

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventy fifth Annual General Meeting of Cargills ( Ceylon ) PLC ( the Company ) will be held at the “Board Room” of the Cargills Corporate Office at Level 28, West Tower, World Trade Center , Echelon Square , Colombo 01 to be convened through an “online virtual “platform by using “audio visual” tools on Tuesday, 29 June 2021 at 9.30 a.m. and the business to be brought before the meeting will be:

## **Read the Notice convening the Meeting**

1. To receive, consider and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31 March 2021, with the Report of the Auditors thereon
2. To declare a dividend as recommended by the Directors
3. To re-elect Directors
  - a) Y. Kanagasabai and
  - b) H.A. Peiris who retire by rotation in terms of the Company's Articles of Association and being eligible offer themselves for re-election
  - c) A.D.B Talwatte who was appointed on 28 August 2020 also retires in terms of the Company's Articles of Association and being eligible offers himself for re-appointment, and
  - d) L. R. Page,
  - e) A. T. P. Edirisinghe, 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 one years be and is hereby reappointed a Director of the Company and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director”

## **Ordinary Resolution (ii)**

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

## **Ordinary Resolution (iii)**

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

4. To authorise the Directors to determine contributions to charities.
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

The Annual Report and Financial Statements of the Company for the year ended 31st March 2021 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>

The said Annual Report and Financial Statements of Cargills (Ceylon) PLC for 2020/21 can also be accessed by scanning the following QR code.



For clarification on how to download and/ or access the Annual Report and Financial Statements, please contact Mr. S. Kannahasana on +94 77 6529116 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  
4th June 2021

#### Notes:

- 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. A Form of Proxy is enclosed for this purpose.
- The Board of Directors, having taken note of the health and safety guidelines issued by the Health Authorities in view of the COVID-19 pandemic and the Colombo Stock Exchange issuing guidelines to the listed entities to hold Shareholder Meetings virtually, has decided to hold the Annual General Meeting (AGM) through an “online virtual” platform by using “audio -visual” tools in conformity with the applicable regulatory provisions.
- Shareholders who wish to participate in the Annual General Meeting through the online platform are kindly requested to complete and forward the “Annexure II – Registration of Shareholder details” attached hereto with e-signature or scan of the signed document to the email address [ccp.agm@cargillsceylon.com](mailto:ccp.agm@cargillsceylon.com) with the email subject title “CCPAGM 2021” or post it to the registered address mentioned below to be received not less than 48 hours before the date of the meeting.  
  
Shareholders are requested to provide their email address legibly in the space provided in “Annexure II” in order to forward the weblink if they wish to participate at the meeting through the online platform.
- The Deputy Chairman, certain members of the Board and key essential officials for the administration of formalities to conduct the meeting, will be physically present at the Cargills Corporate Office.

- Voting on the items listed in the Agenda will be registered by using an online platform and the procedure to be followed when voting will be explained to the shareholders prior to the commencement of the meeting.
- Shareholders who wish to appoint a member of the Directors as his/her proxy to represent them at the AGM may do so by completing the Form of Proxy. In such event the email address of the proxy holder will not be required.
- Shareholders may send their questions/comments on the items listed in the Agenda of the Notice convening the AGM by email to [ccp.agm@cargillsceylon.com](mailto:ccp.agm@cargillsceylon.com) to be received not less than 48 hours before the meeting.
- The duly completed instrument appointing the proxy should be deposited at the Registered Office of the Company or a scanned copy of the same should be emailed to [ccp.agm@cargillsceylon.com](mailto:ccp.agm@cargillsceylon.com) to be received not less than 48 hours before the date of the meeting.
- Only registered shareholders and registered proxy holders will be permitted to log-in and participate in the AGM virtually.
- The Company intends to proceed to hold the AGM as planned on 29 June 2021 irrespective of whether it is declared a public holiday since the aforesaid measures will enable full participation at the meeting.
- In the event the Company is required to take any further action in relation to the Meeting in the best interests of the shareholders 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.

PROXY FORM

SEVENTY FIFTH ANNUAL GENERAL MEETING

Cargills (Ceylon) PLC (PQ 130)

\*I/We ..... bearing NIC No ..... of ..... being a \*member/members of Cargills (Ceylon) PLC (the Company) hereby appoint \*Mr/Mrs/Miss ..... bearing NIC No ..... of ..... (email address .....) 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 fifth Annual General Meeting of the Company to be held at the “Board Room” of Cargills Corporate office at Level 28, West tower, World trade center, Echelon Sqaure, Colombo 01 to be convened through an “online virtual” platform by using “audio-visual” tools on Tuesday 29 June 2021 and at any adjournment thereof.

Please mark your preference with “X”

Resolution number	1	2	3 (a)	3(b)	3 (c)	3(d)	3 (e)	3(f)	4	5
For										
Against										

Signed on this ..... day of ..... 2021

Signature of member (s) .....

NIC/PP/Co. Reg. No. Shareholder/.....

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 or electronic document with e-signature or scan of the signed document emailed to [ccp.agm@cargillsceylon.com](mailto:ccp.agm@cargillsceylon.com), with the subject title “ CCP-AGM 2021” 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, address and email 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.

# SUBMISSION OF THE ANNUAL REPORT TO SHAREHOLDERS

Cargills (Ceylon) PLC  
Co. Reg. No. PQ 130  
No. 40, York Street, Colombo 01.

## CIRCULAR TO SHAREHOLDERS

Dear Shareholder,

The Annual Report and Financial Statements of Cargills (Ceylon) PLC for the year ended 31st March 2021 is available on the:

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

The said Annual Report and Financial Statements can also be accessed by scanning the following QR code.



However, if you wish to receive a printed copy of the Annual Report, you are kindly requested to make such request in writing by completing and forwarding the 'Form of Request' appearing below, on or before **15 June 2021**. If sent by post, please mark 'Cargills (Ceylon) PLC Annual Report' on the top left corner of the envelope. The Company will dispatch a printed copy to the shareholder within eight market days of the receipt of such request, subject to any restrictions on postal services.

You may contact the undernoted for any queries /request for printed copies of the Annual Report:

Contact Person : Ms. Venitia Siyambalapitiya  
Phone Numbers : 2427500 (hunting)  
Facsimile Number : 2338704  
E-mail address : [venitia.s@cargillsceylon.com](mailto:venitia.s@cargillsceylon.com)

By Order of the Board  
Cargills (Ceylon) PLC

(Signed)  
H. S. Ellawala  
Company Secretary  
4th June 2021



# FORM OF REQUEST

To: Company Secretary,  
Cargills (Ceylon) PLC,  
No. 40, York Street,  
Colombo 01

## REQUEST FOR A PRINTED COPY OF THE ANNUAL REPORT 2020/21

I hereby request you to send me a printed copy of the Annual Report of Cargills (Ceylon) PLC for the Financial Year ended 31 March 2021.

Name of Shareholder : .....  
(as registered in the Company or in the CDS)

Shareholder Reference No. : Folio / CDS Account No. : .....

Address : .....  
.....

Contact Telephone No/s. : .....

E-mail address : .....

Signature: ..... Date: .....





# GUIDELINES AND REGISTRATION PROCESS FOR THE ANNUAL GENERAL MEETING (AGM) VIA ONLINE MEETING PLATFORM

Shareholders / Proxy holders who wish to participate in the Annual General Meeting of Cargills (Ceylon) PLC to be held via an Online Meeting Platform (Virtual AGM), could do so by using a smart phone or a desktop computer.

If a Shareholder/Proxy holder intends to join the Virtual AGM via a smart phone, it is necessary for him/her to download the “**Zoom Mobile App**” onto his /her smart phone.

Similarly if a Shareholder/Proxy holder wishes to attend the Virtual AGM via a desktop computer, the link can be opened by downloading the “**Zoom Desktop App**” to the respective desktop computer (compatible web browser: **Google Chrome**).

1. Shareholders who wish to participate in the Virtual AGM of Cargills (Ceylon) PLC either by themselves or through their Proxies are requested to forward their details to the Company Secretary as per the attached **REGISTRATION FORM**.
2. The duly completed and signed **REGISTRATION FORM** should be deposited at the Registered Office of the Company or a scanned copy of the same should be emailed to [ccp.agm@cargillsceylon.com](mailto:ccp.agm@cargillsceylon.com) to be received not less than 48 hours before the date appointed for the holding of the meeting. If participation in the meeting through a Proxy, the duly completed and signed **FORM OF PROXY** should accompany the **REGISTRATION FORM**.

**Note:**

If a Proxy is appointed, the information set out in the **REGISTRATION FORM** pertaining to the Proxy holder should tally with the information indicated in the duly completed **FORM OF PROXY** submitted by the Shareholder.

3. The Company will verify all registration requests and identification details received as aforesaid, against the details of Shareholders set out in the Shareholders' Register and accept the registrations for the Virtual AGM if it is satisfied with the request and supporting documents (if any).

Shareholders whose registration requests are accepted will receive an email confirmation from the Company acknowledging the acceptance of their request.

4. The Shareholders whose registration requests have been accepted will receive a further email from the Company 24 hours prior to the commencement of the AGM. This email will provide a web link for online registration referred to as “**Virtual AGM Registration**”. If the Shareholder has appointed a valid Proxy this email will be forwarded to the relevant Proxy holder.
5. (i) The Shareholders / Proxy holders are requested to use the web link, which will be forwarded by the Company as referred to in 4 above and click on the “**Virtual AGM Registration**” in order to complete online registration for the Virtual AGM.  
(ii) On clicking the link “**Virtual AGM Registration**”, Shareholders/Proxy holders will be redirected to an interface where they will be requested to enter their **first name, last name, email address, re-enter email address and NIC No. / Passport No. / Co. Reg. No..** (In entering these details the participants are required to ensure that correct details as included in the **REGISTRATION FORM** referred to in 2 above are entered in the said online registration process, since any mismatch will be considered as an unsuccessful log in)  
(iii) After successful completion of entering of the details as referred to in 5 (ii) above, the participants are requested to click on “**REGISTER**” which will be prompted on their screens enabling them to receive the meeting link.

6. The Shareholders who successfully complete their online registration as set out in 5 above, will receive the log in link for participation in the meeting referred to as 'Click here to Join the Virtual Meeting')" and credentials.
7. In order to join the Virtual AGM, participants are required to click on 'Click here to Join the Virtual Meeting' In some instances the system call for the credentials and if that is required, please enter the credentials to gain access to the Virtual AGM.
8. On completion of this process, you will be directed to the Virtual AGM Zoom Platform, where you can participate in the Virtual AGM.

It is recommended that the Shareholders / Proxy holders complete the process outlined in 5, 6, 7 and 8 above and join the AGM at least ten (10) minutes before the start of the AGM. The Online Meeting Platform will be active fifteen (15) minutes before the time appointed for the commencement of the meeting.

9. Shareholders/Proxy holders may use the **Q & A** tab or the **Hand Raise** (🙋) icon appearing on the screen respectively, to submit their questions or concerns in typed format or verbally. The system will allow a pop up message to **unmute the microphones and to allow video options**.
10. After completion of the process outlined in 7 above in respect of all eligible Shareholders and Proxy holders, the Company will forward a separate email to the Shareholders / Proxy holders or representatives (as applicable) who are entitled to vote, providing a separate link to vote on all resolutions included in the Notice of Annual General Meeting.
11. Shareholders / Proxy holders who intend participating in the meeting are requested to open the said link and be prepared to cast their vote when each resolution is taken up for voting by the Chairman. Participants are advised to **"refresh"** the voting page and cast the vote as per their discretion in the given space and click **"SUBMIT"** enabling the Company to receive the responses.
12. When declaring the voting on a resolution, Chairman will take in to account the voting of the Shareholders/ Proxy holders participating virtually
13. **60 seconds** will be allocated for Shareholders/ Proxy holders to cast their vote in respect of each resolution.
14. The results will be processed and announced by the Chairman **15 seconds** after the end of the time slot allocated for voting.
15. In a situation where a Poll is demanded and Shareholders are required to vote on the Poll, a mechanism similar to that referred to for voting, will be applicable. This will be moderated by the Chairman of the meeting.

It is advised to check the online AGM access at least 3 hours prior and also ensure that your devices have an audible sound system so that you could participate in the AGM comfortably.

