1 Basis of Consolidation

The Consolidated Financial Statements comprise of Financial Statements of the Company, its subsidiaries and its equity accounted investees for the year ended 31 March 2020. 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

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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, from the acquisition date is, 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 controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

##### 3.1.3 Non-Controlling Interests

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

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.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

##### 3.1.4 Loss of Control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### 3.1.5 Interest in Equity-accounted Investees

The Group's interest in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence ceases.

### 3.1.6 Transactions Eliminated on Consolidation

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

### 3.2 Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency of the Group which is Sri Lankan Rupees (Rs.) at the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate 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 spot exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies are translated into functional currency at spot exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into functional currency at the spot exchange rate when

the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the spot exchange rate at the date of transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance cost.

### 3.3 Financial Instruments

#### 3.3.1 Recognition and Initial Measurement

Trade receivable and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group become a party to the contractual provisions of the instrument.

Financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### 3.3.2 Classification and Subsequent Measurement

##### Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first

reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- The Group's financial assets classified under amortised cost includes trade and other receivable, amounts due from related companies and cash and cash equivalents.

A debt investment is measured at FVOCI if it meets both of the following conditions and it not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

## Notes to the Financial Statements contd.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### Financial Assets - Business Model Assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectation about future sales activity.
- Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial Assets - Assessment whether Contractual Cash Flows are Solely Payments of Principal and Interest  
For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value for money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs. (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing

whether the financial asset contains a contractual cash flows such that it would not meet this condition. In marking this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

**Financial Assets - Subsequent Measurement and Gains and Losses**

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

**Financial Liabilities - Classification, Subsequent Measurement and Gains and Losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities measured at amortised cost include interest bearing loans and borrowings, trade and other payables and amounts due to related companies.

**3.3.3 Derecognition****Financial Asset**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**3.3.4 Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**3.3.5 Impairment of Financial Assets**

The Group uses simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

## Notes to the Financial Statements contd.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

### Credit-impaired Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

### 3.4 Impairment of Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories

and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net

of depreciation or amortisation, if no impairment loss had been recognised.

### 3.5 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, cash at bank and call deposits with maturities of three months or less from the acquisition date 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 Cargills 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.

### 3.6.3 Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of defined benefit obligation as at the reporting date. The defined benefit obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by LKAS 19 - "Employees Benefits".

The assumptions based on which the results of the valuation were determined are included in the Note 28 to the Financial Statements.

The liability is not externally funded.

The Group recognises all actuarial gains and losses arising from defined benefit plan in Other Comprehensive Income and expenses related to defined benefit plan in administrative expenses in profit or loss.

Provision has been made for retirement gratuities from the first year of service for all employees in conformity with the LKAS 19. However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

### 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### 3.9 Leases

The Group has applied SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately if they are different from those under SLFRS 16 and the impact of changes is disclosed in Note 2.11.1.4.

#### 3.9.1 Policy Applicable from 1 April 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

This policy is applied to contracts entered into, on or after 1 April 2019.

#### 3.9.1.1 As a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.



## Notes to the Financial Statements contd.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there

is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right of use assets in 'right of use assets' and lease liabilities in 'interest bearing loans and borrowings' in the Statement of Financial Position.

### Short term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### 3.9.1.2 As a Lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risk and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic useful life of the asset.

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies sub-lease as an operating lease.

The Group recognises lease payments received under operating leases as rental income on a straight-line basis over the lease term as part of 'other income'.

Generally, the accounting policies to the Group as a lessor in the comparative period were not different from SLFRS 16.

### 3.9.2 Policy Applicable Before 1 April 2019

For contracts entered into before 1 April 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and



- the arrangement has conveyed the right to use the asset. An arrangement conveyed the right to sue the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

### 3.9.2.1 As a Lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's Statement of Financial Position. Payments made

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

### 3.9.2.2 As a Lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risk and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

## 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.

## 3.11 Borrowing Costs

As per Sri Lanka Accounting Standard - LKAS 23 on 'Borrowing Costs', the Group capitalises 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 Income Tax Expense

Income tax expense comprises of current and deferred tax. The income tax expense is recognised in the Statement of Profit or Loss 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.

### 3.12.1 Current Tax

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years.

The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto.

## Notes to the Financial Statements contd.

### 3.12.2 Deferred Tax

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's 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 Statement of Profit or Loss.

### 3.13 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 25.

### 3.14 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 April 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Financial Statements.

The following amended standards are not expected to have a significant impact on the Group's Financial Statements:

- Amendments to references to conceptual framework in Sri Lanka Financial Reporting Standards
- Definition of a business (Amendments to SLFRS 3)
- Definition of Material (Amendments to LKAS 1 and LKAS 8)

## 4. Revenue

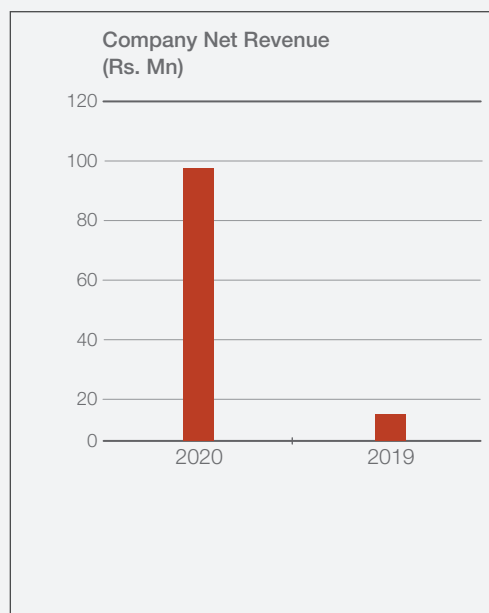
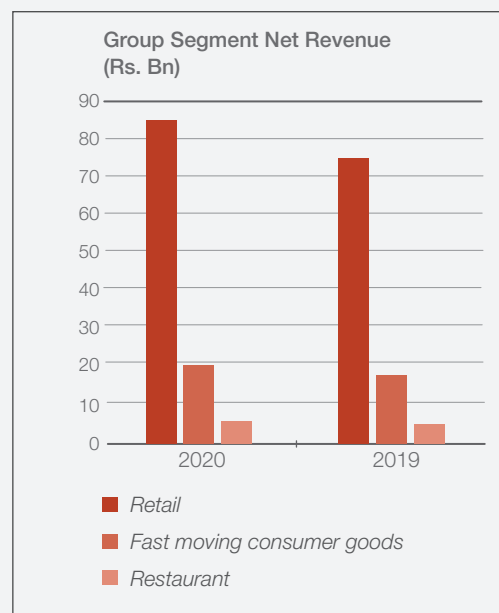
### Accounting Policy

#### Revenue Recognition - Sale of Goods

Revenue is recognised upon satisfaction of performance obligation. Revenue from sale of goods is recognised when the control of goods have been transferred to the buyers, usually on delivery of the goods.

For the year ended 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Gross revenue	115,770,372	104,690,462	106,741	21,772
Revenue related taxes	(8,718,506)	(10,027,471)	(10,280)	(3,029)
	<b>107,051,866</b>	<b>94,662,991</b>	<b>96,461</b>	<b>18,743</b>

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



# Notes to the Financial Statements contd.

## 5. Cost of Sales

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

## 6. Other Income

### Accounting Policy

Dividend is recognised when the Group's right to receive the payment is established.

Gains or losses 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 the carrying amount of such assets from the net sales proceeds on disposal.

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

Income from scrap sales is recognised when the control of goods have been transferred to the buyer, usually on delivery of the goods.

Rental income is recognised on an accrual basis.

For the year ended 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Dividend income				
- Related companies	-	-	501,719	1,757,697
- Other	669	664	669	664
Rental income	167,736	186,843	314,385	316,092
Gain on disposal of property, plant and equipment	5,090	43,531	3,438	1,250
Income from services	-	1,379	742,605	676,262
Merchandising income	1,777,978	1,808,454	-	-
Foreign exchange gain	20,945	4,140	-	-
Amortisation of deferred income				
- Capital grant	11,482	11,482	-	-
Sundry income	201,304	123,181	68,527	2,521
	<b>2,185,204</b>	<b>2,179,674</b>	<b>1,631,343</b>	<b>2,754,486</b>

## 7. Net Finance Cost

### Accounting Policy

The Group's finance income and finance cost include:

- interest income;
- interest expense; and
- bank charges.

Interest income and interest expense are recognised when they accrue.

For the year ended 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>7.1 Finance Income</b>				
Interest income	229,418	280,057	104,416	102,429
	<b>229,418</b>	<b>280,057</b>	<b>104,416</b>	<b>102,429</b>
<b>7.2 Finance Cost</b>				
Interest on short term loans	1,467,656	1,474,193	338,639	427,312
Interest on bank overdrafts	160,524	188,780	27,144	17,406
Interest on other loans and bank charges	25,823	40,842	10,540	3,070
Interest on staff security deposits	1,147	906	-	-
Interest on lease liabilities (Note 13.2)	1,201,889	-	7,383	-
	<b>2,857,039</b>	<b>1,704,721</b>	<b>383,706</b>	<b>447,788</b>
<b>Net finance cost</b>	<b>2,627,621</b>	<b>1,424,664</b>	<b>279,290</b>	<b>345,359</b>

Borrowing cost amounting Rs. 5.75 Mn from the Bandarawela property under property, plant and equipment has been capitalised by the Group under capital work in progress.

Notes to the Financial Statements contd.**8. Profit Before Taxation**

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

For the year ended 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Staff costs (Note 8.1)	7,351,660	6,474,013	372,776	360,968
Auditors' remuneration				
- Audit and audit related services	19,437	19,827	8,862	9,564
- Non audit services	811	764	533	450
Depreciation on property, plant and equipment (Note 12)	2,602,530	2,431,028	50,059	46,518
Amortisation of intangible assets (Note 15)	92,097	96,410	20,588	34,456
Amortisation of prepayment on lease hold land and building (Note 17)	-	4,727	-	3,852
Provision for / (reversal of) impairment of trade receivables	68,999	22,621	(500)	4,560
Foreign exchange gain / (loss) (Note 6)	20,945	4,140	-	7,613
Provision for / (reversal of) impairment of inventories	(527)	(6,418)	-	-
Directors' emoluments (Note 35.1)	443,061	434,877	51,586	51,171
Depreciation of right of use assets (Note 13.1)	1,074,641	-	14,997	-

**8.1 Staff Costs**

For the year ended 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Salaries, wages and other costs	6,478,334	5,694,459	240,987	229,019
Employee benefits (Note 28.2)	228,302	193,311	86,962	73,034
Defined contribution plan cost - PF and ETF	595,904	493,614	25,307	22,106
Equity settled share based payment transaction	49,120	92,629	19,520	36,809
	7,351,660	6,474,013	372,776	360,968
Number of employees as at 31 March	10,522	8,932	2,095	1,902

## 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.24 of 2017.

#### 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.

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.



Notes to the Financial Statements contd.**9. Income Tax Expense (contd.)**

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.

For the year ended 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Income tax expense				
Current tax expense (Note 9.1)	1,527,692	1,151,226	59,706	59,514
Irrecoverable ESC / WHT	142	-	-	-
Withholding tax on related company dividend	84,123	287,283	-	-
Over provision of current tax of previous years	(46,116)	(104,377)	-	-
Deferred tax expense (Note 9.2)	(127,626)	34,990	26,474	18,270
	<b>1,438,215</b>	<b>1,369,122</b>	<b>86,180</b>	<b>77,784</b>

(a) The tax liability of companies are computed at the standard rate of 14%, 28% or 40% except for the following companies which enjoy full or partial exemptions and concessions.

Cargills Quality Confectioneries (Private) Limited is exempt from income tax till the year of assessment 2019/2020 in accordance with the provisions of the Inland Revenue Act No.10 of 2006 and subsequent amendments thereto.

(b) During the year the Group and the Company paid Economic Service Charge (ESC) amounting to Rs. 579.07 Mn (2019 - Rs. 523 Mn) and Rs. 5.65 Mn (2019 - Rs. 5.5 Mn) respectively.

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

For the year ended 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Profit before taxation	4,199,634	3,402,935	738,640	1,617,803
Aggregate disallowable expenses	6,677,266	3,874,297	318,010	551,310
Aggregate allowable expenses	(5,106,983)	(3,037,802)	(171,527)	(164,615)
Aggregate other income	(368,880)	(292,182)	(776,259)	(1,894,375)
Exempt profit	(102,467)	(63,034)	-	-
Adjusted business profit	5,298,570	3,884,214	108,864	110,123
Tax losses incurred	23,054	25,348	-	-
Taxable income from other sources	146,694	160,571	104,374	102,429
Adjusted profit (a)	<b>5,468,318</b>	<b>4,070,133</b>	<b>213,238</b>	<b>212,552</b>

For the year ended 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Tax losses brought forward	1,544,170	1,439,507	-	-
Tax losses added (Note 9.1.1)	23,054	25,348	-	-
Tax losses utilised (b)	(12,277)	(40,395)	-	-
Adjustment on finalisation of liability	(502)	119,710	-	-
Tax losses carried forward	1,554,445	1,544,170	-	-
Taxable income (a+b)	5,456,041	4,029,738	213,238	212,552
Income tax @ 28%	1,527,692	1,074,903	59,706	59,514
Income tax @ 40%	-	76,323	-	-
Current tax expense	1,527,692	1,151,226	59,706	59,514

#### 9.1.1 Tax Losses Added

Tax losses incurred by continuing operations	23,054	25,348	-	-
	23,054	25,348	-	-

## 9.2 Deferred Tax Expense

For the year ended 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Deferred tax expense charge / (reversal) arising from:				
-Temporary difference of property, plant and equipment	62,598	74,485	27,725	(734)
-Temporary difference of revaluation surplus of freehold building	(30,795)	25,220	13,090	27,002
-Temporary difference of revaluation surplus of freehold land	(2,370)	22,199	6,186	10,453
-Temporary difference on equity settled share based payment	(14,874)	(24,424)	(5,465)	(10,307)
-Temporary difference on provisions	168,384	(38,834)	-	1,132
-Temporary difference of employee benefit liability	(27,842)	(32,945)	(16,118)	(13,661)
-Temporary difference on capital grants	3,213	3,216	-	-
-Temporary difference of carried forward tax losses	(376)	7,084	-	-
-Temporary difference of operating lease liability	20,792	(1,011)	-	-
-Temporary difference of ROU assets and lease liabilities	(306,356)	-	1,056	-
	(127,626)	34,990	26,474	13,885

Deferred tax has been computed taking into consideration the tax rates effective from 1 April 2017 which is 14%, 28% or 40% for all standard rate companies. The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the Parent can control the timing of the reversal of these temporary differences.

Notes to the Financial Statements contd.

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

As at 31 March	2020		2019	
	Tax effect on		Tax effect on	
	Temporary difference Rs. '000	temporary difference Rs. '000	Temporary difference Rs. '000	temporary difference Rs. '000
Deductible temporary differences				
Tax losses	1,517,671	288,513	1,505,482	288,020
	1,517,671	288,513	1,505,482	288,020

Deferred tax asset have not been recognised in respect of tax losses of the above companies as it is not probable that sufficient future taxable profits will be available against which the group can use the benefit there from.

## 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	
	2020	2019	2020	2019
Profit attributable to equity shareholders of the parent (Rs. '000)	2,692,092	1,980,246	652,460	1,540,019
Weighted average number of ordinary shares (Note 10.1.1)	257,221,043	257,221,043	257,221,043	257,221,043
Basic earnings per share (Rs.)	10.47	7.70	2.54	5.99

#### 10.1.1 Weighted Average Number of Ordinary Shares

	Group		Company	
	2020	2019	2020	2019
Issued ordinary shares as at 1 April	257,221,043	255,999,927	257,221,043	255,999,927
Exercise of share options	-	1,221,116	-	1,221,116
Weighted average number of ordinary shares as at 31 March	257,221,043	257,221,043	257,221,043	257,221,043

## 10.2 Diluted EPS

The calculation of diluted earnings per share has been based on the 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	
	2020	2019	2020	2019
Profit attributable to equity shareholders of the parent (Rs. '000)	2,692,092	1,980,246	652,460	1,540,019
Weighted average number of ordinary shares (Diluted) (Note 10.2.1)	257,343,367	257,651,455	257,343,367	257,651,455
Diluted earnings per share (Rs.)	10.46	7.69	2.54	5.98

### 10.2.1 Weighted Average Number of Ordinary Shares (Diluted)

	Group		Company	
	2020	2019	2020	2019
Weighted-average number of ordinary shares (basic as at 31 March)	257,221,043	257,221,043	257,221,043	257,221,043
Effect of share options on issue	122,324	430,412	122,324	430,412
Weighted-average number of ordinary shares (diluted) as at 31 March	257,343,367	257,651,455	257,343,367	257,651,455

## 11. Dividend Per Share

	Group				Company			
	2020		2019		2020		2019	
	Rs.	Rs. '000	Rs.	Rs. '000	Rs.	Rs. '000	Rs.	Rs. '000
Dividends paid during the year								
Final dividend for prior year	4.10	1,054,606	-	-	4.10	1,054,606	-	-
First Interim - dividend	1.90	488,720	1.90	486,400	1.90	488,720	1.90	486,400
	6.00	1,543,326	1.90	486,400	6.00	1,543,326	1.90	486,400

Final dividend for the year ended 31 March 2019 Rs. 4.10 Per share (Rs. 1,054.61 Mn) was paid on 5 August 2019. First interim dividend of Rs. 1.90 per share (Rs. 488.72 Mn) was paid on 12 December 2019 for the year ended 31 March 2020.

A final dividend of Rs. 3.20 has been proposed for the year ended 31 March 2020 and has not been recognised as at the reporting date in compliance with LKAS 10 - "Events After the Reporting Period".

## Notes to the Financial Statements contd.

### **12. Property Plant and Equipment**

#### Accounting Policy

##### Basis of Recognition

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

### 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 derecognition 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 Statement of 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	2-10	10 - 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

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.

Notes to the Financial Statements contd.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted as appropriate.

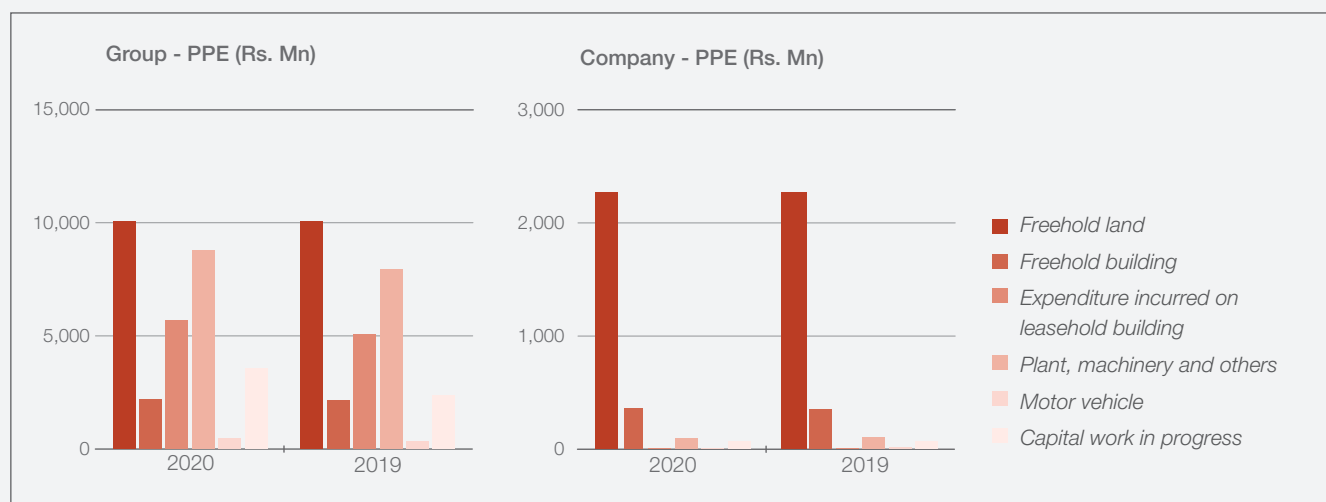
	Freehold land Rs. '000	Freehold building Rs. '000	Expenditure incurred on leasehold building Rs. '000	Plant, machinery and others Rs. '000	Motor vehicles Rs. '000	Total Rs. '000
<b>Group</b>						
<b>Cost / revaluation</b>						
As at 1 April 2019	10,052,474	2,968,834	9,501,457	19,408,451	1,324,851	43,256,067
Additions	-	138,210	1,258,572	2,524,006	309,846	4,230,634
Disposals	-	-	-	(109,909)	(30,831)	(140,740)
<b>As at 31 March 2020</b>	<b>10,052,474</b>	<b>3,107,044</b>	<b>10,760,029</b>	<b>21,822,548</b>	<b>1,603,866</b>	<b>47,345,961</b>
<b>Accumulated depreciation and impairment</b>						
As at 1 April 2019	-	815,541	4,434,865	11,472,353	1,007,123	17,729,882
Depreciation	-	106,396	649,743	1,680,776	165,615	2,602,530
Disposals	-	-	-	(77,355)	(30,808)	(108,163)
<b>As at 31 March 2020</b>	<b>-</b>	<b>921,937</b>	<b>5,084,608</b>	<b>13,075,774</b>	<b>1,141,930</b>	<b>20,224,249</b>
<b>Carrying value</b>						
Capital work in progress	-	-	-	-	-	3,572,468
<b>Carrying value as at 31 March 2020</b>	<b>10,052,474</b>	<b>2,185,107</b>	<b>5,675,421</b>	<b>8,746,774</b>	<b>461,936</b>	<b>30,694,180</b>
<b>Group</b>						
<b>Cost / revaluation</b>						
As at 1 April 2018	9,553,385	2,835,750	8,080,364	17,376,776	1,206,434	39,052,709
Additions	499,089	133,084	1,421,093	2,047,815	150,025	4,251,106
Disposals	-	-	-	(16,140)	(31,608)	(47,748)
<b>As at 31 March 2019</b>	<b>10,052,474</b>	<b>2,968,834</b>	<b>9,501,457</b>	<b>19,408,451</b>	<b>1,324,851</b>	<b>43,256,067</b>
<b>Accumulated depreciation and impairment</b>						
As at 1 April 2018	-	715,871	3,885,107	9,833,621	909,851	15,344,450
Depreciation	-	99,670	549,758	1,652,725	128,875	2,431,028
Disposals	-	-	-	(13,993)	(31,603)	(45,596)
<b>As at 31 March 2019</b>	<b>-</b>	<b>815,541</b>	<b>4,434,865</b>	<b>11,472,353</b>	<b>1,007,123</b>	<b>17,729,882</b>
<b>Carrying Value</b>						
Capital work in progress	-	-	-	-	-	2,350,835
<b>Carrying value as at 31 March 2019</b>	<b>10,052,474</b>	<b>2,153,293</b>	<b>5,066,592</b>	<b>7,936,098</b>	<b>317,728</b>	<b>27,877,020</b>



	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 Rs. '000
<b>Company</b>						
<b>Cost / revaluation</b>						
As at 1 April 2019	2,266,075	408,470	7,264	297,981	161,163	3,140,953
Additions	-	17,327	242	21,411	-	38,980
Disposals	-	-	-	-	(22,969)	(22,969)
<b>As at 31 March 2020</b>	<b>2,266,075</b>	<b>425,797</b>	<b>7,506</b>	<b>319,392</b>	<b>138,194</b>	<b>3,156,964</b>
<b>Accumulated depreciation and impairment</b>						
As at 1 April 2019	-	61,258	3,536	199,506	143,830	408,130
Depreciation	-	8,169	1,118	28,572	12,200	50,059
Disposals	-	-	-	-	(22,969)	(22,969)
<b>As at 31 March 2020</b>	<b>-</b>	<b>69,427</b>	<b>4,654</b>	<b>228,078</b>	<b>133,061</b>	<b>435,220</b>
<b>Carrying value</b>						
Capital work in progress	-	-	-	-	-	62,897
<b>Carrying value as at 31 March 2020</b>	<b>2,266,075</b>	<b>356,370</b>	<b>2,852</b>	<b>91,314</b>	<b>5,133</b>	<b>2,784,641</b>

Notes to the Financial Statements *contd.*

	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 Rs. '000
<b>Company</b>						
<b>Cost / revaluation</b>						
As at 1 April 2018	2,266,075	398,259	3,536	246,248	164,913	3,079,031
Additions	-	10,211	3,728	51,733	-	65,672
Revaluation	-	-	-	-	-	-
Disposals	-	-	-	-	(3,750)	(3,750)
<b>As at 31 March 2019</b>	<b>2,266,075</b>	<b>408,470</b>	<b>7,264</b>	<b>297,981</b>	<b>161,163</b>	<b>3,140,953</b>
<b>Accumulated depreciation and impairment</b>						
As at 1 April 2018	-	53,259	3,014	175,159	133,930	365,362
Depreciation	-	7,999	522	24,347	13,650	46,518
Disposals	-	-	-	-	(3,750)	(3,750)
<b>As at 31 March 2019</b>	<b>-</b>	<b>61,258</b>	<b>3,536</b>	<b>199,506</b>	<b>143,830</b>	<b>408,130</b>
<b>Carrying value</b>						
Capital work in progress	-	-	-	-	-	68,480
<b>Carrying value as at 31 March 2019</b>	<b>2,266,075</b>	<b>347,212</b>	<b>3,728</b>	<b>98,475</b>	<b>17,333</b>	<b>2,801,303</b>



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

The details of assets mortgaged for banking facilities obtained have been given in the Note 26.2 to the Financial Statements, if any.

## 12.1 Revaluation of Freehold Land & Buildings

Fair value of Land and Building as at 31 March 2018 have been based on valuations carried out by an independent valuer 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.

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 categorized as a level 3 fair value based on the inputs to the valuation techniques used. Details of the Group land and buildings measured at fair value as at 31 March 2018 is as follows:

Location	Method of valuation	Land extent	Building area (Sq.ft)	No. of buildings	Significant unobservable inputs	2018 Valuation Rs. '000
Colombo 01	Open market value	141 Perches	124,215	1	Market value per perch	2,266,075
Canal Row, Colombo 01	Income Approach	15 Perches	12,300	1	Rental per square foot	284,897
Staple Street, Colombo 02	Open market value	81.5 Perches	20,970	2	Market value per perch	774,630
Dematagoda	Open market value	84 Perches	-	-	Market value per perch	288,792
Kandy	Income Approach	88 Perches	25,174	1	Rental per square foot	1,311,204
Maharagama	Open market value	145 Perches	15,827	1	Market value per perch	508,550
Nuwara Eliya	Open market value	57 Perches	9,617	1	Market value per perch	212,500
Mattakkuliya (111)	Income Approach	330 Perches	80,967	2	Rental per square foot	719,033
Kohuwala	Open market value	29 Perches	6,225	1	Market value per perch	104,600
Mattakkuliya (141)	Open market value	288 Perches	44,469	4	Market value per perch	446,000
Gampaha	Open market value	82.6 Perches	39,565	1	Market value per perch	123,900
Moratuwa	Open market value	78.6 Perches	-	-	Market value per perch	250,104
Ingiriya (Lot A,C,D,B1)	Open market value	26 Acres	-	-	Market value per perch	242,999
Ma Eliya	Open market value	4 Acres	28,976	2	Market value per perch	93,050
Mattakuliya	Open market value	1.3 Acres	16,517	3	Market value per perch	363,400
Ja - Ela	Open market value	5.1 Acres	38,381	1	Market value per perch	319,575
Katana	Open market value	11.3 Acres	68,624	4	Market value per perch	314,280
Kelaniya	Open market value	1.5 Acres	55,770	2	Market value per perch	214,500
Katoolaya Estate, Thawalatenne	Open market value	4 Acres	16,706	1	Market value per perch	14,350
Mirigama, Baduragoda	Open market value	49.8 Perches	-	-	Market value per perch	7,000
Mulleriyawa	Open market value	1.7 Acres	28,862	3	Market value per perch	124,430
Bogahawatta	Open market value	1 Acres	16,304	6	Market value per perch	21,600
Hatton	Open market value	17.4 Acres	12,479	4	Market value per perch	56,000
Bandarawela	Open market value	85 Perches	6,345	1	Market value per perch	341,865
Katubedda	Open market value	1.15 Acres	3,500	1	Market value per perch	445,750

Refer Note 37.2.1 for details on valuation techniques used.

Notes to the Financial Statements contd.**12.2 If land and buildings were stated at the historical cost basis, the amounts would have been as follows:**

	Land		Building	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Group</b>				
Cost	6,357,477	6,357,477	1,965,751	1,827,541
Accumulated depreciation	-	-	(598,645)	(473,105)
<b>Net book value</b>	<b>6,357,477</b>	<b>6,357,477</b>	<b>1,367,106</b>	<b>1,354,436</b>
<b>Company</b>				
Cost	1,813	1,813	78,965	61,637
Accumulated depreciation	-	-	(13,137)	(12,011)
<b>Net book value</b>	<b>1,813</b>	<b>1,813</b>	<b>65,828</b>	<b>49,626</b>

Depreciation amounting to Rs. 2,121.80 Mn (2019 - Rs. 2,092.84 Mn) and Rs. 480.73 Mn (2019 - Rs. 338.19 Mn) has been charged respectively to the cost of sales and, administration and other expenses of the Group. The total depreciation amounting to Rs. 50.06 Mn (2019 - Rs. 46.52 Mn) is included in the other expenses of the Company.

Capital work in progress consists of expenditure incurred on projects which are yet to be completed as at the reporting date.

Fully depreciated assets of the Group as at the year end is Rs. 5,645.21 Mn (2019 - Rs. 4,025.67 Mn) and that of the Company is Rs. 256.53 Mn (2019 - Rs. 270.35 Mn).