CARGILLS (CEYLON) PLC  
SEVENTY FIFTH ANNUAL GENERAL MEETING 2021

REGISTRATION OF SHAREHOLDER DETAILS - ONLINE PARTICIPATION AT THE AGM 2021

To: Company Secretary  
Cargills ( Ceylon) PLC  
No. 40, York Street  
Colombo 01.

1. Full Name of the Shareholder

:

2. Shareholder's Address

:

3. Shareholder's NIC No. / Passport No. / Co. Reg. No.:

4. Shareholder's CDS Account No.

:

5. Shareholder's Contact No. ( Residence)

:

6. Mobile

:

7. Shareholder's E-mail address

:

8. Name of the Proxy Holder

:

9. Proxy holder's NIC No. / Passport No. / Co. Reg. No.:

10. Proxy holder's Contact No. ( Residence)

:

10. Mobile

:

11. Proxy holder's E-mail address

:

12. Participation of the AGM Via an online platform : YES /NO (strike off irrelevant word)

13. Name of the Joint holder/s (if any)

:

1)

2)

14. National Identity card number/s of Joint holder/s :

1)

2)

.....	.....	.....	.....	.....	.....
Shareholder's	Date	1st Joint holder's	Date	2nd Joint holder's	Date
Signature		Signature		Signature	

**Note:**

- Shareholders are requested to provide their email address in the space provided in order to forward the Virtual AGM Zoom link & necessary instruction, if they wish to attend the AGM through the online platform.
- In the case of a Company/Corporation, the Shareholder details form must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
- In the case of a Power of Attorney, the Shareholder Details Form signed by the Power of Attorney must be deposited at the Registered Office of the Company for registration.





**Cargills (Ceylon) PLC**  
Annual Report 2020 | 2021

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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 2021, 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 2020 to 31 March 2021 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 2020/21 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 2 to 3 and limited assurance on the non-financial highlights on page 4 & performance summary on pages 16 to 41 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 organisation'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 organisation 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 The 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 Cargill commenced a general warehouse, import, and wholesale business in the heart of Colombo known as the “House of Cargills”. A successful bid by Sir Chittampalam Gardiner saw the House of Cargills being incorporated as a Public Limited Liability Company on 1 March 1946. Over a quarter of a century later in 1981, Ceylon Theatres acquired controlling interest of the Company under the visionary leadership of Mr. Albert A. Page, who was appointed the Managing Director. Mr. Albert Page went on to become the Chairman of Cargills on 26 November 1982.

Under the new management, Cargills explored the potential of innovating on its trading legacy and recognised the opportunity to enter into the retail trade. Thus, in 1983, the first Cargills Food City supermarket was established at Staple Street. Cargills today operates the most widespread modern retail network in the country and is the only modern grocery retailer to serve all 25 districts in Sri Lanka. Since its inception in 1983, Cargills Food City has continued to create markets across the country for local farmers and SMEs while investing in reducing the cost of living by offering ‘Higher Value for the Lowest Price’ across its retail chain.

The year 1999 was a turning point for the company as Cargills began sourcing fruits and vegetables directly from farmers by establishing the first vegetable collection center in Hanguranketha. This was the start of a long and rewarding journey that has empowered many local farming communities, who form the backbone of the country. The farmer outgrower network established in 1999 has today become the most extensive and diverse agricultural supply chain in Sri Lanka.

The Cargills’ vision of providing affordable nutrition and promoting local manufacturing led the company to its first investment in the food manufacturing sector in 1993, with the acquisition of the Goldi meat processing business. In 1996, the company attained the franchise license for the internationally acclaimed fast food chain KFC, with the view of localizing international brands. Cargills has since then innovated on the KFC product portfolio and these locally inspired additions to the KFC menu have now been included into the regional product portfolio.

Between 2000 and 2010, Cargills consolidated and diversified its food manufacturing business. In 2002, the company acquired the Walls’ ice-cream plant in Banduragoda, restructuring it into Cargills Magic Ice Cream which is the most valued dairy ice cream brand in the country today. The conversion of the dairy ice-cream facility expanded the company’s outgrower network to include dairy farmers. In 2003, Cargills acquired one of Sri Lanka’s oldest food brands, KIST, and innovated on its array of value-added agri-foods to better cater to the nutritional needs of the Sri Lankan consumer. With the acquisition of the Kotmale dairy brand in 2010, Cargills became foremost dairy company in the country. Within the same year, Cargills entered the confectionery market with the acquisition of Diana biscuits, which today produces value-added confectionery under the KIST biscuits brand.

Leveraging on this unparalleled ecosystem with a presence across Food Retailing, Food and Beverage Manufacturing & Distribution, and Restaurant sectors, the Cargills Bank was established in 2014 with a vision to promote inclusive banking through affordable financial services. Today, Cargills Bank offers a fully-fledged portfolio

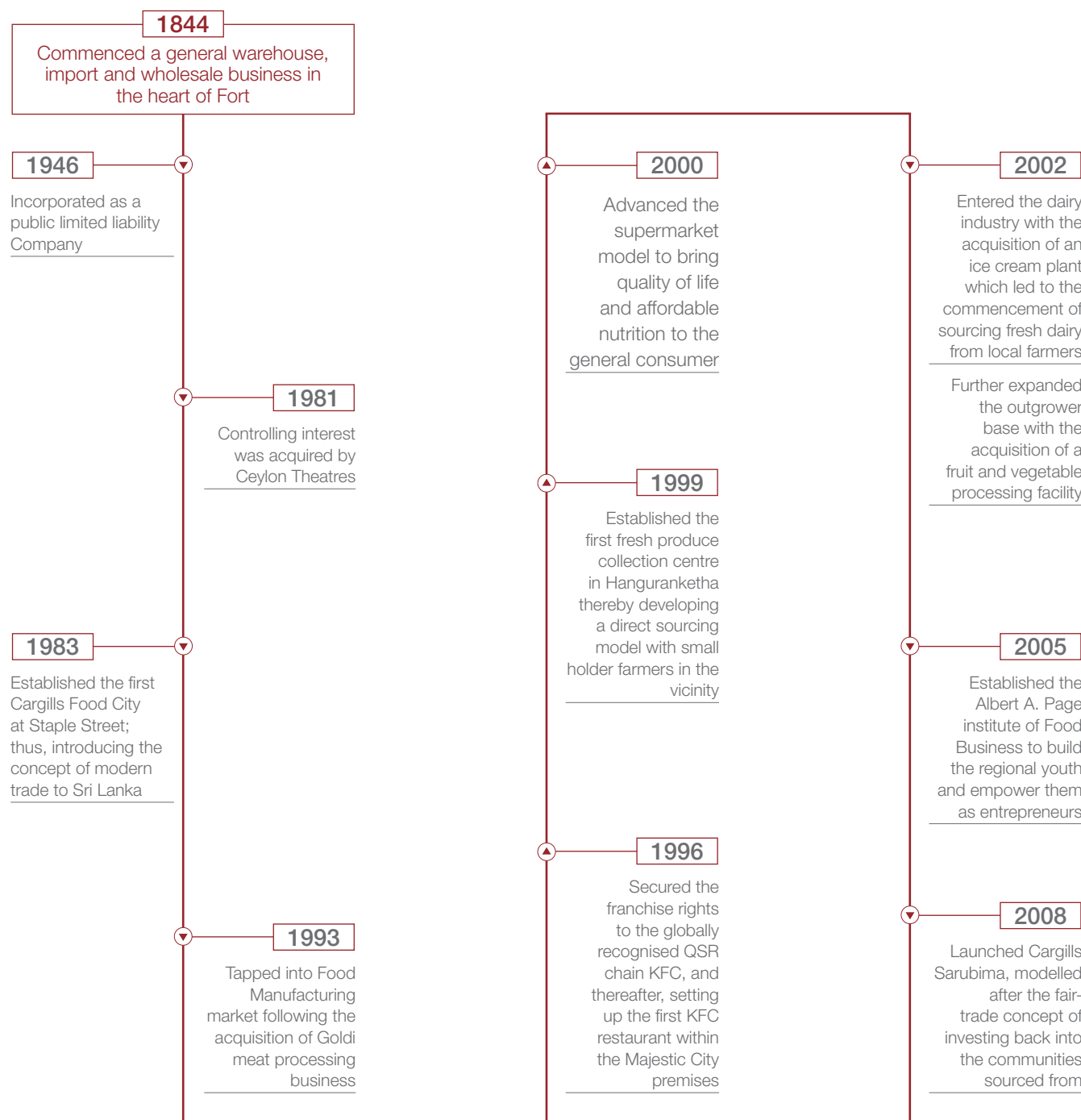
of products and services and has introduced digitally enabled solutions to promote greater convenience and accessibility to customers.

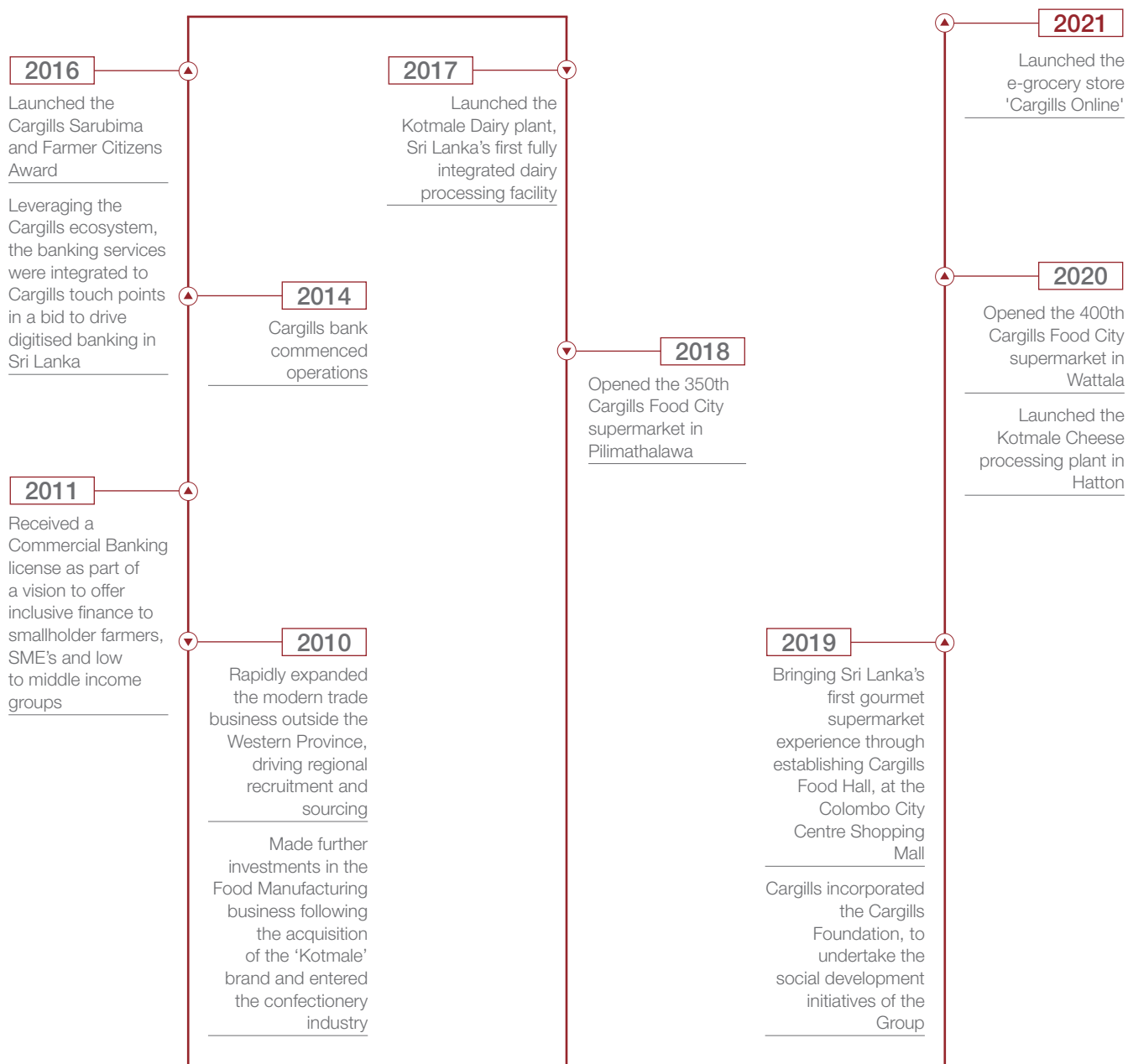
Reflecting on the 177-year journey, Cargills has continuously adapted to better serve the needs of the Sri Lankan people. This was abundantly clear when Cargills stepped up to meet the food and grocery needs of customers during the COVID-19 pandemic by reengineering its business model to provide door-to-door deliveries. Cargills continued to source fresh produce and milk from the farmer network without disruption and ensured that the livelihoods of all partners were protected during a challenging time. In response to the huge online demand during the COVID-19 lockdowns, and with a view to the future, the company launched its e-grocery store ‘Cargills Online’ in August 2020. Cargills Online is an end-to-end overhaul of the traditional grocery supply chain in Sri Lanka and is aimed at ensuring customers get what they order to their doorstep, at the time they want.