**13. Leases**

Information about leases for which a Group is lessee is presented below:

**13.1 Right of Use Assets**

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	-	-	-	-
Recognition of right of use assets on initial application of SLFRS 16	8,320,990	-	48,429	-
Transfers from prepayment on leasehold land and building (on initial application of SLFRS 16)	166,793	-	144,043	-
<b>Adjusted balance as at 1 April</b>	<b>8,487,783</b>	-	<b>192,472</b>	-
Additions	2,757,599	-	8,429	-
Depreciation	(1,074,641)	-	(14,997)	-
<b>Balance as at 31 March</b>	<b>10,170,741</b>	-	<b>185,904</b>	-

**13.2 Lease Liabilities**

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 April	-	-	-	-
Recognition of lease liabilities on initial application of SLFRS 16	9,767,501	-	60,388	-
<b>Adjusted balance as at 1 April</b>	<b>9,767,501</b>	<b>-</b>	<b>60,388</b>	<b>-</b>
Additions	2,757,599	-	8,429	-
Interest expense	1,201,889	-	7,383	-
Payments	(1,928,909)	-	(14,759)	-
<b>Banace as at 31 March</b>	<b>11,798,080</b>	<b>-</b>	<b>61,441</b>	<b>-</b>
Lease Liabilities included in the statement of financial position as at 31 March				
Current	840,140	-	11,085	-
Non - current	10,957,940	-	50,356	-
	<b>11,798,080</b>	<b>-</b>	<b>61,441</b>	<b>-</b>
Maturity analysis - contractual undiscounted cash flows				
Less than one year	2,100,428	-	17,967	-
One to five years	9,697,142	-	39,561	-
More than five years	12,376,096	-	133,560	-
<b>Total undiscounted liabilities as at 31 March</b>	<b>24,173,666</b>	<b>-</b>	<b>191,088</b>	<b>-</b>

Lease liabilities is presented under Note 26.

**13.3 Amounts Recognised in Profit or Loss**

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
2019/2020 - Leases under SLFRS 16				
Depreciation of right-of-use assets	1,074,641	-	14,997	-
Interest expense on lease liabilities	1,201,889	-	7,383	-
Expense relating to short term leases	25,686	-	25,686	-
Income from sub - leasing right of use assets presented in 'other income'	(30,643)	-	(72,832)	-
	<b>2,271,573</b>	<b>-</b>	<b>(24,766)</b>	<b>-</b>
2018/2019 - Operating leases under LKAS 17				
Lease expense	-	1,721,854	-	53,825
Income from sub - leasing presented in 'other income'	-	(36,660)	-	(78,718)
	<b>-</b>	<b>1,685,194</b>	<b>-</b>	<b>(24,893)</b>

Notes to the Financial Statements contd.**13. Leases (contd.)****13.4 Amounts Recognised in Statement of Cash Flows**

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Total cash outflow for leases	(1,928,909)	-	(14,759)	-
	(1,928,909)	-	(14,759)	-

**14. Investment Property****Accounting Policy**

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

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

Where Group companies occupy a significant portion of the investment property of a subsidiary, such portion of investment properties are treated as property, plant and equipment in the 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 use. 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 at 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 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, value 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	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
As at 1 April	1,818,798	1,726,552	3,514,555	3,207,009
Additions	1,416	1,034	2,348	1,712
Changes in fair value during the year	36,700	91,212	166,017	32,336
	<b>1,856,914</b>	<b>1,818,798</b>	<b>3,682,920</b>	<b>3,241,057</b>
Capital work in progress addition	-	-	345,798	273,498
	<b>1,856,914</b>	<b>1,818,798</b>	<b>4,028,718</b>	<b>3,514,555</b>

In accordance with LKAS 40, fair value of the above Investment Properties were ascertained as at 31 March 2020 by an independent valuer 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.



Notes to the Financial Statements contd.**14. Investment Property (contd.)**

Rental income earned from the investment properties by the Group and Company amounted to Rs. 33.39 Mn (2019 - Rs. 36.66 Mn) and Rs.123.94 Mn (2019 - Rs. 128.92 Mn) respectively. Direct operating expenses incurred on investment property by the Group and Company amounted to Rs. 17.21 Mn (2019 - Rs. 17.94 Mn) and Rs. 40.04 Mn (2019 - Rs. 38.08 Mn). The fair value measurement for all the investments properties has been categorised as a level 3 fair value based on the inputs to the valuation techniques used. Details of Groups investment property and information relating to their fair values as at 31 March 2020 are as follows:

Location	Type of asset	Method of valuation	Land extent	Building area (Sq.ft)	No. of buildings	Current / proposed use	Group		Company	
							2020 Fair Value Rs. '000	2019 Fair Value Rs. '000	2020 Fair Value Rs. '000	2019 Fair Value Rs. '000
Canal Row, Colombo 01	Land	Income Method	15.2 Perches	-	-	Rent	-	-	297,169	295,927
	Building		-	12,300	1		-	-	90,881	92,123
Braybrook Place	Land	Market	78.1 Perches	-	-	Undetermined use	703,530	687,896	703,530	687,896
	Building	Comparable Method	-	5,146	1		1,807	2,320	1,807	2,320
Cargills Square, Jaffna	Building	Income Method	Leasehold	99,164	1	Rent	633,451	630,557	1,050,500	1,045,700
Staple Street, Colombo 02	Land	Market	81.5 Perches	-	-	Rent	-	-	856,170	815,400
	Building	Comparable Method	-	20,970	2		-	-	54,355	54,066
Dematagoda	Land	Market	84.3 Perches	-	-	Rent	-	-	341,496	337,280
	Building	Comparable Method	-	771,956	1		-	-	622,419	176,364
Nittambuwa	Land	Market Comparable Method	112 Perches	-	-	Undetermined use	134,950	134,775	-	-
Boralsgamuwa	Land	Market	2.5 Acres	-	-	Rent	325,920	305,550	-	-
	Building	Comparable Method	-	23,168	4		57,256	57,700	-	-
							1,856,914	1,818,798	4,018,327	3,507,076
Wellawatta (Preliminary expense)							-	-	10,391	7,479
							1,856,914	1,818,798	4,028,718	3,514,555

Refer Note 37.2.1 for details on valuation techniques used.

## 15. 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 infinite 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

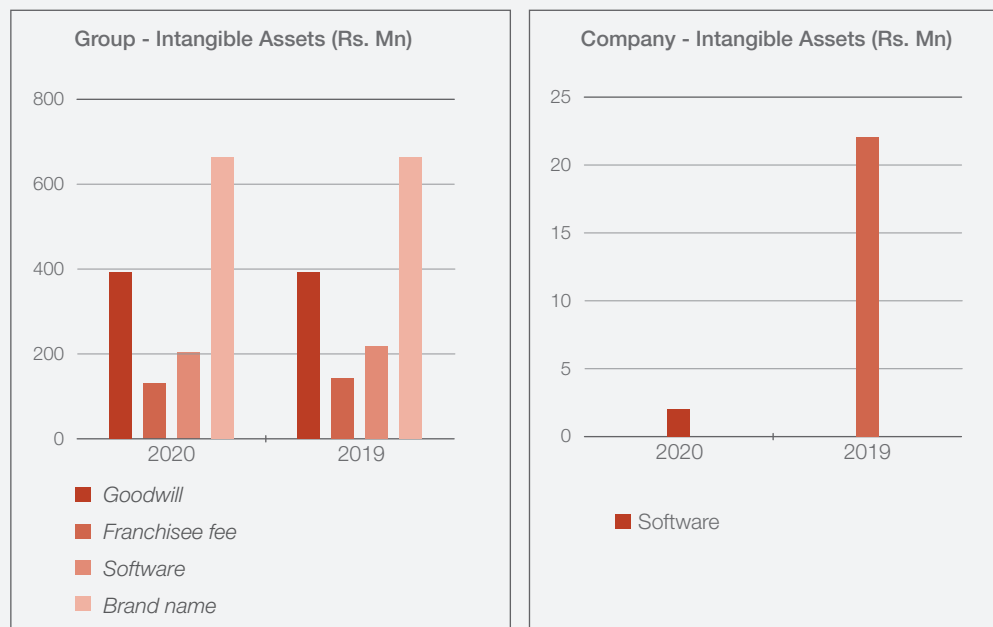
The unamortised balances of intangible assets with infinite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

Notes to the Financial Statements contd.**15. 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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost</b>										
As at 1 April	529,767	529,767	287,699	237,644	487,872	340,489	661,865	661,865	1,967,203	1,769,765
Additions	-	-	9,528	50,055	55,669	147,383	-	-	65,197	197,438
As at 31 March	529,767	529,767	297,227	287,699	543,541	487,872	661,865	661,865	2,032,400	1,967,203
<b>Amortisation/Impairment</b>										
As at 1 April	138,978	138,978	145,072	126,170	270,439	192,931	-	-	554,489	458,079
Amortisation	-	-	22,509	18,902	69,588	77,508	-	-	92,097	96,410
As at 31 March	138,978	138,978	167,581	145,072	340,027	270,439	-	-	646,586	554,489
Carrying value as at 31st March	390,789	390,789	129,646	142,627	203,514	217,433	661,865	661,865	1,385,814	1,412,714

Company	Software		Total	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost</b>				
As at 1 April	152,667	150,853	152,667	150,853
Additions	-	1,814	-	1,814
As at 31 March	152,667	152,667	152,667	152,667
<b>Amortisation/Impairment</b>				
As at 1 April	130,464	96,008	130,464	96,008
Amortisation	20,588	34,456	20,588	34,456
As at 31 March	151,052	130,464	151,052	130,464
Carrying value as at 31 March	1,615	22,203	1,615	22,203



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 Kotmale Holdings PLC.

Brand 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 amounting to Rs. 32 Mn (2019 - Rs. 18.90 Mn) have been included in cost of sales and Rs. 60.01 Mn (2019 - Rs. 77.51 Mn) in other expenses of the Group. Amortisation of intangible assets amounting to Rs. 20.59 (2019 - Rs. 34.46) have been included in other expense of the Company.

The details of intangible assets mortgaged for banking facilities obtained have been given in the Note 26.2 to the Financial Statements, if any.

Notes to the Financial Statements contd.**16. Investments****16.1 Investments in Subsidiaries**

	No of Shares	Holding %	Group		Company	
			2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 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	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	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	2,820,490
Employee share option investment (Note 16 .1.1)		-	-	-	172,701	143,101
			-	-	2,993,191	2,963,591

**16.1.1 Employee Share Option Investment**

	Company	
	2020 Rs. '000	2019 Rs. '000
Cargills Foods Company (Private) Limited	123,538	102,364
Kotmale Dairy Products (Private) Limited	2,958	2,451
Cargills Food Processors (Private) Limited	5,031	4,169
Cargills Food Services (Private) Limited	1,096	908
Cargills Quality Confectionaries (Private) Limited	256	212
Cargills Quality Dairies (Private) Limited	10,070	8,344
Cargills Quality Foods Limited	6,736	5,581
Cargills Distributors (Private) Limited	329	273
Millers Limited	17,826	14,771
Cargills Agrifoods Limited	4,861	4,028
	172,701	143,101

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 2020, 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.

## 16.2 Investment in Equity Accounted Investees

	Group						Company	
	No of Shares	Holding %	2020	2019	2020	2019		
			Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Unquoted equity investments:								
C T Properties Limited	54,100,000	21.76	390,446	414,690	376,944	395,829		
Cargills Bank Limited	350,696,905	39.71	4,647,058	4,881,942	4,717,843	4,717,843		
			5,037,504	5,296,632	5,094,787	5,113,672		

- 16.2.1** An impairment amounting to Rs.18.9 Mn (2019 - Rs. 7.7 Mn) and Rs.18.9 Mn (2019 - Rs. 7.7 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.**16.3 Other financial assets****16.3.1 Equity Investments at FVOCI - Non-current**

	Group		Company	
As at 31 March	2020	2019	2020	2019
Quoted equity investments	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lanka IOC PLC	3,480	6,020	3,480	6,020
Sierra Cables PLC	90	113	16	22
Aitken Spence PLC	10,967	13,535	10,967	13,535
	14,537	19,668	14,463	19,577
Decrease in fair value of investments	(3,055)	(5,131)	(3,070)	(5,114)
	11,482	14,537	11,393	14,463

The Group designated the above equity investments as equity investments at FVOCI because these equity investments represent investments that the Group intends to hold for the long term.

The market value of quoted equity investments of Group as at 31 March 2020, as quoted by the Colombo Stock Exchange as at 20 March 2020 amounted to Rs. 11.48 Mn (2019 - Rs. 14.54 Mn) which is in line with the ICASL Guidelines.

**16.3.2 Other Non Equity Investments - Current**

	Group		Company	
As at 31 March	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Call deposits / fixed deposit	881,034	736,902	-	-
Re-purchase agreements	-	123,228	-	-
	881,034	860,130	-	-

**16.4 Investment in Equity Accounted Investees**

	Group	
	2020	2019
	Rs. '000	Rs. '000
As at 1 April	5,296,632	5,366,761
Share of profit / (loss)	(270,066)	54,061
Share of other comprehensive income / (expense)	29,823	(18,591)
Impact on adopting SLFRS 9 - Cargills Bank	-	(97,832)
Impairment	(18,885)	(7,767)
As at 31 March	5,037,504	5,296,632



**16.4.1 Summarised Financial Information of Associates**

	Group			
	C T Properties Limited		Cargills Bank Limited	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Revenue / operating income	39,975	103,376	1,304,015	2,044,044
Operating expenses	(5,360)	(6,234)	(2,191,429)	(1,882,600)
Finance expenses	(59,234)	(65,820)	-	-
Income tax expense	-	(6,993)	220,814	(38,639)
Profit / (loss) for the year	(24,619)	24,329	(666,600)	122,805
Other comprehensive income	-	(15)	75,103	(46,809)
Total comprehensive income	(24,619)	24,314	(591,497)	75,996
Group's share of profit / (loss)	(5,358)	5,295	(264,708)	48,766
Group's share of other comprehensive income	-	(3)	29,823	(18,588)
Group's share of total comprehensive income	(5,358)	5,292	(234,885)	30,178
Total assets	2,945,752	2,909,741	39,138,534	33,803,120
Total liabilities	(931,973)	(871,342)	(28,706,069)	(22,779,158)
Net assets	2,013,779	2,038,399	10,432,465	11,023,962
Ownership interest	21.76%	21.76%	39.71%	39.71%
Group's share of net assets	438,288	443,647	4,142,742	4,377,626
Goodwill	31,375	31,375	504,316	504,316
Impairment	(79,217)	(60,332)	-	-
	390,446	414,690	4,647,058	4,881,942

Notes to the Financial Statements contd.**17. Prepayment on Leasehold Land and Building**

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Cost</b>				
As at 1 April	238,374	188,349	153,349	-
Transfer to right of use assets on initial application of SLFRS 16	(188,349)	-	(153,349)	-
Prepayments	150,887	50,025	-	-
<b>As at 31 March</b>	<b>200,912</b>	<b>238,374</b>	<b>-</b>	<b>153,349</b>
<b>Amortisation</b>				
As at 1 April	21,556	16,829	9,306	5,454
Transfer to right of use assets on initial application of SLFRS 16	(21,556)	-	(9,306)	-
Amortisation	-	4,727	-	3,852
<b>As at 31 March</b>	<b>-</b>	<b>21,556</b>	<b>-</b>	<b>9,306</b>
<b>Carrying value as at 31 March</b>	<b>200,912</b>	<b>216,818</b>	<b>-</b>	<b>144,043</b>
Current portion of the prepayment (Note 19)	-	4,710	-	3,835
Non - current portion of the prepayment	200,912	212,108	-	140,208
	<b>200,912</b>	<b>216,818</b>	<b>-</b>	<b>144,043</b>
<b>Property</b>	<b>Lease period</b>		<b>Amount</b>	
			<b>Rs. '000</b>	
Cargills Foods Company (Private) Limited				
Kolonnawa land	99 Years		200,912	

The prepaid leases as at 31 March 2020 relate to contracts that are to commence after 01 April 2020. No lease contracts have been signed as at 31 March 2020.

**18. Deferred Tax Asset / Liability**

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
As at 1 April	10,747	8,413	1,386,624	1,352,650	-	-	193,443	180,324
Charge/(reversal) recognised in Profit or loss	5,775	2,372	(121,851)	37,361	-	-	26,474	18,270
Charge/(reversal) recognised in other comprehensive income	28	(38)	(16,603)	(3,387)	-	-	(3,812)	(5,151)
Adjustment on initial application of SLFRS 16	1,761	-	(189,779)	-	-	-	(3,349)	-
As at 31 March	18,311	10,747	1,058,391	1,386,624	-	-	212,756	193,443

Deferred tax asset / liability as at the year end is made up as follows:

Deferred tax asset / liability arising from:

- Temporary difference of property, plant and equipment	(36)	38	1,786,863	1,724,339	-	-	238,651	210,926
- Temporary difference of revaluation surplus of freehold building	-	-	233,876	264,672	-	-	136,439	123,349
- Temporary difference of revaluation surplus of freehold land	-	-	19,829	22,199	-	-	16,639	10,453
- Temporary difference on equity settled share based payment	154	127	(79,826)	(64,979)	-	-	(31,888)	(26,423)
- Temporary difference on provisions	9,265	4,340	(52,576)	(225,886)	-	-	-	-
- Temporary difference of employee benefit Liability	965	896	(343,217)	(298,813)	-	-	(144,792)	(124,862)
- Temporary difference on capital grants	-	-	(10,903)	(14,116)	-	-	-	-
- Temporary difference of carried forward tax losses	5,722	5,346	-	-	-	-	-	-
- Temporary difference of operating lease liability	-	-	-	(20,792)	-	-	-	-
- Temporary difference of ROU assets and lease liabilities	2,241	-	(495,655)	-	-	-	(2,293)	-
	18,311	10,747	1,058,391	1,386,624	-	-	212,756	193,443

Due to uncertainties that exist on the interpretation of the 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 of 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 31 March 2020 amounting to Rs. 280 Mn (2019 - Rs. 273 Mn) and Rs. 482 Mn (2019 - Rs. 449 Mn) and other comprehensive income / retained earnings amounting to Rs. 551 Mn (2019 - Rs. 551 Mn) and Rs. 669 Mn (2019 - Rs. 669 Mn) with a consequential increase in the deferred tax liability on the Statement of Financial Position.

## Notes to the Financial Statements contd.

### 19. Inventories

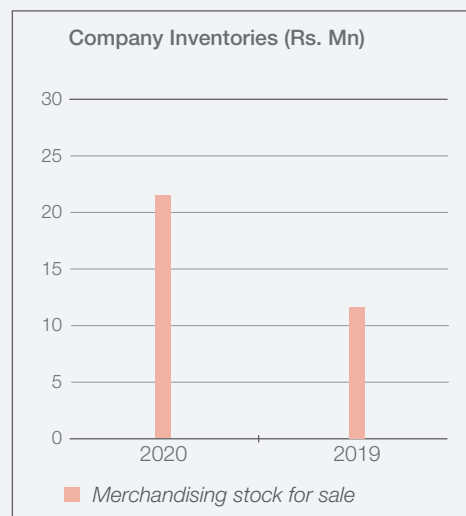
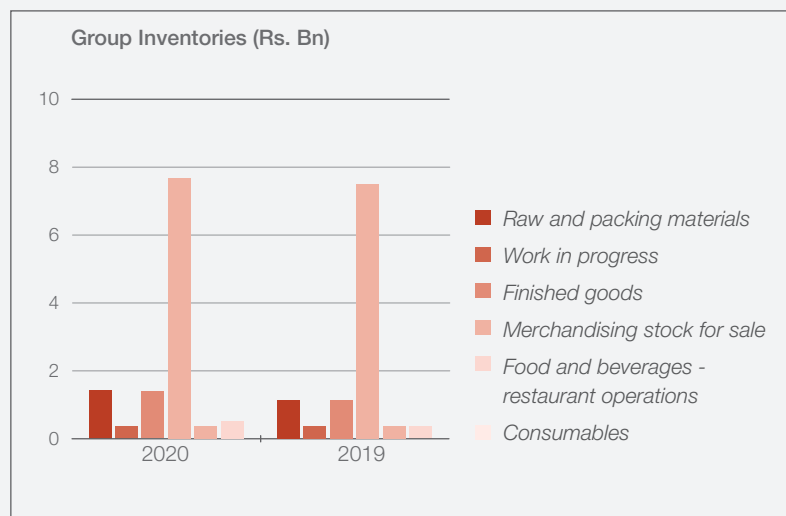
#### Accounting Policy

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	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Raw and packing materials	1,266,934	908,554	-	-
Work in progress	80,713	60,949	-	-
Finished goods	1,245,614	918,576	-	-
Merchandising stock for sale	7,547,157	7,393,316	21,471	11,943
Food and beverages - restaurant operations	124,745	104,043	-	-
Consumables	297,931	199,621	-	-
	10,563,094	9,585,059	21,471	11,943
Provision for obsolete inventories	(84,317)	(84,844)	-	-
	10,478,777	9,500,215	21,471	11,943
Goods in transit	58,093	261,821	-	-
	10,536,870	9,762,036	21,471	11,943



The details of inventories mortgaged for banking facilities obtained have been given in the Note 26.2 to the Financial Statements, if any.

**20. Trade and Other Receivables**

As at 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Trade receivables	3,642,289	3,726,340	99,955	110,019
Provision for impairment of trade receivables	(192,180)	(123,181)	(8,102)	(8,602)
	<b>3,450,109</b>	<b>3,603,159</b>	<b>91,853</b>	<b>101,417</b>
Prepayment of leasehold land and buildings	-	4,710	-	3,835
Other Prepayments and deposits	1,983,917	1,853,281	401,152	402,791
Other receivables	679,842	578,169	140,482	1,130,421
Loans and advances (Note 20.1)	103,758	64,872	4,832	10,092
Tax recoverable (Note 20.2)	1,043,898	884,717	51,930	34,243
	<b>7,261,524</b>	<b>6,988,908</b>	<b>690,249</b>	<b>1,682,799</b>

The details of trade receivable mortgaged for banking facilities obtained have been given in the Note 26.2 to the Financial Statements, if any.

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

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
As at 1 April	64,872	41,304	10,092	10,779
Loans granted	67,628	60,222	16,326	8,108
	<b>132,500</b>	<b>101,526</b>	<b>26,418</b>	<b>18,887</b>
Repayments	(28,742)	(36,654)	(21,586)	(8,795)
As at 31 March	<b>103,758</b>	<b>64,872</b>	<b>4,832</b>	<b>10,092</b>

**20.2 Tax Recoverable**

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

Notes to the Financial Statements contd.**21. Amounts due from / due to Related Companies**

As at 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Amounts due from subsidiaries</b>				
Cargills Foods Company (Private) Limited	-	-	40,146	-
Cargills Quality Foods Limited	-	-	242	2,271
Dawson Office Complex (Private) Limited	-	-	66,111	66,021
Cargills Food Processors (Private) Limited	-	-	-	4,555
Cargills Agrifoods Limited	-	-	-	13,840
Cargills Quality Dairies (Private) Limited	-	-	-	22,135
CPC (Lanka) Limited	-	-	-	57
Cargills Quality Confectioneries (Private) Limited	-	-	-	543
Millers Limited	-	-	-	3,344
Kotmale Holdings PLC	-	-	233	11,262
Cargills Agro Development Company (Private) Limited	-	-	608	293
The Empire Investments Company (Private) Limited	-	-	34,313	21,989
Fredrick North Hotel Company Limited	-	-	326	-
	-	-	141,979	146,310
<b>Amounts due from holding company</b>				
C T Holdings PLC	6,381	5,304	6,381	5,287
	6,381	5,304	6,381	5,287
<b>Amounts due from associate companies</b>				
Cargills Bank Limited	39,099	26,594	9,588	14,838
C T Properties Limited	916,973	857,771	916,973	857,771
	956,072	884,365	926,561	872,609
<b>Amounts due from other related companies</b>				
Ceylon Hotels Corporation PLC	522	518	-	-
Ceylon Theatres (Private) Limited	41,534	18,942	30,835	13,038
C T Land Development PLC	181	99	-	-
Galle Face Hotel Company Limited	3,039	2,026	-	-
Kandy Hotels Company (1938) PLC	194	1,037	-	-
United Hotels Company (Private) Limited	303	1,103	-	-
	45,773	23,725	30,835	13,038
<b>Total amount due from related companies</b>	<b>1,008,226</b>	<b>913,394</b>	<b>1,105,756</b>	<b>1,037,244</b>

As at 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Amounts due to subsidiaries</b>				
Cargills Agrifoods Limited	-	-	13,512	-
Cargills Foods Company (Private) Limited	-	-	-	3,288
Cargills Food Processors (Private) Limited	-	-	9,617	-
Millers Limited	-	-	7,442	-
Cargills Quality Confectioneries (Private) Limited	-	-	7,870	-
Cargills Quality Dairies (Private) Limited	-	-	11,043	-
C P C (Lanka) Limited	-	-	687	-
Kotmale Dairy Products (Private) Limited	-	-	1,786	-
Cargills Foods Services (Private) Limited	-	-	856	754
	-	-	52,813	4,042
<b>Amounts due to holding company</b>				
C T Holdings PLC	5,281	-	-	-
	5,281	-	-	-
<b>Amounts due to other related companies</b>				
CT Real Estate (Private) Limited	8,374	5,626	-	-
Unidil Packaging Limited	1,357	-	-	-
CT Land Development PLC	196	196	196	196
	9,927	5,822	196	196
<b>Total amount due to related companies</b>	<b>15,208</b>	<b>5,822</b>	<b>53,009</b>	<b>4,238</b>



# Notes to the Financial Statements contd.

## 22. 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	2020 Rs. '000	Number of Shares	2019 Rs. '000
Balance as at 1 April	255,999,927	6,530,709	255,999,927	6,530,709
Exercise of share options	1,221,116	225,882	-	-
Balance as at 31 March	257,221,043	6,756,591	255,999,927	6,530,709

Pursuant to the Employee Share Option Scheme of the Company approved by the shareholders on 29 June 2017, 1,221,116 options were exercised by employees during the period 1 to 31 March 2019 and shares in respect of such exercised options were issued on 30 April 2019.

Consequent to this share issue the stated capital of the Company at the balance sheet date amounted to Rs. 6,757 Mn (2019 - Rs. 6,531 Mn) comprising 257,221,043 ordinary (voting) shares (2019 – 255,999,927).

## 23. 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 SLFRS 9. Accordingly Group has recognised 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 recognised within equity.

As at 31 March	Group	
	2020 Rs. '000	2019 Rs. '000
Put option over Non Controlling Interest (NCI)	3,659,385	3,456,493

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 25 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
- IRR 9%
- Pricing date as 31 March 2020
- 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 25 February 2015 (which is the share certificate date) to 10 February 2021 (which is assumed as the exercise date).

Notes to the Financial Statements contd.**24. 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.
- 'FVOCI reserve, which comprises changes in fair value of equity investments at FVOCI.
- 'Capital reserve' comprises share of capital reserve resulting from consolidation.
- 'Employee share option reserve' consists of stock options granted to specified employees of Group and Company. ESOS offer the option holder the right to buy a certain amount of Company shares at a predetermined price.

As at 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Capital reserves</b>				
Revaluation reserve	4,884,927	4,884,927	14,439	14,439
Capital reserve	7,928	7,928	-	-
Employee share option reserve (Note 24.1)	215,124	247,520	215,124	247,520
	<b>5,107,979</b>	<b>5,140,375</b>	<b>229,563</b>	<b>261,959</b>
<b>Revenue reserve</b>				
FVOCI reserve	(6,768)	(3,713)	(8,184)	(5,114)
	<b>(6,768)</b>	<b>(3,713)</b>	<b>(8,184)</b>	<b>(5,114)</b>
	<b>5,101,211</b>	<b>5,136,662</b>	<b>221,379</b>	<b>256,845</b>

## 24.1 Employee Share Option Reserve

### 24.1.1 Employee Share Option Scheme

An Employee Share Option Scheme (ESOS) proposed by the Directors of the Company for the benefit of its employees and those of its subsidiaries ("Group") was approved by the shareholders at an Extra Ordinary General Meeting held on 29 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 Seven million six hundred seventy nine thousand nine hundred and ninety seven (7,679,997) ordinary voting shares could be issued which is equivalent to 3.0% of the issued capital of the Company. The share options would be granted in three tranches which would constitute –

- a) First tranche – 3,839,999 options constituting 1.50% of the issued shares of the Company at an exercise price of Rs. 184.98;
- b) Second tranche – 1,919,999 options constituting 0.75% of the issued shares of the Company at an exercise price of Rs. 172.33; and
- c) Third tranche – 1,919,999 options constituting 0.75% of the issued shares of the Company at an exercise price of Rs. 211.40;

Each of the aforesaid tranches are 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.

## Notes to the Financial Statements contd.

### 24.1 Employee Share Option Reserve (contd.)

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	Remaining in employment up until the vesting date.	3 Months	September 30,2017	October 1,2017 to March 31, 2019	1 Year & 6 Months
Sub Tranche 2	1,280,000		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	Remaining in employment up until the vesting date. And meeting the performance related conditions relating to FY 2018/19.	1 Year & 4 Months	July 31,2019	August 1,2019 to March 31, 2020	8 Months
Sub Tranche 2	640,000		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	Remaining in employment up until the vesting date. And meeting the performance related conditions relating to FY 2019/20.	1 Year & 4 Months	July 31,2020	August 1,2020 to March 31, 2021	8 Months
Sub Tranche 2	640,000		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					

The cost of Share Based Payments accounted in the Group's Financial Statements for the year amounted to Rs. 51.2 Mn. (2019 - Rs. 96.5 Mn).

#### 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 recognised as the Grant date for all 3 tranches of the ESOS scheme which is 29 June 2017.

### 24.1.2 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:

Description of the valuation input	Tranches		
	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 Company share price has been arrived at by taking into consideration share price movements of Company during the last five year period.

### 24.1.3 Reconciliation of Outstanding Share Options

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

In thousands	Number of options 2020	*WAEP 2020 (Rs.)	Number of options 2019	*WAEP 2019 (Rs.)
Outstanding as at 1 April	6,383	189.12	7,680	188.42
Forfeited during the year	(1,903)	180.73	(76)	184.98
Exercised during the year	-	-	(1,221)	184.98
Outstanding as at 31 March	4,480	192.69	6,383	189.12
Exercisable as at 31 March	1,280	184.98	2,560	184.98

\*WAEP - Weighted Average Exercise Price

Pursuant to the Employee Share Option Scheme of the Company approved by the Shareholders on 29 June 2017, 1,221,116 options were exercised by employees during the period 1st to 31st March 2019 and shares in respect of such exercised options were issued on 30 April 2019. No options were exercised during the year.