## Vision to Transform : The Journey



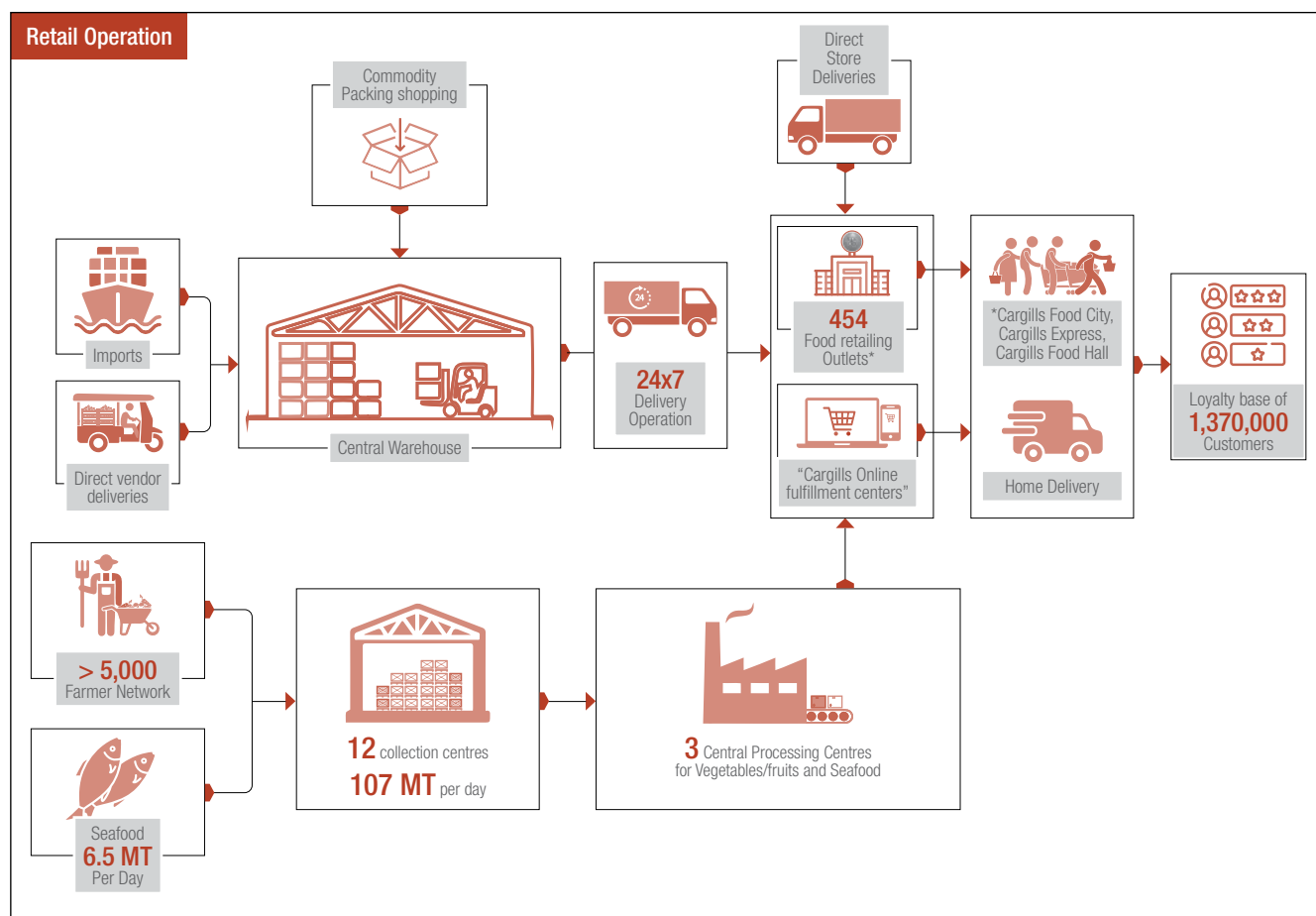


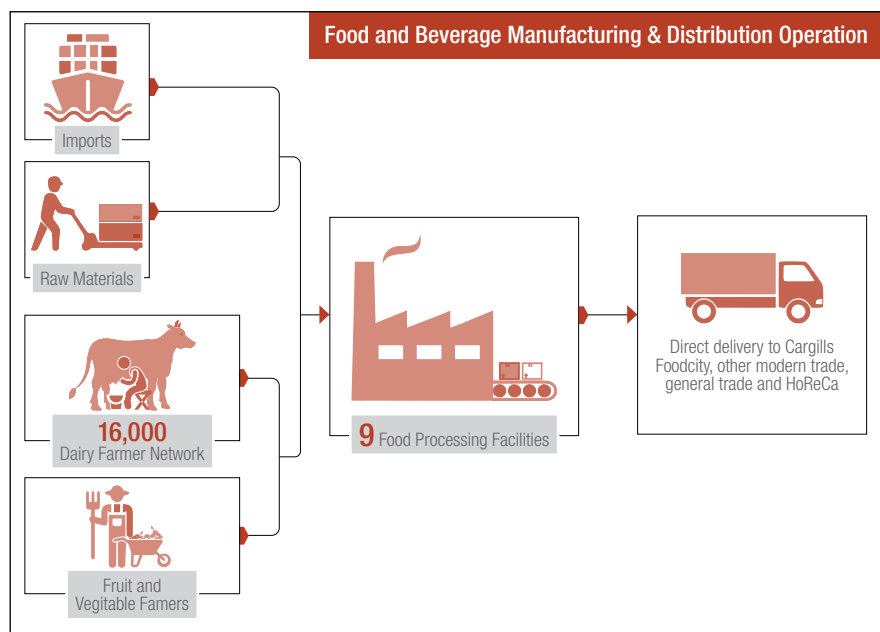
## The Group Structure

Cargills Group consists of three key operating segments covering Food Retailing, Food Manufacturing, and Restaurants.

### Food Retailing

The Retail operations of the Group are performed by Cargills Foods Company (Pvt) Ltd (CFC), which has a focused management structure, led 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, 12 collection centres, a 24-hour distribution operation and a continuously maintained cold-chain. The dry goods warehouse is a separate operation which acts a central warehouse distributing to the entire retail network while selected suppliers carry out direct store deliveries. As of 31 March 2021, there are 454 Cargills Food City outlets (including Cargills Food City, Cargills Express and Cargills Food Hall) across all 25 districts of Sri Lanka, in addition to the e-grocery store 'Cargills Online' which currently serves the Colombo district.



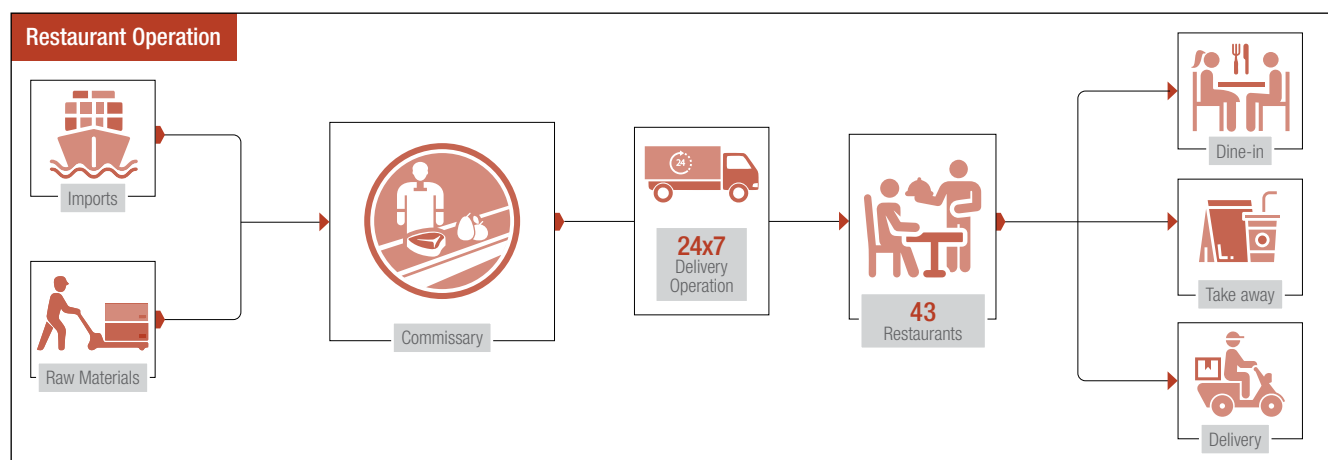


## Food And Beverage Manufacturing & Distribution

This sector of the Group is headed by assigned Operational Heads and includes eight production facilities and one primary processing facility along with 33 milk chilling centres. The sector segment consists of the dairy operation, convenience foods, confectionery, culinary products, and beverages. Our brands are widely distributed within Sri Lanka reaching over 50,000 general trade stores in addition to the Cargills Food City retail network and other modern trade networks, 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 international FMCG brands.

## Restaurants

The Restaurants business comprises of YUM! franchise KFC and TGI Fridays, which also operate under a dedicated Operational Head. As of 31 March 2021, KFC operates 42 restaurants with dine-in, take away, and delivery channels, along with a central commissary to service the preparatory activities of the business.





## The Group Structure contd.

### 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 large number of farmers and suppliers with consumers across the country.

The Group's key sectors are Food Retailing, Dairy (Milk, Cultured Products, Ice cream), Beverages, Culinary Products, Processed Meat, Confectionary, Restaurants, and Distribution. The Food and Beverage Manufacturing & Distribution sector encompasses 8 production facilities. In order to facilitate the safe and efficient movement of products from such diverse sectors, Cargills 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 12 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 is transported to the Cargills Vegetable Processing Unit and the Cargills Fruit Processing Unit, both of which are centralised units which facilitate the consolidation, processing and dispatch of produce to the 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 950 collection points, which are directly linked to 33 Cargills Milk Chilling Centres.

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 six permanent Cargills Distribution Centres with a combined storage capacity exceeding 400,000 sq. ft. and temporary Distribution Centres to meet changes in demand. Complementing the function of the Distribution Centres, direct deliveries to the Cargills Food City Outlets are undertaken by the Group's Food and Beverage Manufacturing & Distribution sector and selected suppliers of dry, frozen, and chilled products.

The island-wide network of Cargills Food City Outlets presents the Group's brands with an unparalleled reach

and a great launching pad to trial products and territories. Our brands reach most consumers through a dedicated distributor network of over 50,000 General Trade stores across the country, who are partners of the Cargills Group. 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 operates direct delivery services to the customers in the Restaurants sector and is operated through a Group-owned fleet as well as a few third parties. With the introduction of the e-grocery store Cargills Online, the Group is now involved in direct delivery of groceries to customers within the Colombo district.