Notes to the Financial Statements contd.**25. Cash and Cash Equivalents**

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cash in hand and at bank	1,714,949	2,232,760	5,657	230,297
Fixed deposits - Maturity period is less than or equal to 3 months	419,630	875,642	-	-
<b>Cash and cash equivalents in the Statement of Financial Position</b>	<b>2,134,579</b>	<b>3,108,402</b>	<b>5,657</b>	<b>230,297</b>
Bank overdraft	(4,182,361)	(2,819,833)	(599,477)	(30,648)
<b>Cash and cash equivalents in the Statement of Cash Flows</b>	<b>(2,047,782)</b>	<b>288,569</b>	<b>(593,820)</b>	<b>199,649</b>

**26. Interest Bearing Loans and Borrowings**

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Current</b>				
Current portion of finance lease liabilities (Note 26.1)	510	1,137	-	-
Short term loans	13,867,918	14,016,345	2,995,000	3,440,000
Bank overdraft	4,182,361	2,819,833	599,477	30,648
Lease liabilities (Note 13.2)	840,140	-	11,085	-
	<b>18,890,929</b>	<b>16,837,315</b>	<b>3,605,562</b>	<b>3,470,648</b>
<b>Non-current</b>				
Lease liabilities (Note 13.2)	10,957,940	-	50,356	-
Finance lease liabilities (Note 26.1)	-	409	-	-
	<b>10,957,940</b>	<b>409</b>	<b>50,356</b>	<b>-</b>
<b>Total borrowings</b>	<b>29,848,869</b>	<b>16,837,724</b>	<b>3,655,918</b>	<b>3,470,648</b>

**26.1 Finance Lease Liabilities**

As at 1 April	1,665	2,912	-	-
Repayments	(1,145)	(1,247)	-	-
	520	1,665	-	-
Lease interest in suspense	(10)	(118)	-	-
<b>As at 31 March</b>	<b>510</b>	<b>1,547</b>	<b>-</b>	<b>-</b>
Lease payable with in one year	(510)	(1,138)	-	-
Payable with in 1-2 year	-	409	-	-

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

Institution and facility	Principal amount Rs. '000	Amount outstanding Rs. '000	Repayment terms & interest rate	Security offered
<b>Cargills (Ceylon) PLC</b>				
<b>Bank overdraft</b>				
Commercial Bank of Ceylon PLC	100,000	56,072	On demand, based on monthly AWPLR+1.0%	Corporate guarantee from C T Holdings PLC
Deutsche Bank	45,000	44,050	On demand, based on the prevailing market rates	Clean basis
MCB Bank Limited	500,000	499,355	On demand, based on monthly AWPLR	Clean basis
Nations Trust Bank PLC	200,000	-	On demand, based on weekly AWPLR+1.0%	Clean basis
Sampath Bank PLC	100,000	-	On demand, based on monthly AWPLR+1.0%	Clean basis
		<b>599,477</b>		
<b>Short term loans</b>				
Bank of Ceylon	1,500,000	-	1-12 months, based on the prevailing market rates	Clean basis
Commercial Bank of Ceylon PLC	1,600,000	1,295,000	1-12 months, based on the prevailing market rates	Corporate guarantee for Rs. 50 Mn. from C T Holdings PLC
Hatton National Bank PLC	250,000	-	1-4 months, based on weekly AWPLR	Clean basis
Nations Trust Bank PLC	2,800,000	1,700,000	1-3 months, based on the prevailing market rates	Clean basis
Sampath Bank PLC	1,800,000	-	1-6 months, based on the prevailing market rates	Clean basis
		<b>2,995,000</b>		
		<b>3,594,477</b>		
<b>Cargills Foods Company (Private) Limited</b>				
<b>Bank overdraft</b>				
Bank of Ceylon	115,000	-	On demand, based on monthly AWPLR+0.5%	Clean basis
Cargills Bank Limited	-	593,732	On demand, based on the prevailing market rates	Fully secured against cash
Commercial Bank of Ceylon PLC	50,000	1,373,304	On demand, based on monthly AWPLR+1.0%	Corporate guarantee from Cargills (Ceylon) PLC



Notes to the Financial Statements contd.

Institution and facility	Principal amount Rs. '000	Amount outstanding Rs. '000	Repayment terms & interest rate	Security offered
Deutsche Bank	500,000	524,934	On demand, based on the prevailing market rates	Clean basis
		2,491,970		
<b>Short term loans</b>				
Bank of Ceylon	500,000	-	1-12 months, based on the prevailing market rates	Clean basis
Commercial Bank of Ceylon PLC	2,950,000	2,650,000	1-12 months, based on the prevailing market rates	Corporate guarantee of Rs. 250 Mn. from Cargills (Ceylon) PLC
Hatton National Bank PLC	2,500,000	1,720,000	1-4 months, based on weekly AWPLR	Clean basis
Standard Chartered Bank	2,600,000	1,550,000	1-4 months, based on the prevailing market rates	Clean basis
Union Bank PLC	300,000	-	1-4 months, based on monthly AWPLR+1.00%	Clean basis
		5,920,000		
		8,411,970		
<b>Cargills Agrifoods Limited</b>				
<b>Bank overdraft</b>				
Cargills Bank Limited	-	39,010	On demand, based on the prevailing market rates	Fully secured against cash
Commercial Bank of Ceylon PLC	150,000	-	On demand, based on monthly AWPLR+1.0%	Corporate guarantee for Rs.155 Mn. from Cargills (Ceylon) PLC
National Development Bank PLC	-	3	On demand, based on the prevailing market rates	Clean basis
		39,013		
<b>Cargills Food Processors (Private) Limited</b>				
<b>Bank overdraft</b>				
Cargills Bank Limited	-	51,965	On demand, based on the prevailing market rates	Fully secured against cash
Commercial Bank of Ceylon PLC	100,000	-	On demand, based on monthly AWPLR +1.0%	Corporate guarantee for Rs. 50 Mn. from Cargills (Ceylon) PLC
Deutsche Bank	100,000	-	On demand, based on the prevailing market rates	Clean basis
		51,965		

Institution and facility	Principal amount Rs. '000	Amount outstanding Rs. '000	Repayment terms & interest rate	Security offered
<b>Short term loans</b>				
Commercial Bank of Ceylon PLC	250,000	-	1-12 months, based on the prevailing market rates	Corporate guarantee from Cargills (Ceylon) PLC
		-		
		51,965		
<b>Cargills Food Services (Private) Limited</b>				
<b>Bank overdraft</b>				
Commercial Bank of Ceylon PLC	-	2,045	On demand, based on the prevailing market rates	Clean basis
Deutsche Bank	5,000	4,831	On demand, based on the prevailing market rates	Clean basis
		6,876		
<b>Short term loans</b>				
Hatton National Bank PLC	85,000	48,000	1-6 Months based on weekly AWPLR+ 0.5%	Clean basis
		48,000		
		54,876		
<b>Cargills Quality Confectioneries (Private) Limited</b>				
<b>Bank overdraft</b>				
Commercial Bank of Ceylon PLC	100,000	44,329	On demand, based on monthly AWPLR +1.0%	Corporate guarantee for Rs.150 Mn. from Cargills (Ceylon) PLC
		44,329		
<b>Short term loans</b>				
Hatton National Bank PLC	200,000	-	1-4 months, based on weekly AWPLR	Corporate guarantee for Rs. 200 Mn. from Cargills (Ceylon) PLC
		44,329		
<b>Cargills Quality Dairies (Private) Limited</b>				
<b>Bank overdraft</b>				
Commercial Bank of Ceylon PLC	30,000	25,790	On demand, based on monthly AWPLR +1.0%	Corporate guarantee for Rs.70 Mn. from Cargills (Ceylon) PLC
Cargills Bank Limited	-	84,397	On demand, based on the prevailing market rates	Fully secured against cash
Deutsche Bank	100,000	98,768	On demand, based on the prevailing market rates	Clean basis
Seylan Bank PLC	-	14,864	On demand, based on monthly AWPLR +2.5%	Clean basis
		223,819		

Notes to the Financial Statements contd.

Institution and facility	Principal amount Rs. '000	Amount outstanding Rs. '000	Repayment terms & interest rate	Security offered
<b>Short term loans</b>				
Commercial Bank of Ceylon PLC	1,470,000	1,470,000	1-12 months, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	2,000,000	450,400	1-4 months, based on weekly AWPLR	Clean basis
Standard Chartered Bank	1,150,000	1,150,000	1-12 months, based on the prevailing market rates	Clean basis
		3,070,400		
		3,294,219		
<b>Cargills Quality Foods Limited</b>				
<b>Bank overdraft</b>				
Commercial Bank of Ceylon PLC	5,000	44,533	On demand, based on monthly AWPLR +1.0%	Corporate guarantee for Rs. 125 Mn. from Cargills (Ceylon) PLC
Deutsche Bank	350,000	349,157	On demand, based on the prevailing market rates	Clean basis
		393,690		
<b>Short term loans</b>				
Commercial Bank of Ceylon PLC	145,000	145,000	1-12 months, based on the prevailing market rates	Corporate guarantee from Cargills (Ceylon) PLC
Hatton National Bank PLC	750,000	526,518	1-4 months, based on weekly AWPLR	Clean basis
Standard Chartered Bank	750,000	500,000	1-12 months, based on the prevailing market rates	Clean basis
		1,171,518		
		1,565,208		
<b>Millers Limited</b>				
<b>Bank overdraft</b>				
Cargills Bank Limited	-	4,927	On demand, based on the prevailing market rates	Fully secured against cash
Deutsche Bank	200,000	199,115	On demand, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	200,000	-	On demand, based on weekly AWPLR	Corporate Guarantee for Rs. 335 Mn. from Cargills (Ceylon) PLC
		204,042		

Institution and facility	Principal amount Rs. '000	Amount outstanding Rs. '000	Repayment terms & interest rate	Security offered
<b>Short term loans</b>				
Commercial Bank of Ceylon PLC	200,000	175,00	1-12 months, based on the prevailing market rates	Corporate Guarantee for Rs. 215 Mn. from Cargills (Ceylon) PLC
Standard Chartered Bank	250,000	-	1-3 months, based on the prevailing market rates	Corporate Guarantee for Rs. 250 Mn. from Cargills (Ceylon) PLC
		175,000		
		379,042		
<b>Cargills Agro Development Company (Private) Limited</b>				
<b>Short term loans</b>				
Hatton National Bank PLC	100,000	92,000	1-6 months, based on weekly AWPLR+0.5%	Clean basis
<b>Kotmale Dairy Products (Private) Limited</b>				
<b>Bank overdraft</b>				
Bank of Ceylon	10,000	-	On demand, based on the prevailing market rates	Corporate guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors
Commercial Bank of Ceylon PLC	-	28,825	On demand, based on monthly AWPLR +1.0%	Letter of Comfort obtained from Cargills Quality Dairies (Private) Limited
Seylan Bank PLC	-	98,352	On demand, based on the prevailing market rates	Clean basis
		127,177		
<b>Import Loan facility / Series of Loan on Import</b>				
Bank of Ceylon	40,000	-	Based on the prevailing market rates	Corporate guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors
<b>Short term loans</b>				
Hatton National Bank PLC	150,000	148,500	1-4 months, based on weekly AWPLR	Clean basis
Commercial Bank of Ceylon PLC	100,000	100,000	1-12 months, based on the prevailing market rates	Letter of Comfort obtained from Cargills Quality Dairies (Private) Limited
		248,500		
		375,677		

Notes to the Financial Statements contd.

Institution and facility	Principal amount Rs. '000	Amount outstanding Rs. '000	Repayment terms & interest rate	Security offered
<b>Kotmale Milk Products Limited</b>				
<b>Bank overdraft</b>				
Pan Asia Bank Corporation Limited	5,000	-	On demand, based on the prevailing market rates	Corporate guarantee from Kotmale Holdings PLC
<b>Import Loan facility</b>				
Pan Asia Bank Corporation Limited	20,000	-	Based on the prevailing market rates	Corporate guarantee from Kotmale Holdings PLC
<b>The Empire Investment Company (Private) Limited</b>				
<b>Short term loans</b>				
Hatton National Bank PLC	150,000	147,500	1-4 months, based on weekly AWPLR	Corporate Guarantee for Rs. 150 Mn. from Cargills (Ceylon) PLC
<b>Dawson Office Complex (Private) Limited</b>				
<b>Bank overdraft</b>				
Hatton National Bank PLC	-	3	On demand, based on weekly AWPLR	Clean basis
		3		

**27. 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 Group 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	
	2020	2019
	Rs. '000	Rs. '000
As at 1 April	50,419	61,901
Amortisation	(11,482)	(11,482)
As at 31 March	38,937	50,419

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".

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

### Funding Arrangements

The gratuity liability is not externally funded.

## 28.1 Movement in Present Value of Defined Benefit Obligations

	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 April	1,072,680	942,633	445,935	397,146
Transferred to subsidiary / equity accounted investees	-	(19,721)	(285)	(21,487)
Interest cost	117,996	153,439	49,024	39,444
Current service cost	110,306	39,872	37,938	33,590
Actuarial (gain) / loss	59,313	11,961	13,613	18,395
Benefits paid	(128,405)	(55,504)	(29,111)	(21,153)
As at 31 March	1,231,890	1,072,680	517,114	445,935

Notes to the Financial Statements contd.**28.2 Amount Recognised in the Profit / Loss**

## Continuing operations

Current service cost	110,306	39,872	37,938	33,590
Interest cost	117,996	153,439	49,024	39,444
	<b>228,302</b>	<b>193,311</b>	<b>86,962</b>	<b>73,034</b>

**28.3 Amount Recognised in Other Comprehensive Income**

## Actuarial (gain) / loss arising from :-

- financial assumptions	(2,276)	(24,753)	(853)	(7,157)
- experience adjustment	61,589	36,714	14,466	25,552
	<b>59,313</b>	<b>11,961</b>	<b>13,613</b>	<b>18,395</b>

**28.4 Actuarial Assumptions**

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 2020. The principal assumptions, used in the actuarial valuation were as follows:

	2020 %	2019 %
Discount rate	10.5	11
Salary increment rate		
- Executive	9.5	10
- Staff	9.5	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 Group.

**28.5 Sensitivity Analysis**

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

	2020		2019	
	Increase Rs. '000	Decrease Rs. '000	Increase Rs. '000	Decrease Rs. '000
<b>Group</b>				
Discount rate (1% movement)	(61,223)	68,528	(51,385)	57,533
Salary increment rate (1% movement)	73,134	(66,408)	61,516	(55,858)
<b>Company</b>				
Discount rate (1% movement)	(17,282)	19,024	(14,944)	16,456
Salary increment rate (1% movement)	20,778	(19,207)	17,986	(16,620)

**29. Trade and other Payables**

As at 31 March	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade payables	10,268,675	9,916,642	50,141	96,826
Other payables	1,794,214	2,950,613	170,349	427,686
Accrued expenses	1,663,320	2,089,420	50,812	95,855
	<b>13,726,209</b>	<b>14,956,675</b>	<b>271,302</b>	<b>620,367</b>

**30. Dividends Payable**

As at 31 March	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Unclaimed dividends	79,629	64,588	79,629	64,589
	<b>79,629</b>	<b>64,588</b>	<b>79,629</b>	<b>64,589</b>

**31. 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.

The following summary describes the operations of each reportable segment:

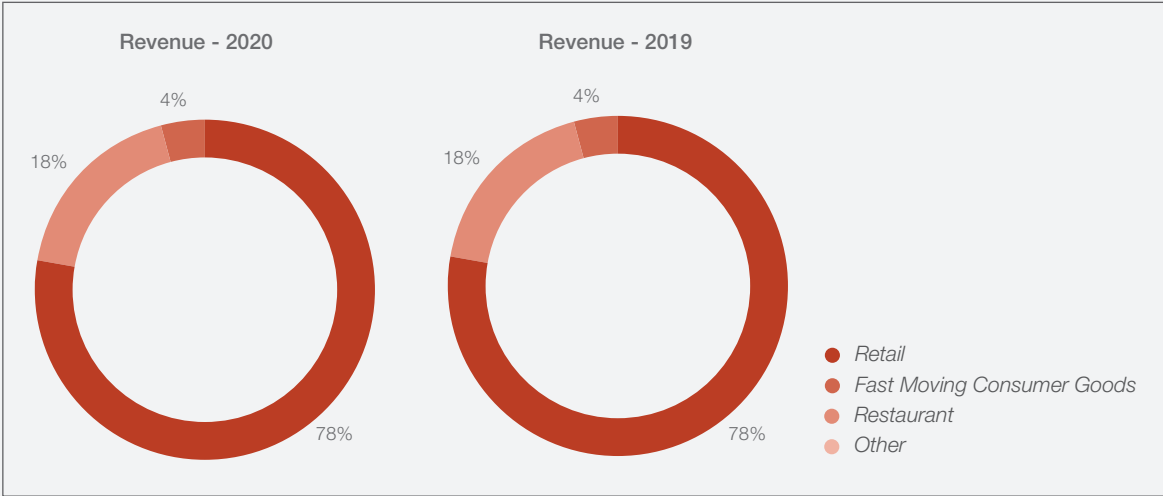


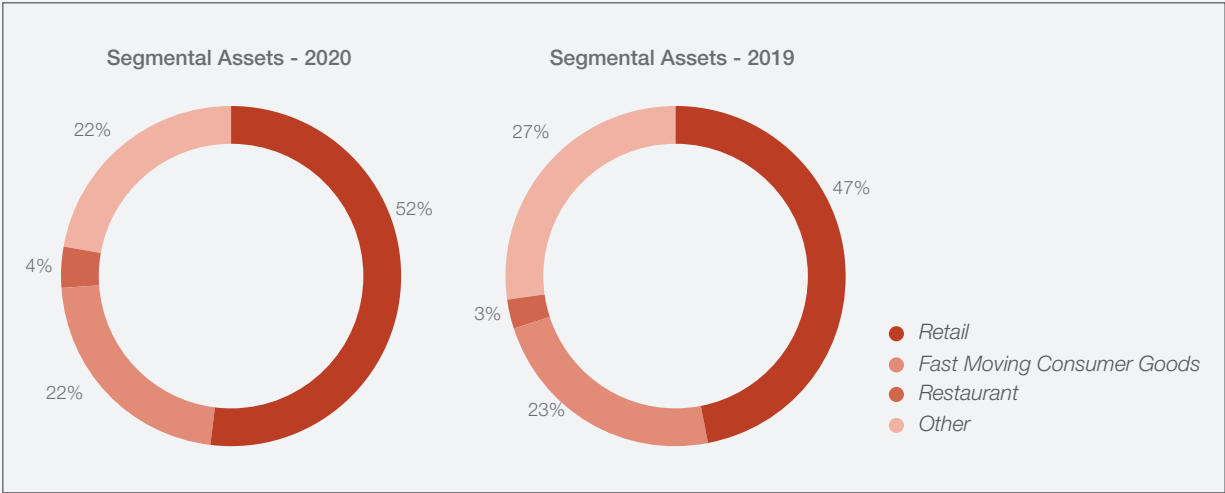
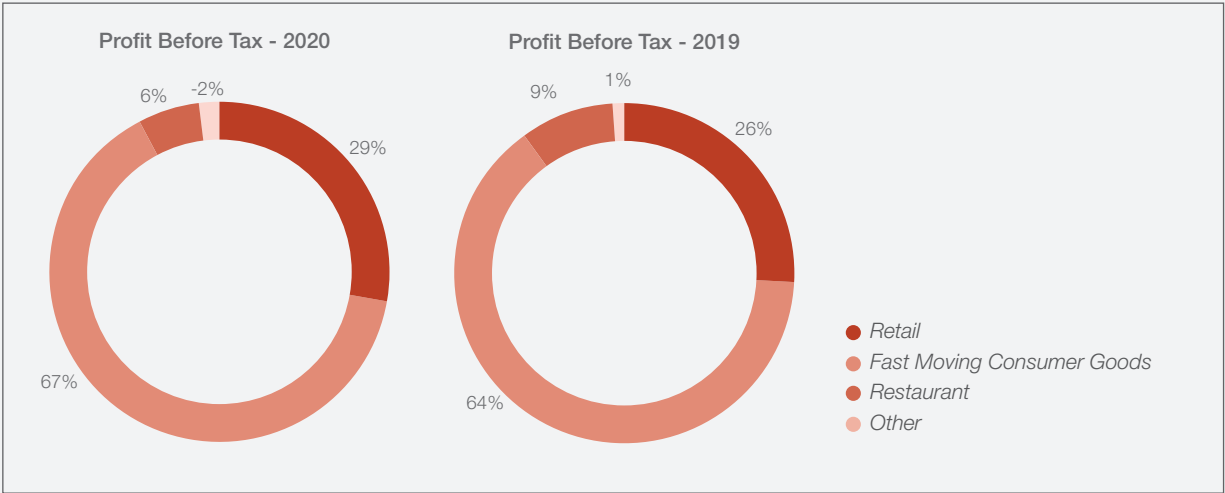
Notes to the Financial Statements contd.

31. Segmental Information (contd.)

Reportable segment	Operations
Retail	Operating a chain of retail outlets under the brand names of 'Food City', 'Food City Express' and 'Food Hall'
Fast Moving Consumer Goods (FMCG)	Manufacturing and distributing ice cream and other dairy products, fruit based products, processed and fresh meat products, biscuits, distribution of international FMCG products and production, importation and distribution of agricultural seeds.
Restaurant	Operating a chain of 'KFC' and 'TGIF' restaurants under franchise agreements.

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





Notes to the Financial Statements contd.**31. Segmental Information (contd.)**

	Retail		Fast Moving Consumer Goods		Restaurant		Other		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	84,004,321	74,413,736	27,321,413	23,758,182	4,152,067	3,873,329	96,461	18,743	115,574,262	102,063,990
Intra segment revenue	-	-	(141,112)	(180,953)	-	-	-	-	(141,112)	(180,953)
Inter segment revenue	(283,868)	(409,793)	(8,000,955)	(6,791,510)	-	-	(96,461)	(18,743)	(8,381,284)	(7,220,046)
	83,720,453	74,003,943	19,179,346	16,785,719	4,152,067	3,873,329	-	-	107,051,866	94,662,991
Segment operating profit	2,937,408	1,486,587	3,346,204	2,632,337	366,806	318,581	410,203	244,821	7,060,621	4,682,326
Net finance cost	(1,715,963)	(622,104)	(527,266)	(448,045)	(106,110)	(14,083)	(278,282)	(340,432)	(2,627,621)	(1,424,664)
Change in fair value of investment property	-	-	175	6,325	-	-	36,525	84,887	36,700	91,212
Share of equity accounted investees results	-	-	-	-	-	-	(270,066)	54,061	(270,066)	54,061
Profit before taxation	1,221,445	864,483	2,819,113	2,190,617	260,696	304,498	(101,620)	43,337	4,199,634	3,402,935
Income tax expense										
Current tax expense	(439,695)	(295,046)	(890,260)	(674,698)	(135,808)	(119,415)	(61,929)	(62,067)	(1,527,692)	(1,151,226)
Deferred tax expense	71,580	46,490	4,623	(49,904)	43,843	(6,305)	7,580	(25,271)	127,626	(34,990)
Other tax expense	(7,100)	5,427	(70,167)	(231,072)	39,118	42,739	-	-	(38,149)	(182,906)
Profit for the year	846,230	621,354	1,863,309	1,234,943	207,849	221,517	(155,969)	(44,001)	2,761,419	2,033,813
Attributable to :										
Equity shareholders of the parent	777,627	568,549	1,862,585	1,234,181	207,849	221,517	(155,969)	(44,001)	2,692,092	1,980,246
Non controlling interest	68,603	52,805	724	762	-	-	-	-	69,327	53,567
	846,230	621,354	1,863,309	1,234,943	207,849	221,517	(155,969)	(44,001)	2,761,419	2,033,813
Segment assets										
Non current assets										
Property plant and equipment	15,241,407	13,890,704	7,870,145	6,785,215	1,080,974	1,161,684	6,501,654	6,039,417	30,694,180	27,877,020
Right of use assets	8,804,692	-	47,744	-	1,139,660	-	178,645	-	10,170,741	-
Investment property	-	-	137,957	134,775	-	-	1,718,957	1,684,023	1,856,914	1,818,798
Intangible assets	148,729	144,317	708,897	705,534	136,123	150,210	392,065	412,653	1,385,814	1,412,714
Equity investments at FVOCI	-	-	47	42	42	32	11,393	14,463	11,482	14,537
Prepayments on leasehold land and buildings	200,912	50,025	-	21,875	-	-	-	140,208	200,912	212,108
Investment in equity accounted investees	-	-	-	-	-	-	5,037,504	5,296,632	5,037,504	5,296,632
Deferred tax assets	-	-	12,838	5,274	5,473	5,473	-	-	18,311	10,747
	24,395,740	14,085,046	8,777,628	7,652,715	2,362,272	1,317,399	13,840,218	13,587,396	49,375,858	36,642,556
Current assets										
Inventories	7,627,053	7,465,812	2,760,168	2,175,897	128,178	108,384	21,471	11,943	10,536,870	9,762,036
Trade and other receivables	3,039,482	3,280,519	3,155,075	2,763,988	163,070	250,629	903,897	693,772	7,261,524	6,988,908
Amount due from related companies	37,819	15,583	6,630	6,877	-	-	963,777	890,934	1,008,226	913,394
Other financial assets	795,389	718,660	76,167	132,636	-	-	9,478	8,834	861,034	860,130
Cash and cash equivalents	1,214,029	1,771,214	737,788	992,841	175,968	113,655	6,794	230,692	2,134,579	3,108,402
	12,713,772	13,251,788	6,735,828	6,072,239	467,216	472,668	1,905,417	1,836,175	21,822,233	21,632,870
Total segmental assets	37,109,512	27,336,834	15,513,456	13,724,954	2,829,488	1,790,067	15,745,635	15,423,571	71,198,091	58,275,426

	Retail		Fast Moving Consumer Goods		Restaurant		Other		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Segment liabilities</b>										
<b>Non current liabilities</b>										
Interest bearing loans and borrowings	9,779,907	-	32,271	409	1,102,839	-	42,923	-	10,957,940	409
Deferred tax liability	124,241	368,854	659,795	661,717	30,371	98,043	243,984	258,010	1,058,391	1,386,624
Capital grant	-	-	38,937	50,419	-	-	-	-	38,937	50,419
Employee benefit liability	621,192	548,363	93,582	78,382	-	-	517,116	445,935	1,231,890	1,072,680
Put liability	-	-	-	-	-	-	-	3,456,493	-	3,456,493
	10,525,340	917,217	824,585	790,927	1,133,210	98,043	804,023	4,160,438	13,287,158	5,966,625
<b>Current liabilities</b>										
Trade and other payables	10,407,783	11,362,483	2,422,773	2,289,392	623,499	683,838	272,154	620,962	13,726,209	14,956,675
Current tax liabilities	735,755	365,831	1,987,114	1,669,858	310,108	368,736	141,778	97,075	3,174,755	2,501,500
Amount due to related companies	8,374	5,822	6,638	-	-	-	196	-	15,208	5,822
Dividends payable	-	-	-	-	-	-	79,629	64,588	79,629	64,588
Interest bearing loans and borrowings	8,994,838	8,635,393	5,798,665	4,398,529	344,361	332,745	3,753,065	3,470,648	18,890,929	16,837,315
Put liability	-	-	-	-	-	-	3,659,385	-	3,659,385	-
	20,146,750	20,369,529	10,215,190	8,357,779	1,277,968	1,385,319	7,906,207	4,253,273	39,546,115	34,365,900
Total segmental liabilities	30,672,090	21,286,746	11,039,775	9,148,706	2,411,178	1,483,362	8,710,230	8,413,711	52,833,273	40,332,525
<b>Other information</b>										
Capital expenditure	2,882,769	3,239,402	1,968,682	1,204,975	142,103	537,873	525,326	449,604	5,518,880	5,431,854
Depreciation	1,467,994	1,398,430	855,525	790,982	217,503	183,649	61,508	57,967	2,602,530	2,431,028

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

Notes to the Financial Statements contd.**32. Commitments**

As at 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
<b>Capital commitment</b>				
Approved and contracted	1,411,267	1,473,460	290,269	587,794
<b>Financial commitments</b>				
(a) Future payments of operating lease rentals*				
- within 1 year	-	2,095,122	-	2,135
- between 1 -5 years	-	9,274,663	-	12,040
- more than 5 years	-	14,656,878	-	143,465
	-	26,026,663	-	157,640
(b) Settlement of letter of credits and import bills	380,588	207,093	-	-

Future payments of operating lease rentals for the current year are disclosed in Note 13.2 under 'Maturity analysis - contractual undiscounted cash flows'.

**33. Contingent Liabilities****Accounting Policy****Contingencies**

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

**Income Tax**

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

Cargills Quality Foods Limited - Rs. 20.62 Mn and Kotmale Dairy Products (Private) Limited Rs. 18.2 Mn.

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

**Letter of Guarantee to Commercial Banks**

The Company has given letter of guarantee to commercial banks on behalf of the subsidiary companies amounting to Rs. 1.95 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.

### Bank Guarantee

The Company has provided Bank Guarantees to Lion Brewery (Ceylon) PLC and its subsidiary Pearl Springs (Pvt) Ltd to the value of Rs. 13.08 Mn to cover contingent tax liabilities in connection with the disposal of the investment in Millers Brewery Limited.

The Company has provided Bank Guarantees to Sri Lanka Customs amounting to Rs. 2.5 Mn.

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

The Directors do not expect any claim on these guarantees. Accordingly, no provision has been made in the financial statements.

### 34. Events After the Reporting Date

International Finance Corporation (IFC) has given notice of its intention to exit its investment in Cargills Foods Company (Private) Limited by exercising the put option disclosed in Note 23. The Board had resolved to accept the exit notice.

The Board of Directors have proposed a final dividend of 3.20 Rupee per share ( on the 257,221,043 shares now in issue) for the year ended 31 March 2020 which is to be approved by the shareholders at the Annual General Meeting.

In accordance with LKAS 10 - "Events after the reporting period", the final dividend has not been recognised as a liability in the financial statements as at 31 March 2020.

No events other than the above, have occurred since the reporting date which would require any adjustment to, or disclosure in, the financial statements.

### 35. Transactions with Group Companies

#### Accounting Policy

#### Related Party Transaction

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

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

The Company has provided corporate guarantees for the term loans and banking facilities obtained by its subsidiary companies, the details of which has been disclosed under note 26.2 to the Financial Statements..

Companies within the Group engage in trading and business transactions under normal commercial terms which give rise to related company balances. The balances have been disclosed under note 21 to the Financial Statements.

# Notes to the Financial Statements contd.

## 35.1 Transactions with Key Management Personnel (KMP)

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

Key Management Personnel compensation comprise the following:

The compensation paid or payable to key management:

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Salaries and other short-term employee benefits	443,061	434,877	51,586	51,171
Equity settled share based payments	4,493	-	346	-
Post – employment benefit payments	61,591	-	-	-
	509,145	434,877	51,932	51,171

There are no any other payments made to KMPs apart from the disclosed above.