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

### Shared Services

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



## Financial Highlights

	Group			Company		
	2021 Rs.000	2020 Rs.000	Change %	2021 Rs.000	2020 Rs.000	Change %
<b>Operations</b>						
<b>Continuing Operations</b>						
Revenue	112,607,061	107,051,866	5.19	78,935	96,461	(18.17)
Profit from operations	7,308,290	7,060,621	3.51	1,534,005	851,913	80.07
Profit before taxation	4,527,659	4,199,634	7.81	1,271,976	738,640	72.21
Profit after taxation	3,483,639	2,761,419	26.15	1,250,006	652,460	91.58
<b>Financial Position</b>						
Non-current assets	59,468,926	49,375,858	20.44	16,727,901	15,100,249	10.78
Current assets	23,123,652	21,832,167	5.92	2,076,341	1,833,067	13.27
Current liabilities	38,945,230	39,556,049	1.54	4,997,815	4,155,153	(20.28)
Non - current liabilities	20,686,625	13,287,158	(55.69)	1,372,941	780,226	(75.97)
Capital and reserves, Minority Interest and other equity	22,960,723	18,364,818	25.03	12,433,486	11,997,937	3.63
<b>Per share data (Rs.)</b>						
Basic earnings per share	13.51	10.47	29.03	4.85	2.54	91.24
Dividends per share	5.10	6.00	(15.00)	5.10	6.00	(15.00)
Net assets per share	89.21	69.39	28.56	48.32	46.64	3.60
Market value per share	235.00	170.00	38.24	235.00	170.00	38.24
<b>Cash Flow</b>						
Net cash generated from/ (used in)						
- Operating activities	11,630,537	6,476,207		251,538	739,995	
- Investing activities	(10,010,054)	(5,422,917)		132,440	228,699	
- Financing activities	752,879	(3,389,641)		(185,212)	(1,762,163)	

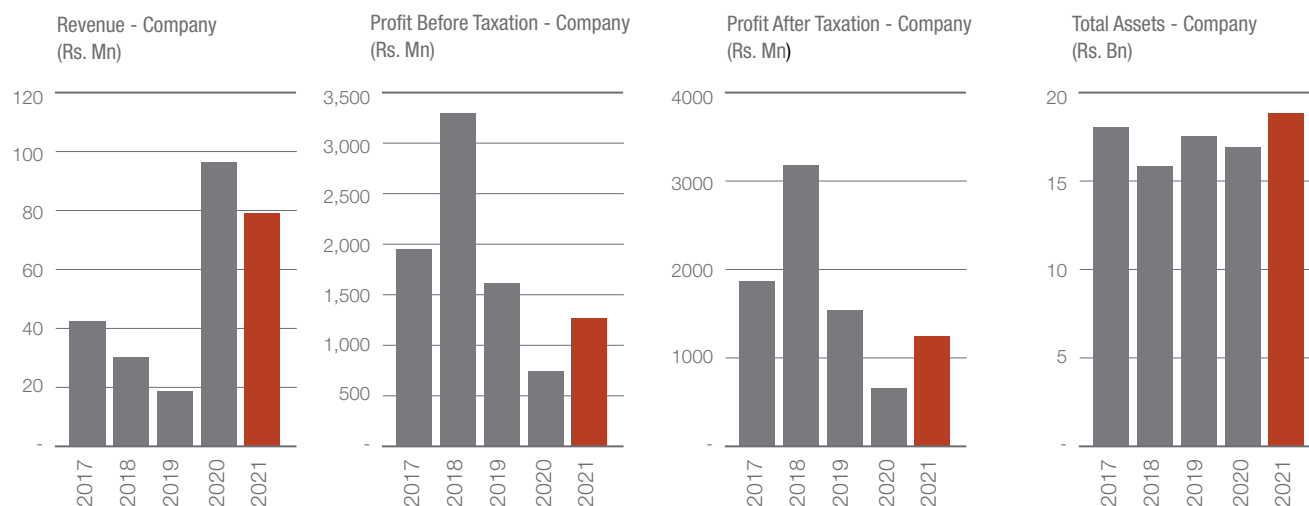
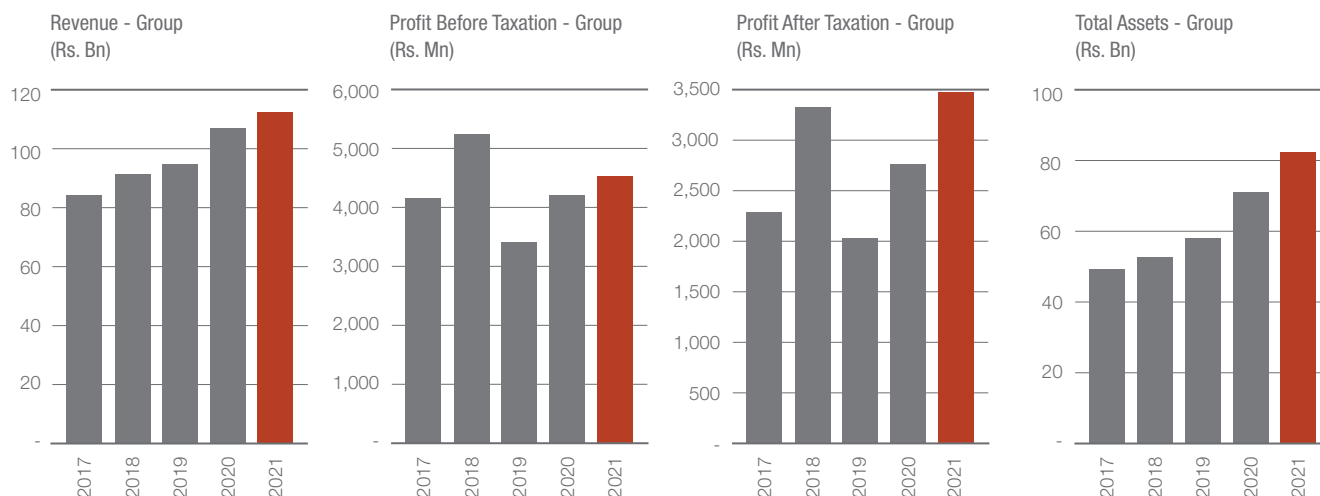


LKR. **112,607** Mn  
GROUP REVENUE



LKR. **7,308** Mn  
GROUP OPERATING PROFIT

## Financial Highlights contd.



**LKR. 4,528 Mn**  
GROUP PROFIT BEFORE TAX



**LKR. 3,484 Mn**  
GROUP PROFIT AFTER TAX

## Non-Financial Highlights

### Human Capital



New Recruits Retained  
as at 31 March 2021  
**3,791**

Permanent  
Employees  
**9,875**

### Social and Relationship Capital

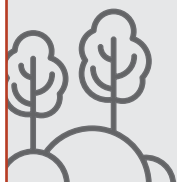


Educational  
Scholarships  
**187**

Beneficiaries of Community  
Development Projects  
**597**

Registered  
Suppliers  
**602**

### Natural Capital

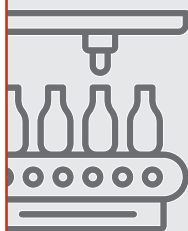


Energy Consumption  
Diesel/Petrol: **835,283 L**  
  
Gas: **644,793 Kg**

Furnace Oil  
**2,841,152 L**  
  
Electricity  
**114,370,313 Kw/h**

Water Consumption  
**838,138,088 L**  
  
Renewable Energy  
**3,444,000 Kw/h**

### Manufactured Capital



Food City Outlets  
**454**

Fruit and Vegetable  
Collection Centres  
**12**

Milk Chilling Centres  
**33**

Delivery Operation  
Hours  
**24x7**

Food Processing Plants  
**8**

Fruit and Vegetables  
Purchased  
**39,000 MTs**

Litres of Milk Procured  
**57,000 MTs**

### Intellectual Capital



New products  
launched  
**44**

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

## Our Businesses



### Food Retailing

Cargills Food City is Sri Lanka's largest modern retailer, built on the philosophy of reducing the cost of living and providing affordable nutrition. Cargills Food City has transformed into a household name in Sri Lanka as a result of its value proposition and extensive reach. Today, the Cargills retail operation is spread across the island in three formats: 'Cargills Food City' supermarkets, 'Cargills Express' minimarts, and the 'Cargills Food Hall' flagship gourmet store. The latest entrant to the Cargills retail operation is the e-grocery store 'Cargills Online', launched in August 2020. Cargills Online is Sri Lanka's first mobile e-grocer and is available to consumers in the Colombo District for all their grocery needs. As of 31 March 2021, Cargills Food City has 454 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. Cargills Quality Dairies & Kotmale Dairy Products manufacture and market dairy ice cream, fresh and flavoured milk, yoghurt, yoghurt drinks, curd, cheese and butter. Through its innovation driven focus and distribution strength, Magic and Kotmale have expanded market share significantly in recent years and offer the widest range of dairy products in Sri Lanka. 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 and oldest food brands in the country, the KIST brand is known by generations for its true Sri Lankan flavours and high quality standards. 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. The KIZZ range of beverages, which is the latest entrant to the KIST beverage portfolio, offers a carbonated soft drink experience with natural fruit juice and is the only Sri Lankan natural fruit sparkling drink. KIST offers healthy alternatives to its popular products to promote a better lifestyle and to meet the demands of the health-conscious consumer. Today, the KIST brand has solidified its place as an essential in every Sri Lankan kitchen.





## Processed Meats

Cargills is a market leader in the processed meats business in Sri Lanka. The Cargills processed meats products are marketed under the 'Goldi', 'Sam's' and the 'Finest' brands. Cargills is rapidly gaining market share in this category through product innovation, quality, and unique taste, and was the largest Sri Lankan processed meats exporter in 2020. 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

The Group's confectionery business is engaged in manufacturing, distribution, and marketing of biscuits and confectionery under the KIST and KIST MAGIC brands. Cargills is focused on providing high value-added confectionery to Sri Lankan consumers and increasing market share in the confectionery industry. KIST has been one of the fastest growing brands in the confectionery market due to the Group's focus on new product development and maintaining quality of production at international standards.



## Marketing and Distribution

The Group's distribution arm, Millers, is a long-established distribution and logistics operation in the country with a network spread across all 25 districts of Sri Lanka. Millers is the islandwide distributor for several 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

As the franchisee of KFC and TGI FRIDAYS in Sri Lanka, Cargills is a leading player in the Sri Lankan restaurant industry. KFC is one of the largest and most popular international restaurant chains in Sri Lanka with 42 outlets islandwide. The success of KFC lies in the fusion of an international brand with well-loved Sri Lankan recipes. The locally inspired additions to the KFC menu have now been included into the regional product portfolio.



# Chairman's Message

Dear shareholder,

I am pleased to present the Annual Report and Financial Statements of Cargills (Ceylon) PLC for the year ended 31st March 2021.

The surge of the COVID-19 pandemic challenged the norm and brought on unprecedented socio-economic disruptions worldwide. Over the course of Cargills' 177-year history, the Group has encountered a gamut of challenges, but none like the one faced today. It is in times like these, where the Group's purpose and core values matter the most to the people and communities it serves.

Amidst a year that yielded many challenges, it was the flexibility of the Group's business model that allowed the teams to act fast and adapt to ensure that customers have continued access to their essentials. The proactive efforts made by the team during this time also helped the Group stay aligned to its vision of improving food security, safety and sustainability in Sri Lanka.

## Group Performance

Despite the economic downturn induced by the pandemic in the year under review, the Group reported a 5.2% growth in Revenue, to close at Rs. 112,607 Mn. The steady YoY growth was primarily driven by the commendable performance of the Group's Food and Beverage Manufacturing & Distribution and Food Retailing sectors. Operating profit recorded a moderate increase of 3.5% to Rs. 7,308 Mn and Profit After Tax was recorded at Rs. 3,484 Mn, up 26.2%. Furthermore, as the Group maintained its capital commitments, CAPEX over the corresponding period was Rs. 6,404 Mn against Rs. 5,519 Mn of the previous year.

## Staying on course

Despite the challenging landscape this past year, the Group remained resilient and continued with the planned investments across all 25 districts in expanding its footprint, securing the supply chain and increasing its manufacturing capacity. The resultant trickle-down effect not just added value to our customers, but also created markets for our grassroots partners and employment opportunities for the rural youth.

As the largest locally sourcing food manufacturing company in the country, the Group maintained its capital commitments towards its production facilities, to offer customers affordable and accessible nutrition more effectively. Further, by adopting a more export-oriented approach to developing innovative food products in recent years, the Group envisages new prospects of taking its brands to international markets.

With consistent investments towards introducing varieties of new products, the Group also plays its part in easing the pressures on the country's foreign exchange reserves through import substitution.

## Standing by our farmers and SMEs

As a result of the disruptive impacts of the pandemic, our farmers had limited access to the market during the height of lockdown, leaving them to navigate through price uncertainties and supply chain disruptions. With their livelihoods heavily impacted, they urgently looked for solutions to overcome these challenges.