## 35.2 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 21 to these Financial Statements.

## 35.3 Transactions with Related Companies

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Transaction with related parties				
Subsidiaries				
Sale / (purchase)	-	-	106,741	18,743
Other income / (expense)	-	-	1,166,746	941,158
Fund transfer / (settlement)	-	-	(1,326,589)	(914,218)
Holding company				
Sale / (purchase)	-	-	-	-
Other income / (expense)	(5,281)	(21,122)	-	-
Fund transfer / (settlement)	1,077	17,905	1,094	2,063
Associate and other related companies				
Sale / (purchase)	1,581	4,080	-	-
Other income / (expense)	180,217	73,882	78,153	91,824
Fund transfer / (settlement)	(92,148)	5,289	(6,404)	(9,825)

The other expense relating to Company includes employee benefit cost transfer to subsidiaries amounting to Rs. 47.72 Mn For the year ended 31 March 2020 ( 2019 - 40.39 Mn).

#### Net dividends received from subsidiary companies

	Company	
	2020 Rs. '000	2019 Rs. '000
Cargills Quality Foods Limited	415,117	1,412,400
Cargills Foods Company (Private) Limited	86,602	237,747
Cargills Foods Processors (Private) Limited	-	107,550
	<b>501,719</b>	<b>1,757,697</b>

#### 35.4 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) dependence 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 regular transactions in the ordinary course of business and the amount outstanding as at 31 March 2020 was Rs. 19.92 Mn (2019 - Rs. 10.73 Mn).

Purchases for re-sale in the ordinary course of business amounted to Rs. 130.52 Mn (2019 - Rs. 114.20 Mn) and rental income amounted to Rs. 0.58 Mn ( 2019 - Rs. 0.84 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.



## Notes to the Financial Statements contd.

### **36. Comparative Information**

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

### **37. Impact Due to the COVID 19**

The overall impact of the pandemic on the different sectors of the Group varies according to the specific circumstances. The retail sector continued operations albeit on a reduced scale with volumes dependent mainly on home deliveries. Despite the suddenness of the imposition of the curfew and the inability of much of the staff to report for work due to the travel ban between districts, the retail sector successfully mobilised the available staff and reassigned resources to respond to the immediate needs of supplying basic essentials to customers. The FMCG sector continued operations on a lower scale, based on the changing customer demands for the particular time. This sector, however, continued milk collection from dairy farmers without interruption throughout the period. The Restaurants were largely non-operational, with only delivery operations being carried out.

The response of the Group to the Pandemic centered around safety, welfare and secure employment of our staffs, support to suppliers through timely payments, provision of goods to customers in a safe environment, as far as possible, and management of expenses to mitigate the adverse impact of the pandemic.

The Company and subsidiaries have adequate cash and / or credit lines to meet all ongoing operational and financial commitments. There have been no significant changes in the terms of borrowings from financial institutions. Further, the cost of accessing for funds has improved due to the relief measurements adopted by the Central Bank of Sri Lanka.

The Group do not expect material changes in fixed assets as a result of COVID 19. However, cost of key raw materials has increased during COVID 19 which resulted in increased value of inventory in hand. Trade receivables has also increased as a result of COVID 19 since the settlements were delayed due to the lockdown situation in the country. However, post lockdown the debtor collection has improved by leaps and bounds, thereby the Group does not expect material impairment from the impact of COVID 19.

The prospects for the future are largely dependent on macro-economic factors connected to the impact of the COVID 19 virus in Sri Lanka and other parts of the globe. Sustained adversity on a global level will have implications for the operations of the Group due to the possible adverse impact on purchasing power, cost and availability of imported food items etc. The Group has installed processes for these factors to be regularly monitored and take action accordingly.

## 38. Financial Instruments

### 38.1 Accounting Classification and Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial Assets by Categories (Group)	Note	Financial assets at amortised cost		FVOCI - equity instruments	
As at 31 March		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Financial assets measured at fair value					
Other financial assets	16.3.1	-	-	11,482	14,537
Financial assets not measured at fair value					
Trade and other receivables, excluding prepayments, deposits and tax recoverable	20	4,233,709	4,246,200	-	-
Amounts due from related companies	21	1,008,226	913,394	-	-
Other financial assets	16.3.2	881,034	860,130	-	-
Cash and cash equivalents	25	2,134,579	3,108,402	-	-
		8,257,548	9,128,126	11,482	14,537
Financial Liabilities by Categories (Group)					
As at 31 March	Note	Financial liabilities at amortised cost		2020 Rs. '000	2019 Rs. '000
Financial liabilities not measured at fair value					
Interest bearing loans and borrowings	26			29,848,869	16,837,724
Trade and other payables, excluding accrued expenses	29			12,062,889	12,867,255
Amounts due to related companies	21			15,208	5,822
Put liability	23			3,659,385	3,456,493
				45,586,351	33,167,294

Notes to the Financial Statements contd.

Financial Assets by Categories (Company)	Note	Financial assets at amortised cost		FVOCI - equity instruments	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
As at 31 March					
Financial assets measured at fair value					
Other financial assets	16.3.1	-	-	11,393	14,463
Financial assets not measured at fair value					
Trade and other receivables, excluding prepayments, deposits and tax recoverable	20	237,167	1,241,930	-	-
Amounts due from related companies	21	1,105,756	1,037,244	-	-
Cash and cash equivalents	25	5,657	230,297	-	-
		1,348,580	2,509,471	11,393	14,463
Financial liabilities not measured at fair value	Note				
As at 31 March					
Financial liabilities not measured at fair value					
Interest bearing loans and borrowings	26			3,655,918	3,470,648
Trade and other payables, excluding accrued expenses	29			220,490	524,512
Amounts due to related companies	21			53,009	4,238
				3,929,417	3,999,398

**38.1.1** 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.

### 38.2 Fair Value Hierarchy

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

The different levels have been defined as follows:

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

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

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

As at 31 March	Level 1		Level 2		Level 3		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Group</b>								
Freehold land and buildings (Note 12)	-	-	-	-	12,237,581	12,205,767	12,237,581	12,205,767
Investment property (Note 14)	-	-	-	-	1,856,914	1,818,798	1,856,914	1,818,798
Equity investment at FVOCI (Note 16.3.1)	11,482	14,537	-	-	-	-	11,482	14,537
<b>Company</b>								
Freehold land and buildings (Note 12)	-	-	-	-	2,622,445	2,613,287	2,622,445	2,613,287
Investment property (Note 14)	-	-	-	-	4,028,718	3,514,555	4,028,718	3,514,555
Equity investment at FVOCI (Note 16.3.1)	11,393	14,463	-	-	-	-	11,393	14,463

### 38.2.1 Assets and Liabilities Measured at Fair Value - Recurring

The following table shows the valuation techniques used by Group 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	Market price per perch. The valuer has used a range of prices for respective lands based on adjusted fair value taking into account other valuation considerations. Market price per perch ranges between Rs. 5,000 - Rs. 16,100,000 per perch	The estimated fair value would increase / (decrease) if: <ul style="list-style-type: none"> <li>• Cost per square foot was higher / (lower); or</li> <li>• Market value per perch was higher / (lower)</li> </ul>
	Income method:- The net income generated by the property is used in conjunction with certain factors is used to calculate its fair value.	Contractual rentals agreed Occupancy rates 100% Capitalization rates 5%-7% Repairs and insurance 22%-25%  Valuer has used market price per perch for excess land in existing location using a range of prices for similar lands based on adjusted fair value taking into account other valuation consideration ranges between Rs. 2,000,000 - Rs. 18,000,000 per perch	Estimated fair value will increase / (decrease) if market interest rate increase / (decrease)

Notes to the Financial Statements contd.

Asset and liabilities	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
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	Construction cost per square foot ranges between Rs. 450 - Rs. 9,000  Market price per perch. The valuer has used a range of prices for respective lands based on adjusted fair value taking into account other valuation consideration ranges between Rs. 800,000 - Rs.11,000,000 per perch	The estimated fair value would increase/(decrease) if:  <ul style="list-style-type: none"> <li>• cost per square foot was higher / (lower); or</li> <li>• market value per perch was higher / (lower)</li> </ul>
	Income method - The net income generated by the property is used in conjunction with certain factors is used to calculate its fair value.	Contractual rentals agreed  Occupancy rates 70%-95%  Capitalization rates 5%-8%  Repairs and insurance 20%-25%  Valuer has used market price per perch for excess land in existing location using a range of prices for similar lands based on adjusted fair value taking into account other valuation consideration ranges between Rs. 2,000,000 - Rs. 18,000,000 per perch	The estimated fair value would increase / (decrease) if:  <ul style="list-style-type: none"> <li>• contractual rentals were higher / (lower);</li> <li>• occupancy rates were higher/ (lower);</li> <li>• capitalization rate was (higher) / lower;</li> <li>• repair and insurance was (higher) / lower; or</li> <li>• market value per perch was higher / (lower)</li> </ul>

## 39. 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 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.

### 39.1 Credit Risk

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

Carrying amount of financial assets represents the maximum credit exposure.

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

As at 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Trade and other receivables, excluding prepayments and tax recoverable	4,884,346	4,560,119	241,979	1,246,742
Amount due from related companies	1,008,226	913,394	1,105,756	1,037,244
Cash and cash equivalents, excluding cash in hand	1,561,883	2,430,060	4,358	229,704
	<b>7,454,455</b>	<b>7,903,573</b>	<b>1,352,093</b>	<b>2,513,690</b>

Notes to the Financial Statements contd.**39. Financial Risk Management****39.1.1 Trade Receivables Net of Provision for Impairment**

As at 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Past due 1 - 30 days	1,783,161	2,427,121	1,269	3,178
Past due 31 - 60 days	855,844	566,484	1,083	746
Past due 61 - 90 days	429,150	337,667	107	443
> 91 days	381,954	271,887	89,394	97,050
	<b>3,450,109</b>	<b>3,603,159</b>	<b>91,853</b>	<b>101,417</b>

The provision for impairment of trade receivables are relevant to the trade receivables outstanding for more than 90 days. The Group has obtained bank guarantees from major customers by reviewing their past performance and credit worthiness.

**39.1.2 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.

**39.1.3 Cash and Cash Equivalents**

The Group and the Company held cash and cash equivalents of Rs. 2,134.58 Mn and Rs. 5.66 Mn at 31 March 2020 (2019 - Rs. 3,108.40 Mn and Rs. 230.30 Mn), which represents its maximum credit exposure on these assets. The cash and cash and cash equivalents excluding cash in hand are held with banks, which are rated AAA(Ika) to A(Ika), based on Fitch Ratings.

**39.1.4 Guarantees**

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

**39.2 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.

### 39.2 Liquidity Risk (contd.)

The following are the contractual maturities of financial liabilities of the Group as at 31 March 2020:

Group	Carrying amount Rs.'000	Contractual cash flows			
		Total Rs.'000	Within 1 year Rs. '000	Between 1-5 years Rs. '000	More than 5 years Rs. '000
Trade and other payables, excluding accrued expenses	12,062,889	12,062,889	12,062,889	-	-
Amounts due to related companies	15,208	15,208	15,208	-	-
Finance lease liabilities	510	520	520	-	-
Short term loan	13,867,918	13,972,754	13,972,754	-	-
Bank overdraft	4,182,361	4,182,361	4,182,361	-	-
Put liability	3,659,385	3,659,385	3,659,385	-	-
Lease liabilities	11,798,080	24,173,666	2,100,428	9,697,142	12,376,096
	45,586,351	58,066,783	35,993,545	9,697,142	12,376,096

The following are the contractual maturities of financial liabilities of the Group as at 31 March 2019:

Group	Carrying amount Rs.'000	Contractual cash flows			
		Total Rs.'000	Within 1 year Rs. '000	Between 1-5 years Rs. '000	More than 5 years Rs. '000
Trade and other payables, excluding accrued expenses	12,867,255	12,867,255	12,867,255	-	-
Amounts due to related companies	5,822	5,822	5,822	-	-
Finance lease liabilities	1,547	1,665	1,145	520	-
Short term loan	14,016,345	14,123,626	14,123,626	-	-
Bank overdraft	2,819,833	2,819,833	2,819,833	-	-
Put liability	3,456,493	3,456,493	-	3,456,493	-
	33,167,295	33,274,694	29,817,681	3,457,013	-



Notes to the Financial Statements contd.**39.2 Liquidity Risk (contd.)**

The following are the contractual maturities of financial liabilities of the Company as at 31 March 2020:

Company	Carrying amount Rs.'000	Contractual cash flows			
		Total Rs.'000	Within 1 years Rs.'000	Between 1-5 years Rs. '000	More than 5 years Rs. '000
Trade and other payables, excluding accrued expenses	220,490	220,490	220,490	-	-
Amounts due to related companies	53,009	53,009	53,009	-	-
Short term loan	2,995,000	3,018,738	3,018,738	-	-
Bank overdraft	599,477	599,477	599,477	-	-
Lease liabilities	61,441	191,088	17,967	39,561	133,560
	<b>3,929,417</b>	<b>4,082,802</b>	<b>3,909,681</b>	<b>39,561</b>	<b>133,560</b>

The following are the contractual maturities of financial liabilities of the Company as at 31 March 2019:

Company	Carrying amount Rs.'000	Contractual cash flows			
		Total Rs.'000	Within 1 year Rs. '000	Between 1-5 years Rs. '000	More than 5 years Rs.'000
Trade and other payables, excluding accrued expenses	524,512	524,512	524,512	-	-
Amounts due to related companies	4,238	4,238	4,238	-	-
Short term loan	3,440,000	3,464,084	3,464,084	-	-
Bank overdraft	30,648	30,648	30,648	-	-
	<b>3,999,398</b>	<b>4,023,482</b>	<b>4,023,482</b>	<b>-</b>	<b>-</b>

**39.3 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.

**39.3.1 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. Currency risk exposure is not material to the Group.

**39.3.2 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 Group has considerable banking facilities with several reputed banks which has enabled the Group to negotiate competitive rates.

### 39.3.3 Market Price Risk

Listed equity securities are susceptible to market price risk arising from uncertainties of future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity portfolio investments. The Group's equity risk management policies are;

- Equity investment decisions are based on fundamentals rather than on speculation; and
- Decisions are based on in depth macroeconomic and industry analysis as well as research reports on company performance.

Market price risk exposure is not material to the Group.