In response, the Group ramped up efforts to continue sourcing from farmers within its network and beyond it, and

also purchased any excess produce to minimize post-harvest losses at the time. Securing the supply chains enabled the Group to provide relief to the farmers and suppliers whilst meeting the needs of customers in times of distress.

Throughout a year riddled with many challenges, the Group upheld its responsibility towards the country's farmers. In view of the Group's procurement operations, we sourced over 39,000 metric tons of produce, over 57,000 metric tons of fresh milk and over 6,500 metric tons of livestock and seafood. By directly sourcing from the farmers, Cargills disbursed cash amounting to Rs. 12.3 Bn to the farming community, exceeding that of the preceding year. Moreover, in the context of national contribution, the Group's sourcing operations account for 12% of the domestic milk supply and 2% of the country's vegetables and fruits production.

Realizing the need of the hour for our country's SMEs and small businesses, we facilitated market exposure by engaging a wider audience through the Group's "Village to Home" initiative. In this program, various SME suppliers are invited to leverage our extensive Food City network as a platform to showcase their wide array of products. Going the extra mile, the Group also aims to support the invited partners in all aspects of their supply chain by offering insights on packaging, quality assurance and marketing. Additionally, if the need arises, they also have access to financial assistance channelled through Cargills Bank. While there have been a few setbacks stemming from the prevailing situation, the Group reaffirms its responsibility to keep hosting this program.

### Our appreciation in these trying times

Looking back at this past year brings with it a range of emotions as we reflect on the loss of life and celebrate the moments of inspiration, seeing people and communities rising to the challenges in front of them.

Firstly, I extend my heartfelt gratitude to our teams across all the Group's supermarkets, restaurants, manufacturing facilities, supply chains and support services, as they remained steadfast in serving the country. Reflecting their unwavering dedication and resilience, we firmly supported them and ensured their well-being and livelihoods were sustained.

Your Board is proactively engaged in overseeing the Group's strategy and I am confident that we have the right mix of skills and experience to guide us in the years to come. At the upcoming Annual General Meeting, Mr. Sunil Mendis will not be seeking re-election, so I would like to place on record my sincere appreciation for his years of service and visionary guidance on the Board. During his tenure, his frequent encouragement towards the importance of value addition in manufacturing helped position Cargills to be the largest and fastest growing food company in the country. We wish him all the success in his future endeavours.

I also take this opportunity to warmly welcome Mr. Asite Talwatte, who was appointed to the Board in the capacity of an Independent Non-Executive Director. We are confident that his vast experience, leadership and corporate insight will prove invaluable to the Group.

In conclusion, I wish to thank our shareholders, valued customers, indefatigable team and other stakeholders for the support extended to the Group in an extremely challenging year. Being an organisation built on social responsibility, Cargills' long-term commitment to strengthening our partnerships by creating sustainable value remains strong, as we move forward in this new normal.

Thank you and stay safe,

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

04 June 2021

## 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/Managing Director, Executive Director*

Mr. V. Ranjit Page possesses over 38 years of management experience with expertise in food retailing, food service, and manufacturing, having introduced the concept of super marketing to the Sri Lankan masses. He is the Deputy Chairman / CEO of Cargills (Ceylon) PLC and the Chairman of Cargills Bank Ltd. He also serves on the Boards of several other C T Holdings Group companies.

### 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 wherein 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 was the Chairman of the Company's Audit Committee, Related Party Transactions Review Committee upto 31 December 2020. He continues as a member of the Company's Audit Committee, Related Party Transactions Review Committee and 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 Surf (Bentota), The Safari (Tissa) and The Lake – (Polonnaruwa). He is also the Chairman of Ambeon Capital PLC, and Ambeon Holdings PLC and Millennium I.T. E.S.P. (Pvt) Ltd, and is a Director on the Board of Dankotuwa Porcelain PLC, among its other companies. Mr. Gardiner counts over 30 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 (Yudhishtan 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.

## 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 was the Chairman of the Company's Remuneration Committee upto 31 December 2020. He is a member of the Company's Audit Committee, Related Party Transactions Review Committee and continues as a member of the Remuneration 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.

## Profile of Directors contd.

### 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.

### 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 honour 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, GIZ, 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 recognised 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 honour.

She was also recognised 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 an Independent Non-Executive Director of Lanka Shipping and Logistics Ltd, an Independent Non-Executive Director and Chairperson of the Remuneration Committee and a Member of the Audit and Related Party Transactions Committees of Samson PLC. Also engaged in Consultancies on International Trade and Developing the SME Sector and Women Entrepreneurship.

## **A D B Talwatte**

### *Independent Non-Executive Director*

Asite Talwatte was appointed a Director of the company on 28 August 2020, and was appointed the Chairman of the Company's Audit Committee, Related Party Transactions Review Committee, and Remuneration Committee on 01 January 2021.

Mr. A. D. B. Talwatte is a fellow member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Chartered Institute of Management Accountants of the U.K. He also holds a Post-Graduate Diploma in Business and Financial Administration awarded by the ICASL and the University of Wageningen, Holland and has an MBA from the University of Sri Jayawardenapura, Sri Lanka. Mr. Talwatte has also participated in a Kellogg Executive Programme at the Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois.

Mr. Talwatte worked at Ernst & Young in Assurance, Business Risk and Advisory Services for 37 years, including 10 years as Country Managing Partner. He has worked with Ernst & Young in Cleveland, Ohio and also served on Ernst & Young's Far-East Area Executive Committee, the Area Advisory Council and the ASEAN Leadership Committee.

Mr. Talwatte was President of the CA Sri Lanka for a two year period in 2002/2003 and the CIMA in 1995/96. He also served as the Chairman of the Statutory Accounting Standards Committee and the Auditing Standards Committee, the Urgent Issues Task Force and the Examinations Committee of the ICASL.

Mr. Talwatte has been closely associated with the development of Corporate Governance in Sri Lanka being actively involved with the Code of Audit Committees in 2002 and the Code of Corporate Governance in 2003. He co-chaired the Committees to structure the revised Codes of Corporate Governance of 2008, 2012 and 2017 and the Listing Rules of 2008. He currently chairs the International Integrated Reporting Council of Sri Lanka (IIRSL) on behalf of CA Sri Lanka.

Mr. Talwatte serves as an Independent Non-Executive Director on Boards of several listed companies.

## Management and Financial Review

The Sri Lankan economy contracted 3.6% in 2020 as the pandemic brought about an unprecedented set of challenges to businesses and consumers. The agriculture sector, which employs over a quarter of the labour force contracted 2.4%, while the Industries sector contracted 6.9% and Services declined 1.5%.

Though the operating environment continued to be challenging, Cargills continued to increase its contribution to the agriculture sector as we increased our purchases of vegetable, fruit, dairy, seafood, livestock, and paddy by 3.9% during the year, generating over Rs. 12bn in direct revenue to the local farming community. The Group also continued to invest in manufacturing facilities and sourcing local raw materials in the dairy, confectionery, culinary, and beverage categories, contributing to saving invaluable foreign exchange for the country while providing affordable nutrition at international quality standards for local consumers.

### Group Performance

The Management's first objective in response to the lockdown was to build the confidence of the Cargills team by ensuring the health and safety and financial well-being of all team members. Our team is our most valuable asset and the Management placed paramount importance on their safety. Despite the challenges faced, the Group ensured there were no pay cuts or redundancies as a result of the pandemic and provided an additional allowance to our frontline team members during the lockdown. As a majority of the frontline team members come from different parts of the country,

we increased the accommodation and transport facilities and established four quarantine centres. We also created backup teams so that operations could continue despite the initial interruptions. Through these actions, the team came together to work tirelessly to meet the needs of the customers and ensure we continued to support our farmers and suppliers.

As the lockdown was announced in March 2020, the Group innovated and adopted multiple initiatives to engage with the customers. At first, the Retail teams facilitated door-to-door deliveries by taking customer orders via phone, WhatsApp and email. Within weeks of the lockdown, we leveraged the Cargills Rewards website and converted it to an online ordering platform which could accommodate up to 50,000 orders per day. The Group's innovative ability was clearly demonstrated when we started Asia's first ever mobile supermarket 'Cargills 2 Home', by installing a mini supermarket into container trucks and taking supermarkets to housing schemes and office buildings. We also fast-tracked the launch of 'Cargills Online', the Group's e-commerce platform to serve the growing demand for online orders. Furthermore, we added two regional distribution centres to better manage the supply chain and meet the needs of the customers.



We also focused on sustaining the incomes of the farmers and small and medium entrepreneurs who supply to us, by continuously sourcing their goods throughout the lockdown. Understanding the impact of the pandemic on their livelihoods, we changed our financing terms with them in order to help sustain their businesses. The Group expanded its purchasing of fresh produce beyond the normal farmer network and bought excess harvest from farmers who were unable to access the market. We also held online discussions with farmers to build their confidence and gave them the assurances that Cargills will continue to purchase from them.





We expanded the capacity of the Group's manufacturing facilities in order to process the excess raw materials sourced from the agriculture and dairy supply chains and increased our distribution to improve the availability of products for consumers. Meanwhile, the Cargills 'Magic' branded Special Purpose Delivery vehicles (SPDs) were converted to distribute our Kotmale range of dairy products. We also set up a commissary to enable the production of pre-prepared meals to meet the rising demand for this category. The Restaurants business onboarded third party delivery partners to provide home delivery to

customers. Realising the difficulties faced by customers in accessing cash, we collaborated with banks for special credit card machine facilities to enhance customer convenience. The Cargills Bank extended moratoriums to customers (both within and outside the Central Bank directives) and provided concessionary funding to customers through the Central Bank refinance schemes.



### The Heart of Cargills

The heart of Cargills has always been the rural farming communities of Sri Lanka. By creating markets for farmers and investing in enhancing their productivity, which ultimately leads to greater profitability for the farmer, the Cargills business model continues to have a trickle-down effect on the local

communities. Our commitment to our farmers remained steadfast during the year, sourcing over 39,000 metric tons of fruit and vegetable and generating in excess of Rs. 4.2 Bn of direct revenue for the farming community. Meanwhile, the Cargills Sarubima Fund increased its contribution during the year, investing Rs. 42 Mn towards educational scholarships to farmer children and farmer community development projects. The Sarubima Fund has provided over 800 educational scholarships to farmers' children during the last three years.

The Sarubima Agricultural Modernisation Project continued to expand and promote the use of sustainable and high-yielding agriculture practices. The program exposes farmers to new farming techniques and provides them with the training and financial support required to enhance crop yield, reduce costs, and reduce the use of pesticide and fertiliser. In addition to improving the farmer's productivity, it contributes to better soil management, water management, and pest control. Currently, the agri-modernisation program has a total of 492 smallholder farmers with the addition of 162 new farmers during the year under review.

### Nutrition and Food Safety

As a socially responsible food company with a heritage of over 177 years, Cargills continues to focus on improving the quality of what we serve to our consumers. The Cargills 'Good Harvest' brand provides consumers with fresh produce that is grown using Good Agricultural Practices recommended by the Department of Agriculture. With nutrition and the responsible use of

## Management and Financial Review contd.

agrochemicals guaranteed, ‘Good Harvest’ is the only brand in Sri Lanka that has traceability up to the point of the farmer. The agrochemical free farming project which we commenced in 2019 with a selected group of farmers was further accelerated during the year. The Cargills ‘BeeSafe’ brand, which promotes agrochemical free fresh produce, has been able to increase production volumes as we encourage more farmers to follow chemical free production. Though the project is still at a nascent stage, it will be a key focus of the Group going forward. Chemical-free production improves the productivity of the soil, reduces pollution of waterways, and improves the health and well-being of the farmer and consumer.

### **Towards a Greener, Cleaner Future**

Cargills remains committed to reducing our carbon footprint and working towards combatting climate change. As a socially responsible company, we understand the impact we have, both directly and indirectly, on our environment. By working closely with our partners and customers, we are committed to reducing the use of non-renewable energy, increasing the recycling and reuse of plastic, conserving water and soil, and driving awareness about the importance of protecting our environment for future generations.

The Group plans to increase the generation of renewable energy at Food City outlets by adding to the existing solar power generation capacity. Currently, 2.5 MW of rooftop solar panels are operational at our manufacturing facilities and Food City outlets. The KFC restaurants have eliminated over 90% of their plastic use since the inception

of the KFC Plastic Free initiative and are looking at alternative packaging materials to completely eliminate plastic consumption. The Group also launched two new projects to tackle the plastic waste problem - a pilot project to collect waste plastic from customers at Food City outlets and the “Paving with Plastic” initiative which uses waste plastic converted to Plastic Modified Asphalt Concrete (PMAC) to construct car parks at Food City outlets. The first PMAC car parks was rolled out in Walgama, with approximately 200,000 waste plastic bags being recycled.

### **Investing in People**

The Cargills team, which currently consists of 9,875 individuals, has always been our most valued asset. As a company which serves customers across all 25 districts today, our team understands their duty and responsibility to the communities we serve. The Group’s training academy, the Albert A. Page Institute (AAPI), invests in the development of the future leaders of the company by focusing on quality practical and theoretical training, backed by international affiliations. The AAPI commenced online training programs many years ago, as the Group recognised the importance of bridging physical barriers and ensuring all team members have equal access to learning and development. The team at AAPI are currently working with our Technology team to enable every Cargills team member to have access to tailored course content no matter where they are by harnessing the power and scalability of the cloud. We are proud to say that over 70% of our team is from outside the Western Province.

Through the Cargills Sarubima Fund and the Early Childhood Education program of the Cargills Foundation, the Group also contributes towards educating the youth of the country. The Sarubima Fund has provided over 800 educational scholarships to farmers’ children over the last three years while the Early Childhood Education program has been further expanded to include a larger group of schools.

### **Group Financial Review**

The Group recorded a turnover of Rs. 112,607 Mn for the financial year, up 5.2% driven by the Food and Beverages Manufacturing and Distribution sector and the Food Retailing sector. Gross profit grew 5.8% to Rs. 12,518 Mn and operating profit increased 3.5% to Rs. 7,308 Mn. Operating margins improved 136 basis points in the Food and Beverage Manufacturing & Distribution sector and 398 basis points in the Restaurants sector on account of product mix and efficiency improvements. Food Retailing sector operating margins declined 58 basis points due to impacts from the pandemic, while at the Group level operating margins remained stable at 6.5%. Group Profit Before Tax increased 7.8% to Rs. 4,528 Mn while Profit After Tax increased 26.2% to Rs. 3,484 Mn. Group CAPEX for the year was Rs. 6,404 Mn vs. Rs. 5,519 Mn in the previous year, as Cargills maintained its planned capital investments.

Cargills Bank further consolidated its position in the financial services space as a retail, agriculture, and SME focused bank, with loans and advances increasing 8% YoY to Rs. 29,079 Mn, and deposits growing 28% YoY to

Rs. 31,998 Mn. However, the bank made a Loss After Tax of Rs. 744 Mn for the year 2020 on account of deterioration in Net Interest Margins and higher provisioning due to legacy non-performing assets.

### Dividends

An interim dividend of Rs. 1.90 per share for the financial year ended 31 March 2021 was paid on 06 January 2021. While the Group underlines its commitments towards long-term investments, it also maintains a consistent dividend policy. We remain assured that the Group will continue to create sustainable value for shareholders.

### Food Retailing Operations

The Food Retailing sector consists of four formats, the 'Cargills Food City' supermarkets, 'Cargills Express' convenience stores, 'Cargills Food Hall' gourmet flagship store, and the 'Cargills Online' e-grocery platform. Despite a challenging operating environment, Cargills continued to increase its retail footprint in line with the Group philosophy of creating markets across the country for farmers and small entrepreneurs. The expansion plan is also aligned with the Group's objective of reaching consumers across the country and enhancing the grocery shopping experience.

Cargills launched its e-commerce platform in August 2020 to cater to the growing urban demand for online shopping. 'Cargills Online' is end-to-end overhaul of the traditional grocery supply chain in Sri Lanka, bringing all the grocery needs - ambient, chilled & frozen, to wherever our customers are. Cargills Online will further expand in the coming year by adding to its product assortment, increasing the fleet, adding

more fulfilment centres, and improving the online shopping experience by leveraging our vast network of brick & mortar stores across the island.

### Food Retailing - Financial Review

The Food Retailing sector was the most impacted business in the Group given its vast distribution network. As the largest supermarket chain in the country by revenue and the only private supermarket to serve every district of the country with over 450 outlets islandwide, the sector faced unprecedented challenges during the year including lockdown related outlet closures and some impacts to the supply chain. Despite over 12% of business hours being lost due to lockdowns, which had a 11% impact on turnover, the Food Retailing sector posted a turnover of Rs. 87,148 Mn for a year, a growth of 3.7% from the previous year. It is noteworthy to mention that 103 of the Group's supermarket outlets were closed for a period of 50 days during the year, highlighting the impact of the pandemic. Sector revenue was driven by higher basket sizes as consumers consolidated purchase patterns by reducing the frequency of visits due to virus concerns. We expect this trend of higher basket sizes and lower frequency of visits to continue until virus related concerns subside.

Segmental operating profit declined 13.4% during the year to Rs. 2,543 Mn due to the impact on topline growth. Retail businesses have high operating leverage (higher percentage of Fixed Costs) and benefit during periods of sales expansion and vice-versa. Further, the sudden imposition of maximum retail prices on selected imported commodities impacted profitability. Sector net finance

costs increased 4.8% YoY to Rs. 1,799 Mn due to the servicing of the long-term loan to buy back the IFC put option and SLFRS-16 reclassification of operating leases. Sector CAPEX for the year increased to Rs. 4,095 Mn as the Group continued its retail expansion strategy as well as the rebranding of existing outlets to the new format. The company opened 43 new stores during the year which represents 8.8% of the retail space. The commencement of the modern logistics center which is currently under construction has been pushed back due to delays caused by COVID-19.

### Food and Beverages Manufacturing & Distribution

With over 70% of raw materials sourced locally, Cargills is proud to be the leading locally sourced food manufacturing company in the country. Our manufacturing categories include Dairy, Beverages, Culinary, Confectionery, and Convenience Foods. The trading and distribution operation 'Millers Ltd' imports and distributes leading global brands to both Cargills Retail outlets as well as other modern and general trade channels.

### Dairy – Magic and Kotmale

The Dairy segment, which is the largest of the food manufacturing categories, comprises of market leading brands 'Kotmale' and 'Magic'. While Kotmale is one of Sri Lanka's leading national dairy brands offering the widest range of products from UHT milk, Flavoured milk, Ice Cream (take-home and impulse), Yoghurt (set, stirred, and drinking), Butter and Cheese, Magic is Sri Lanka's leading ice-cream brand which uses 100% fresh milk.

## Management and Financial Review contd.

The Dairy business reported double digit revenue growth despite challenging market conditions, highlighting the growing popularity of both brands. A number of new products were added to the flavoured milk, yoghurt, and the ice cream categories during the year under review. Both the impulse and take-home ice cream categories recorded a strong performance during the year, though take-home products performed better on account of more people staying at home due to COVID-19 restrictions. The consumption of UHT milk saw strong traction as a significant shift was seen in consumer preference for fresh milk.

In response to the growing popularity of our brands, we have expanded our production capabilities, as evidenced by the recently established cheese manufacturing facility in Hatton, as well as the addition of over 150 new milk collection points and two new milk chilling centres during the year. The dairy business was able to consolidate its position as the largest private sector collector of fresh milk in the country, collecting 58,000 metric tons of milk during the year generating direct revenue of over Rs 5.3 Bn for Sri Lankan dairy farmers. By sourcing locally, our fresh milk procurement alone saved over USD 28 Mn in foreign exchange for the country.

As a leading player in the Sri Lankan dairy industry, we are committed to achieving the Government's objective of reaching self-sufficiency in the dairy sector. Though neighbouring countries like India are self-sufficient in milk, Sri Lanka has always had a milk deficit, producing only around 35-40% of its total milk requirement. Sri Lanka imports milk

products worth over USD 300 Mn every year to bridge this supply shortfall. In order to reduce dependency on imports and increase national production, Sri Lanka's dairy industry needs to focus on improving productivity and yield. During the year under review, Cargills started a model dairy farm with the intention of providing technical and financial support to farmers to increase the dairy yield through better nutrition and feeding, better care for the animals, and better management practices. Cargills plans to encourage more farmers to emulate this concept and help them set up similar farms with higher productivity.

Milk is a key component of a balanced, nutritional diet and Sri Lanka's per capita consumption of dairy is below globally recommended levels. One of the main reasons for this is the affordability factor, and we believe that by increasing national production, Cargills will be contributing towards making dairy more affordable for local consumers.

### Culinary Food - KIST

The culinary food business also recorded healthy growth during the year as KIST continues to consolidate its presence as an essential in every kitchen across the country. Growth was supported by an increase in home-cooking as more people were confined to their homes during the year. The culinary food business launched a number of new products such as the Fruit Mocktail Jam, Spicy Jam, Instant Noodles, to name a few. The continuous investment in new product development is firmly aligned with the Group's philosophy of promoting value added manufacturing.

### Beverages - KIST

The KIST range of beverages consists of nectars, juices, cordials, and mineral water. Though the take-home packs performed well, the on-the-go beverage segment saw a contraction during the year due to a lack of outdoor events and social gatherings. The Management believes the beverages segment has significant potential to grow as demand for healthier, fruit-based beverage options increase. The KIST beverage brand launched new product categories including the energy drink KIST 'Ride', which has gained significant traction during a short period of time. We also added the new KIZZ Ginger Beer with natural ginger extract to the KIZZ sparkling range.

### Confectionery – KIST Biscuits

The KIST confectionery sales have shown consistent growth throughout the year, as customers demonstrated a strong preference for the quality of our products. The Management is pleased to note that its focus on providing value-added confectionery and new product development is yielding strong results. The Group continues to invest in new product development and in providing the Sri Lankan customer with high quality confectionery at affordable prices.

### Convenience Foods – Sam's, Goldi, Cargills Finest

The convenience foods business recorded healthy growth across both general and modern trade channels, despite a contraction of sales in the HORECA channel due to the closure of tourism related activity, suggesting strong demand for the brands among local consumers. The launch of the new



breaded category under the ‘Sam’s’ range, which includes products such as Chicken Drumsticks, Fish Chinese Rolls, Chicken Nuggets, Vegetable Chinese Rolls, and Fish Fingers will enable the business to further increase penetration and drive market share. In 2020, Cargills was the largest exporter of processed meats from Sri Lanka and the business continues to explore new opportunities both locally and overseas. The convenience food business has also endeavoured to provide consumers with healthier product offerings, reducing the salt content and removing Monosodium Glutamate from the product range.

### **Trading & Distribution - Millers**

The Group's trading and distribution business faced a challenging year as import restrictions and currency fluctuations impacted business performance. The Millers portfolio includes leading global brands such as Kraft, Cadbury, Bonlac, Oreo, Tang, Toblerone, Rauch, Lorenz, Energizer, Eveready, and Lotte. In spite of the challenging environment, the business continues to add leading global brands to its portfolio while driving performance of existing brands.

### **Food and Beverages Manufacturing & Distribution - Financial Review**

The sector recorded a turnover of Rs. 29,911 Mn, an increase of 9.5% from the previous year, driven by the performance of the dairy, confectionery, culinary and convenience food categories which saw volume growth across both modern and general trade channels. Sector operating profit increased to Rs. 4,069 Mn, a growth of 21.6% from the previous year.

Operating margins improved on account of healthy topline growth, efficiency improvements and product mix. Sector net finance costs declined 27.2% to Rs. 384 Mn.

### **Restaurants**

The Restaurants sector comprises globally recognised QSR franchises KFC and TGI Fridays. The KFC business added 2 new outlets during the year, taking the total number of restaurants to 42. Sector performance was significantly impacted by COVID-19 as consumers preferred to stay indoors. KFC operated a delivery-only model during the lockdown and commenced normal operations when restrictions were lifted. However, the business saw a clear shift in the channel mix post-lockdown as customers continued to opt for delivery and take-away options. We partnered with multiple third-party vendors and expanded our delivery fleet in order to improve the reach and customer experience.

### **Restaurants - Financial Review**

The Restaurants sector reported a turnover of Rs. 3,423 Mn, a decline of 17.6% from the previous year, due to outlet closures and a change in the channel mix. However, by managing the cost of operations and improving efficiency across outlets, the sector recorded an operating profit of Rs. 439 Mn, up 19.6% from the previous the year. Sector net finance costs increased to Rs. 108 Mn, an increase of 1.7% from the previous year.