### 39.4 Capital Management

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

As at 31 March	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Total liabilities	52,833,273	40,332,525	4,925,445	4,890,089
Less: Cash and cash equivalents	2,134,579	3,108,402	5,657	230,297
Net debt	50,698,694	37,224,123	4,919,788	4,659,792
Total equity	18,364,818	17,942,901	11,997,937	12,642,189
Net debt to equity ratio	2.76	2.07	0.41	0.37

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

## Five Year Financial Summary

Group	2016	2017	2018	2019	2020
Continuing Operations	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Revenue	71,441,850	84,190,870	91,293,127	94,662,991	107,051,866
Profit from operation	3,463,013	5,091,120	6,262,937	4,682,326	7,060,621
Profit before taxation	2,886,008	4,154,134	5,245,334	3,402,935	4,199,634
Profit after taxation	1,690,581	2,284,196	3,330,921	2,033,813	2,761,419
Discontinued Operations					
Profit/loss from discontinued operation, net of tax	-	-	-	-	-
Profit for the year	1,690,581	2,284,196	3,330,921	2,033,813	2,761,419
Attributable to					
Owners of the company	1,623,986	2,140,184	3,200,534	1,980,246	2,692,092
Non controlling interest	66,595	144,012	130,387	53,567	69,327
	1,690,581	2,284,196	3,330,921	2,033,813	2,761,419
Financial position					
Stated capital	130,723	130,723	6,530,709	6,530,709	6,756,591
Reserves	13,990,556	13,826,109	9,797,683	10,890,361	11,092,673
Non controlling interest	383,539	415,091	491,919	521,831	515,554
Capital and reserves	14,504,818	14,371,923	16,820,311	17,942,901	18,364,818
Current assets	14,931,269	15,932,377	19,115,574	21,632,870	21,822,233
Current liabilities	(23,755,857)	(30,274,672)	(30,523,915)	(34,365,900)	(39,546,115)
Working capital	(8,824,588)	(14,342,295)	(11,408,341)	(12,733,030)	(17,723,882)
Non current assets	27,279,866	33,371,059	33,676,707	36,642,556	49,375,858
Non current liabilities	(3,950,460)	(4,656,841)	(5,448,055)	(5,966,625)	(13,287,158)
Non controlling interest	(383,539)	(415,091)	(491,919)	(521,831)	(515,554)
Net assets	14,121,279	13,956,832	16,328,392	17,421,070	17,849,264

Group	2016	2017	2018	2019	2020
Continuing Operations	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Key Indicators</b>					
Growth in turnover (%)	15.92	18.55	8.44	3.69	13.09
Growth in earnings (%)	181.77	35.11	45.82	(38.94)	35.78
Operating profit to turnover (%)	4.85	6.05	6.86	4.95	6.60
Earnings to turnover (%)	2.37	2.71	3.65	2.15	2.58
Return on total assets (%)	4.01	4.63	6.31	3.49	3.88
Growth in total assets (%)	13.58	16.36	7.08	10.11	22.18
Growth in capital and reserves (%)	12.62	(0.92)	17.04	6.67	2.35
Return on capital and reserves (%)	11.66	15.89	19.80	11.33	15.04
Return on investment (%)	12.35	15.82	21.36	11.70	15.21
Earnings per share (Rs.)	7.25	9.55	12.50	7.70	10.47
Dividends per share (Rs.)	3.50	5.60	6.00	1.90	6.00
Net assets per share (Rs.)	63.04	62.31	63.78	67.73	69.39
Dividends paid per share (Rs.)	2.55	7.85	6.00	1.90	6.00
Dividend pay out (%)	48.28	58.64	42.06	24.56	57.33
Dividends paid	571,370	1,758,400	1,344,000	486,400	1,543,326
Debt equity ratio (times)	1.91	2.43	2.14	2.24	2.88
Interest cover (times)	5.73	4.53	4.79	3.29	2.69
Current ratio (times)	0.63	0.53	0.63	0.63	0.55
Quick assets ratio (times)	0.33	0.25	0.31	0.34	0.29
Capital additions	2,278,718	4,692,824	4,746,875	5,431,854	5,518,880
Market capitalisation	33,600,000	42,044,800	49,894,400	51,200,000	43,727,577

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.

## Group Real Estate Portfolio

Location	Land Extent	Building Area (Sq. Ft)	Valuation/ Cost Rs'000	Year of Valuation
<b>Cargills (Ceylon) PLC</b>				
Colombo 01	141 Perches	124,215	2,266,075	2018
Staple Street - Colombo 2	81.5 Perches	20,970	910,525	2020
Braybrooke Place	78.1 Perches	5,146	705,337	2020
Canal Raw - Colombo 01	15.2 Perches	12,300	388,050	2020
Cargills Square - Jaffna	Leasehold	99,164	1,050,500	2020
Dematagoda	84.3 Perches	71,956	963,915	2020
<b>Cargills Foods Company (Private) Limited</b>				
Kandy	88 Perches	25,174	1,350,085	2018
Maharagama	145.3 Perches	15,827	595,050	2018
Nuwara Eliya	57 Perches	9,617	223,500	2018
Mattakkuliya (111)	330 Perches	80,967	826,000	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
Negombo	28.8 Acres	-	495,685	
<b>Cargills Quality Foods Limited</b>				
Ja - Ela	5.03 Acres	38,381	410,640	2018
Mattakkuliya	1.3 Acres	16,637	437,536	2020
Ma Eliya	4 Acres	28,266	129,650	2020

Location	Land Extent	Building Area (Sq. Ft)	Valuation/ Cost Rs'000	Year of Valuation
<b>Cargills Agrifoods Limited</b>				
Katana	11.3 Acres	68,624	544,046	2018
<b>Millers Limited</b>				
Kelaniya	1.5 Acres	55,770	365,000	2018
Nittambuwa	112 Perches	-	134,950	2020
<b>CPC Lanka Limited</b>				
Katoolaya estate, Thawalantenne	4 Acres	16,706	59,350	2018
<b>Cargills Quality Dairies (Private) Limited</b>				
Mirigama, Baduragoda	49.8 Perches	-	7,000	2018
Mirigama, Baduragoda	38.5 Perches	-	3,404	
<b>Kotmale Dairy Products (Private) Limited</b>				
Mulleriyawa	1.7 Acres	28,862	186,690	2018
Bogahawatta	1 Acres	8,764	28,500	2018
Hatton	17.4 Acres	12,479	91,845	2018
<b>Fredrick North Hotel Company Limited</b>				
Boralesgamuwa	2.5 Acres	23,168	383,176	2020
<b>The Empire Investments Company (Private) Limited</b>				
Bandarawela	85.2 Perches	4,230	420,333	2020
Katubedda	1.15.Acres	3,500	513,138	2020

# Investor Relations Supplement

## 1. General

Stated capital	Rs. 6,756,590,340
Issued shares	257,221,043
Class of shares	Ordinary shares
Voting rights	One vote per ordinary share

## 2. Stock exchange listing

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

## 3. Distribution of shareholders

Size of	31 Mach 2020				31 Mach 2019			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 - 1,000	1,141	61.05	186,505	0.07	1,088	60.08	182,721	0.07
1,001 - 10,000	471	25.20	1,607,506	0.63	477	26.34	1,603,458	0.63
10,001 - 100,000	192	10.27	5,748,568	2.24	182	10.05	5,235,507	2.05
100,001 - 1,000,000	48	2.57	12,535,236	4.87	47	2.59	12,048,239	4.70
1,000,001and over	17	0.91	237,143,228	92.19	17	0.94	236,930,002	92.55
	1,869	100.00	257,221,043	100.00	1,811	100.00	255,999,927	100.00

## 4. Analysis of shareholders

	31 Mach 2020				31 Mach 2019			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Group of								
Institutions	118	6.31	222,185,887	86.38	106	5.85	223,009,882	87.11
Individuals	1,751	93.69	35,035,156	13.62	1,705	94.15	32,990,045	12.89
Total	1,869	100.00	257,221,043	100.00	1,811	100.00	255,999,927	100.00
Residents	1,790	95.77	238,527,092	92.73	1,723	95.14	237,570,379	92.80
Non residents	79	4.23	18,693,951	7.27	88	4.86	18,429,548	7.20
Total	1,869	100.00	257,221,043	100.00	1,811	100.00	255,999,927	100.00

## 5. Share valuation

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

31 March	2020 Rs.	2019 Rs.
Highest	205.90	209.90
Lowest	169.00	190.00
Last traded price	170.00	200.00

**6. Top 20 shareholders**

	31 March 2020		31 March 2019	
	Number of Shares	%	Number of Shares	%
C T Holdings PLC	179,713,417	69.87	179,713,417	70.20
Mr. V R Page	17,573,814	6.83	17,335,169	6.77
Employees' Provident Fund	8,407,333	3.27	8,407,333	3.28
Ms. M M Page	5,746,475	2.23	4,951,458	1.93
Odeon Holdings (Ceylon) (Private) Limited	5,511,909	2.14	5,511,909	2.15
CITI Bank New York S/A Norges A/C No. 2	5,285,234	2.05	4,653,487	1.82
BNYMSANV RE-LF Ruffer Investment Funds :				
LF Ruffer Pacific And Emerging Markets Fund	3,970,920	1.54	3,970,920	1.55
Ceylon Guardian Investment Trust PLC - A/C No.1	3,587,149	1.39	4,772,229	1.86
Seb Ab - Tundra Frontier Opportunities Fund	2,609,579	1.01	2,609,579	1.02
Serendip Investments Limited	1,552,429	0.60	-	-
Mellon Bank N.A. - Florida Retirement System	1,487,771	0.58	1,487,771	0.58
Bank of Ceylon - A/C No. 1	1,484,124	0.58	1,484,124	0.58
GF Capital Global Limited	1,016,000	0.39	1,016,000	0.40
The Associated Newspapers of Ceylon Limited	914,103	0.36	914,103	0.36
Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	868,675	0.34	1,031,737	0.40
Sir Chittampalam A Gardiner Trust	643,474	0.25	643,474	0.25
Mr. A A Page	616,759	0.24	315,608	0.12
Ceylon Investment PLC A/C No.2	561,072	0.22	720,502	0.28
Mr. J C Page	520,000	0.20	520,000	0.20
Mr. P.E. Muttukumaru	510,000	0.20	480,000	0.19
<b>Total</b>	<b>242,580,237</b>	<b>94.31</b>	<b>240,538,820</b>	<b>93.96</b>

**7. Public holding**

The percentage of shares held by the public and number of public shareholders as at 31 March 2020 is 20.65%. (2019 - 20.46%) and 1,851 (2019 - 1,794) respectively. The total number of shares in issue is 257,221,043, of which Public Holding represents 53,114,384 shares. The float adjusted market capitalisation amounts to Rs 9.03Bn. Accordingly, the Company complies with the Minimum Public Holding requirement of the Main Board as per Option 2 of Section 7.13.1 (a) of the CSE Listing Rules.



## Notice of Annual General Meeting

Notice is hereby given that the seventy fourth Annual General Meeting of the Company will be held on Thursday, 27 August 2020, at 9.45 a.m. at the Auditorium of the SRI LANKA FOUNDATION, 100, Padanam Mawatha, Independence square, Colombo 07 and the business to be brought before the meeting will be:

1. To consider and adopt the Annual Report of the Board and the Statements of Accounts for the year ended 31 March 2020, with the Report of the Auditors thereon
2. To declare a dividend as recommended by the Directors
3. To re-elect Directors
  - a) S. E. C. Gardiner , who retires by rotation in terms of the Company's Articles of Association and being eligible offers himself for re-election, and
  - b) C. I. Malwatte who was appointed on 01 February 2020 also retires in terms of the Company's Articles of Association and being eligible offers herself for re-appointment, and
  - c) L. R. Page,
  - d) A. T. P. Edirisinghe,
  - e) Sunil Mendis and
  - f) E. A. D. Perera who retire in terms of Section 210 (2) (b) of the Companies Act No. 07 of 2007 having surpassed seventy years of age and offer themselves for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 07 of 2007 with the unanimous support of the other Directors:

### Ordinary Resolution (i)

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

### Ordinary Resolution (ii)

"Resolved that Priya Edirisinghe, 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", and

### Ordinary Resolution (iii)

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

4. To authorise the Directors to determine contributions to charities for the financial year 2020/21
5. To authorise the Directors to determine the remuneration of the Auditors, Messrs. KPMG, who are deemed reappointed as Auditors at the Annual General Meeting of the Company in terms of Section 158 of the Companies Act No.07 of 2007

This year the Annual Report and Financial Statements of the Company are available on the;

- Corporate Website : <http://www.cargillsceylon.com/investors/annual-reports>
- The Colombo Stock Exchange: <https://www.cse.lk/home/company-info/CARG.N0000/financial>

Members may also access the Annual Report and Financial Statements on their electronic devices by scanning the following QR code.



For clarification on how to download and/ or access the Annual Report and Financial Statements, please contact Mr. Kannahasana on +94 112427500 during normal office hours ( 8.30 a.m. to 5.00 p.m.)

By Order of the Board  
Cargills (Ceylon) PLC

(Signed)  
H S Ellawala  
Company Secretary  
05 August 2020

**Notes :**

i. Voting by Proxy

Given that the health & safety and well-being of our Members is of paramount importance to us, Members are encouraged to vote by Proxy through the appointment of the Chairman of the Board of Directors of the Company to represent them and vote on their behalf. Members are advised to complete the Form of Proxy and indicate their voting preferences on the specified resolutions to be taken up at the Meeting and submit the same to the Company in accordance with the instructions given on the reverse of the Form of Proxy.

- ii. 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.
- iii. A form of proxy is enclosed for this purpose.
- iv. 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.
- v. In the event the Company is required to take any further action in relation to the Meeting in the best interests of the attendees in the context of the COVID-19 pandemic, and / or any communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of additional announcement/s made to the Colombo Stock Exchange.

## Notes



## Notes

# Proxy Form

For use at the seventy fourth 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 fourth Annual General Meeting of the Company to be held on Thursday, 27 August 2020 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	3 (a)	3 (b)	3 (c)	3 (d)	3 (e)	3 (f)	4	5
For										
Against										

.....  
Date Signature of member (s)

NOTES:

- (a) \*Strike out whichever is not desired
- (b) Instructions as to completion of the Form of Proxy are set out in the reverse hereof
- (c) A Proxy holder need not be a Member of the Company
- (d) Please indicate with an “X” in the cage provided how your Proxy holder should vote. If no indication is given, or if there is, in the view of the Proxy holder, any doubt (by reason of the manner in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder in his/her discretion may vote as he/she thinks fit

### **Instructions for Completion of the Proxy Form**

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

# Corporate Information

## **Name of Company**

Cargills (Ceylon) PLC

## **Company Registration No.**

PQ 130

## **Legal Form**

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

## **Board of Directors**

Louis Page (Chairman)  
Ranjit Page (Deputy Chairman/CEO)  
Imtiaz Abdul Wahid (Managing Director/Deputy CEO)  
Priya Edirisinghe  
Sanjeev Gardiner  
Sunil Mendis  
Joseph Page  
Errol Perera  
Deva Rodrigo  
Yudhishtan Kanagasabai  
Asoka Pieris  
Indira Malwatte (w. e. f. 1 Feb 2020)

## **Company Secretary**

Hemali Sagarika Ellawala  
(w. e. f. 1 Nov 2019)

## **Remuneration Committee**

Sunil Mendis (Chairman)  
Priya Edirisinghe  
Deva Rodrigo

## **Audit Committee**

Priya Edirisinghe (Chairman)  
Sunil Mendis  
Errol Perera  
Deva Rodrigo  
Yudhishtan Kanagasabai

## **Related Party Transactions Review Committee**

Priya Edirisinghe (Chairman)  
Sunil Mendis  
Errol Perera  
Deva Rodrigo  
Yudhishtan Kanagasabai

## **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  
MCB Bank  
NDB Bank  
Nations Trust Bank  
Pan Asia Bank  
People's Bank  
Sampath Bank  
Seylan Bank  
Standard Chartered Bank  
Union Bank

## **Subsidiary Companies**

Cargills Agrifoods Limited  
Cargills Agro Development Company (Private) Limited  
Cargills Distributors (Private) Limited  
Cargills Enterprise Solutions (Private) Limited  
Cargills Food Processors (Private) Limited  
Cargills Food Services (Private) Limited  
Cargills Foods Company (Private) Limited  
Cargills Frozen Products (Private) Limited  
Cargills Quality Confectioneries (Private) Limited  
Cargills Quality Dairies (Private) Limited  
Cargills Quality Foods Limited  
C P C (Lanka) Limited  
Dawson Office Complex (Private) 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

Concept & Designed by



Printed by Printel (Pvt) Ltd