### **Outlook**

The Group was able to overcome a challenging environment and deliver a resilient performance during the year under review, highlighting the sustainability of the Cargills business model. As we look forward, the Group expects the coming year to be another challenging one as the third wave of COVID-19 spreads across the country. The Management's key focus will be on protecting the Group's most valuable asset – our team. In spite of the prevailing environment, the Group will continue investments in our brands, in order to grow and consolidate our market positions.

Investments in the Food Retailing sector will focus on providing a safe shopping experience while increasing the choice of fresh food offerings for consumers. Cargills will continue to offer the best fresh food choices at the best value across the country by leveraging its unrivalled cold chain and storage capabilities. The Management will invest in growing the retail footprint by investing more in the convenience store style Cargills Express channel and adding more fresh categories to the channel to drive footfall. Through this approach, the Management is confident of increasing convenience for the consumer while lowering the CAPEX per store. The Management is optimistic about increasing the market share and further penetrating the grocery market, which is currently estimated to be Rs. 1,400bn and growing. Cargills as the market leader in the industry, has a unique set of strengths which will position it to provide added convenience and greater value to the consumer. Our online presence, which is currently limited to the

## Management and Financial Review contd.

Greater Colombo area will be expanded in the coming months to serve other urban regions, by expanding the delivery fleet, adding more fulfilment centres, and by leveraging our existing physical stores. Though Cargills was a late entrant to the online grocery market, the Group's e-commerce store has performed commendably in a short period, while receiving exceptional feedback on the customer experience. The Management is confident that the superior quality of the fresh categories, coupled with the Group's vast distribution network will propel the e-commerce business to be the market leader in the near future.

Investments into our food manufacturing sector will focus on dairy development, increasing capacity, securing the supply chains, developing the cold chain and new product development. By investing in manufacturing locally sourced products that compete with international brands, Cargills also intends to increase our exports in the coming years as we see the potential to compete with international quality products. The Management believes that the Group's continuous focus on improving the quality and production of raw materials will create new opportunities in export markets.

In the Restaurant sector, where we are the leading locally sourced quick-service restaurant operator, we will innovate on our menus to cater to the local palette and invest in expanding our international restaurant brand to areas beyond the Western Province. Though Cargills Bank faced another challenging year, we remain confident that under the new management, the bank is on a path to profitability while achieving what the bank

was set out to at the inception, which is to become the most inclusive bank in the country by leveraging the distribution system and brand strength of Cargills.

### **Appreciation**

The Management would like to thank all our customers, partners and shareholders, who have continued to be with us and continue to believe in the sustainable business model of Cargills. This discussion would not be complete without thanking our team members, who have worked tirelessly to serve the needs of the customers during the most challenging environment. In conclusion, we would like to pay our deep appreciation to all frontline staff, in healthcare, the military, and the police, for their support to help us reach our customers and farmers. Their dedication and courage is an inspiration to us all. Though many challenges continue to lie ahead, we are confident that Sri Lanka will come out of this period even stronger as a country.

# Corporate Governance

## 1. Corporate Governance at Cargills

Corporate Governance at Cargills encompasses a set of systems, processes and practices in place to ensure 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 all stakeholders.

## 2. The Corporate Governance Framework

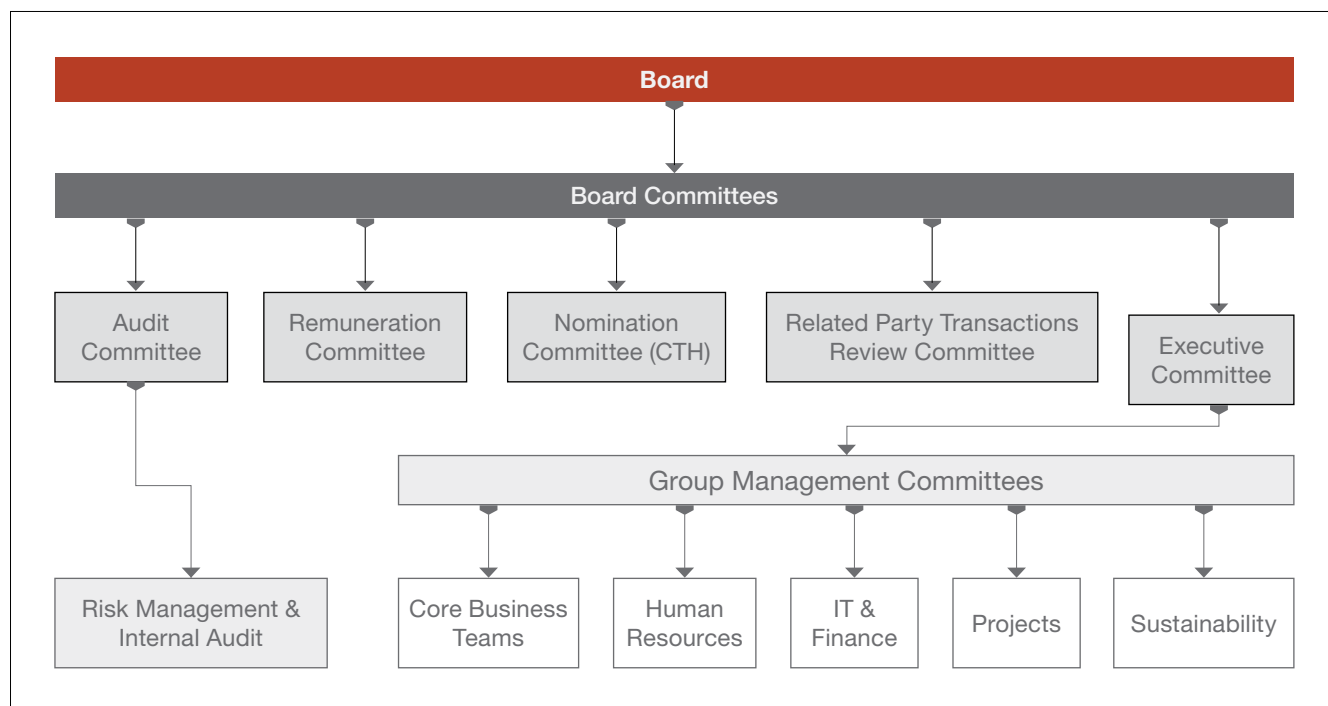
Our Corporate Governance Framework is illustrated in the diagram below.



## Corporate Governance contd.

### 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 on 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, and Non-Executive Directors to maintain the Board independence.

##### 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 the 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 the interests of Cargills, they are required to disclose in writing the nature and extent of any interest they have in a material contract or material transaction with the Group.

### 3.1.3 Appointment of Directors

The Nomination 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 Nomination 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) Nomination 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 are set out in the Group policies adopted across the Group.

In addition to the Audit Committee of the holding Company, one listed subsidiary within the Cargills Group has a separate Audit Committee, where the Chairman (Mr. Talwatte) and two other members (Messrs. A. T. P. Edirisinghe and Sunil Mendis) of the Audit Committee of the Parent Company are Chairman and members respectively of the other Audit Committee. The Audit Committee of the listed holding Company functions as the Audit Committee of the non-listed subsidiary companies within the Group.

## Corporate Governance contd.

### Composition of the Audit Committee

Mr. A. D. B. Talwatte FCA, FCMA, MBA

- Independent (*Chairman*)

- w.e.f. 01.01.2021

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

- Independent (*Chairman*)

- up to 31.12.2020

Mr. Sunil Mendis - Independent

Mr. E. A. D. Perera - Independent

Mr. Y. Kanagasabai - Independent

Mr. P. D. Rodrigo - Independent

- up to 27.08.2020

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 the Head 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 four times during the year, two 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. D. B. Talwatte ( <i>Chairman</i> )	Appointed as Chairman - 01/01/21	1
Mr. A. T. P. Edirisinghe	4	4
Mr. Sunil Mendis	4	3
Mr. E. A. D. Perera	4	3
Mr. Y. Kanagasabai	4	4
Mr. P. D. Rodrigo	4	2

### 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

- 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 standardised exception reporting format perfected by the Audit Committee, stating any instances (where applicable) of, and reasons for, non-compliance, along with a Risk Management and 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 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 2022.

*(Signed)*

**A.D.B. Talwatte (FCA,FCMA,MBA)**

*Chairman – Audit Committee*

04 June 2021



## Corporate Governance contd.

### 3.2.2 Nomination Committee

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

#### Composition of the Nomination Committee

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

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

#### Scope

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

#### Meetings

The Committee meets once each year or as required.

### 3.2.3 Remuneration Committee

The Remuneration Committee of Cargills (Ceylon) PLC consists of three Non - Executive Directors - Messrs. A. D. B. Talwatte (Member/Chairman w.e.f. 01 Jan 2021), A. T. P. Edirisinghe and Sunil Mendis (Chairman till 31 Dec 2020). The Chairman, Deputy Chairman and 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.

#### Composition of the Remuneration Committee

Mr. A. D. B. Talwatte ( <i>Chairman</i> ) w.e.f. 01.01.2021	- Non Executive
Mr. Sunil Mendis	- Non Executive
Mr. A. T. P. Edirisinghe	- Non Executive

The Chairman, Deputy Chairman/ Group CEO, and the Group Managing Director may also be invited to join in the deliberations as required.

The Committee met once during the year under review.

(Signed)

**A. D. B. Talwatte**

*Chairman - Remuneration Committee*

04 June 2021



### 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, the Kotmale Holdings PLC, a listed subsidiary of the Cargills (Ceylon) PLC, has a separate RPTRC, where the Chairman and one other member of the RPTRC of the Parent Company are members. The RPTRC of the listed holding Company functions as the RPTRC of the non-listed subsidiary companies within the Group.

#### Composition of the RPTRC

Mr. A. D. B. Talwatte FCA,FCMA,MBA	- Independent ( <i>Chairman</i> ) - w.e.f. 01.01.2021
Mr. A. T. P. Edirisinghe FCA, FCMA	- Independent ( <i>Chairman</i> ) - up to 31.12.2020
Mr. Sunil Mendis	- Independent
Mr. E. A. D. Perera	- Independent
Mr. Y. Kanagasabai	- Independent
Mr. P. D. Rodrigo	- Independent - up to 27.08.2020

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, UK. 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.

## Corporate Governance contd.

### 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 four 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. D. B. Talwatte ( <i>Chairman</i> )	Appointed as Chairman - 01/01/21	1
Mr. A. T. P. Edirisinghe	4	4
Mr. Sunil Mendis	4	3
Mr. E. A. D. Perera	4	3
Mr. Y. Kanagasabai	4	4
Mr. P. D. Rodrigo	4	2

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. D. B. Talwatte (FCA, FCMA, MBA)**  
*Chairman - Related Party Transactions Review Committee*

04 June 2021

## 4. Leadership

### 4.1 Board Leadership

The Board has a clear governance framework with defined responsibilities and accountability.

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.

#### 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 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.

#### 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 major capital expenditure, acquisitions and divestments</li> <li>• Reviewing and approving the annual operating plans and financial budgets</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>• Ensuring processes are 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>• Appointing and recommending terms of engagement of the senior management staff 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 plan</li> </ul>
Performance	<ul style="list-style-type: none"> <li>• Evaluating the performance of the Board Committees and individual Directors</li> <li>• Establishing and reviewing succession plans for Board membership</li> <li>• Reviewing the performance of the Senior Management and the compensation framework for Executive Directors and Senior Management</li> <li>• Monitoring corporate performance and evaluate results compared to the strategic and annual plans</li> </ul>

## Corporate Governance contd.

	Roles and Responsibilities
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>Overseeing 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	3
Mr. Y. Kangasabai	Non-Executive Director	5	5
Mrs. C. I. Malwatte	Non-Executive Director	5	5
Mr. Sunil Mendis	Non-Executive Director	5	5
Mr. J. C. Page	Non-Executive Director	5	3
Mr. E. A. D. Perera	Non-Executive Director	5	4
Mr. H. A. Peiris	Non-Executive Director	5	5
Mr. A.D.B. Talwatte	Non-Executive Director	Appointed on 28th August 2020	2
Mr. P. D. Rodrigo	Non-Executive Director	up to 27th August 2020	3

## 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.

## 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 strategic planning process aims at optimal utilisation of resources of the organisation and maximum welfare of all relevant stakeholders. The developments in the external and internal environment are continuously and extensively scrutinised in developing effective strategies. Cargills focuses on deriving the maximum advantage for the organisation through developments in the external environment through prudent as well as rapid responses.

Cargills operates with a comprehensive performance management system which aims to uphold efficient and effective results as well as knowledge and skills of employees. The budgeting exercise at Cargills is carried out at an integrated cross functional level and reviews are carried out on a frequent basis in order to take corrective action as appropriate.

## 7. Controls, Assurance and Risk Management

The Group has adequate systems of internal controls in place to ensure the orderly and efficient conduct of its business.

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

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.

The Group has an Enterprise Risk Management framework through which it manages the risks facing the Group. Risk Committees for all business sectors 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.

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 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 achieving its objectives.

## 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 actively monitors the regulatory environments in order to keep in touch with the regulatory changes and acknowledges that it is compliant with all other financial, legal and regulatory 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.

## Corporate Governance contd.

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
<b>7.10.1 Non-Executive Director (NED)</b>			
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
<b>7.10.2 Independent Directors</b>			
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 Independent NEDs have submitted their confirmations on independence as per the criteria laid down in the listing rules
<b>7.10.3 Disclosures Relating to Directors</b>			
a.	The Board shall make a determination annually as to the independence or non-independence of each Non Executive Director and list the names of the NEDs determined to be 'Independent' in the Annual Report.	Compliant	Profile of Directors in page 18 and Note 01 on page 42
b.	In the event a director does not qualify as 'Independent' and the Board is of the opinion that the director is nevertheless 'Independent', the Board shall specify the criteria not met and the basis for its determination in the annual report.	Compliant	
c.	A brief resume of each Director with information on his/her area of expertise should be included in the Annual Report.	Compliant	Profile of Directors in page 18 and Note 01 on page 42
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	



	CSE Rule	Status of Compliance	Details/Reference
7.10.5 Remuneration Committee			
A. Composition			Remuneration Committee Report on page 34. The aggregate remuneration paid to the Directors is given in the Note 35.1 to the financial statements.
a.1	Remuneration Committee should comprise of 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	
B. Functions			
b.	Remuneration Committee shall recommend the remuneration of the CEO and Executive Directors to the Board.	Compliant	
C. Disclosure in the Annual Report			
c.	The Annual Report should include the names of the Remuneration Committee members, a statement of the remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	Compliant	
7.10.6 Audit Committee			
A. Composition			Audit Committee Report on page 31.
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 recognised professional accounting body.	Compliant	
B. Functions of the Audit Committee			
b.1	Overseeing the preparation, presentation of the financial statements and adequacy of disclosures in accordance with SLFRS/LKAS.	Compliant	
b.2	Overseeing 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	

## Corporate Governance contd.

	CSE Rule	Status of Compliance	Details/Reference
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	Audit Committee Report on page 31.
C. Disclosure in the Annual Report			
C	The Annual Report should include the names of the Audit Committee members, the basis for the determination of the independence of the External Auditors and a report of the AC setting out the manner of compliance with the above requirements during the specified period.	Compliant	

### Note 01:

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

**Mr. 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, and

**Mr. A. D. B. Talwatte**

who is a Director on the Board of C T Holdings PLC which has a significant shareholding in the Company

who, in spite of their service on the Company's Board for over nine years and/or being Directors in another Company which has a significant shareholding in the Company, the Board has nevertheless determined 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 to be stated in the Annual Report.	N/A	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 3.1.1
A.5.2	Where the constitution of the Board of Directors includes only three NEDs, all three such NEDs should be independent.	N/A	N/A
A.5.3	<p>Definition of Independent Directors</p> <p>For a director to be deemed 'independent' such a 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

	Principle	Status	Details/Reference
A.5.5	The Board should determine the independence or otherwise of the NEDs based on the guidelines provided.	In place	Corporate Governance Report – Section 3.1.2
A.5.6	If an alternate Director is appointed by a NED such Director should not be an Executive of the company. If an alternate Director is appointed by an independent Director such Director also should meet the criteria of independence.	N/A	N/A
A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint one of the Independent NEDs to be the “Senior Independent Director” (SID).	N/A	N/A
A.5.8	The SID should make himself available for confidential discussions with other Directors who may have concerns.	N/A	N/A
A.5.9	The Chairman should hold meetings only with NEDs as necessary and at least once 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	Corporate Governance Report – Section 3.1.3
<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.	In place	

# 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.10 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 the remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	In place	Remuneration committee Report on page 34. 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 procedures 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	
C.2.7	The process for responding to shareholder matters should be formulated by the Board and disclosed.	In place	

## Corporate Governance contd.

	Principle	Status	Details/Reference
<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, <ul style="list-style-type: none"> <li>• The Company has not engaged in any unlawful activities</li> <li>• All material interests of Directors in contracts involving the Company</li> <li>• The equitable treatment of shareholders</li> <li>• The Directors have complied with best practices of Corporate Governance.</li> <li>• Property, plant and equipment is reflected at fair value, where it is different from fair value adequate disclosures are made</li> <li>• The Review of internal controls and risk management</li> <li>• The business is a going concern</li> </ul>	In place	Annual Report of the Directors' on the affairs of the Company on page 57
D.1.5	The Annual Report should contain a statement of Directors' responsibility.	In place	Statement of Directors' responsibilities on page 61
D.1.6	The Annual Report should contain a "Management Discussion and Analysis".	In place	Management and Financial Review on page 22
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	

	Principle	Status	Details/Reference
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	
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	
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 3.2.4
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	
<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	
<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	

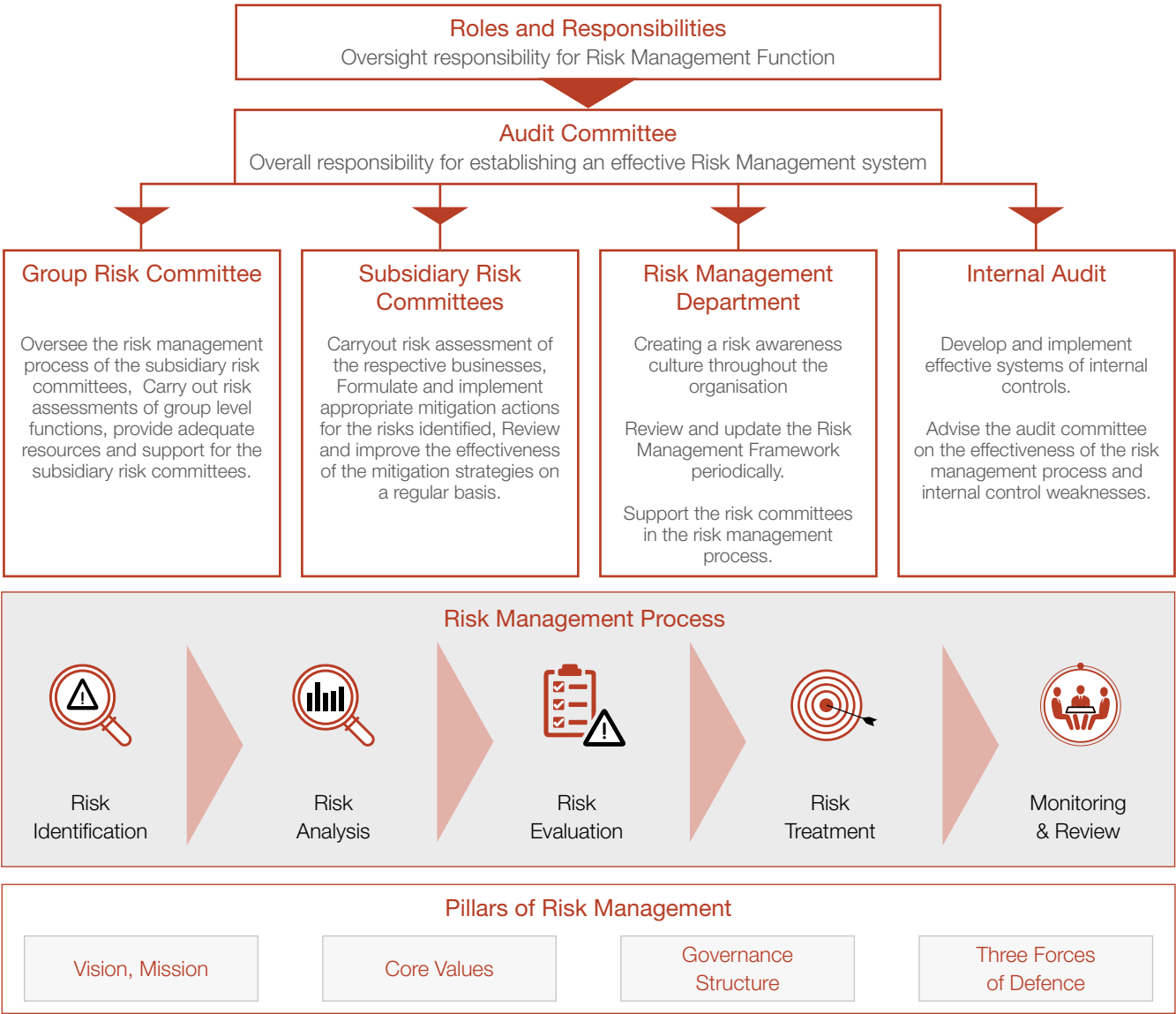
	Principle	Status	Details/Reference
<b>F.2 Shareholder Voting</b>			
F.2	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	In place	
<b>G. Internet of Things and Cybersecurity</b>			
G.1	The Board should have a process to identify how in the organisation's business model, IT devices within and outside the organisation can connect to the organisation's network to send and receive information and the consequent cybersecurity risks that may affect the business.	In place	
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 sustainability section of the Annual Report.	In place	Supplementary sustainability information: <a href="http://www.cargillsceylon.com/investors/annualreport/sustainability">http://www.cargillsceylon.com/investors/annualreport/sustainability</a>

# Enterprise Risk Management

Enterprise Risk Management (ERM) is an integral part of Cargills strategic management process. At Cargills we believe that a robust ERM process is vital in the current volatile and complex business environment where the businesses are exposed to numerous risks.

The Board of Directors, Audit Committee and the Risk Committees play a pivotal role in managing the risk in an effective manner.

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





## Overview of Key Risks Affecting the Business

Risk Area	Potential Impact	Mitigation Action
Macroeconomic Environment	Decline in GDP growth and increase in interest rate, exchange rate, inflation and taxes may impact business performance adversely.	Changes in the macroeconomic factors are closely and frequently monitored and appropriate actions are taken accordingly
Pandemic	Pandemic can result in business interruptions, health and safety and food security concerns. It may also necessitate changes to the business models.	<ul style="list-style-type: none"> <li>Contingency plans are in place to mitigate the pandemic risks and to ensure business continuity</li> <li>Health and safety guidelines are strictly followed to ensure health and safety of customers and employees and food security</li> <li>Business models are revisited and appropriate actions are taken to accommodate changes in the environment</li> </ul>
Staff Turnover	High staff turnover could adversely impact the performance of the company.	<ul style="list-style-type: none"> <li>HR planning, recruitment, training and development, welfare and recognition programs are effectively carried out</li> <li>Employee compensation plans are reviewed regularly to ensure they are on par with market rates</li> </ul>
Product Quality and Food Safety	Offering products which do not meet quality and food safety standards would adversely impact customer confidence and sales.	<ul style="list-style-type: none"> <li>Robust quality assurance practices and certification processes are in place throughout the value chain to ensure food safety and quality</li> <li>Regular inspection and quality audits are carried out by independent teams to ensure adherence to the standards</li> </ul>
Competition	Intensified competition from existing players and new entrants may adversely impact the business performance.	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.
Supply Chain	Interruption to supply of goods and materials will lead to out of stock and impact business performance adversely.	Supply chain risk is managed through centralised procurement function, wider supplier base and effective vendor management.
Health and Safety	Sickness, injuries and loss of life of employees, customers and other stakeholders will result in loss of reputation, litigation and fines.	<ul style="list-style-type: none"> <li>Stringent health and safety measures are in place at all our business units</li> <li>Regular health and safety reviews are conducted to ensure safety and hazard free environment for the employees, customers and other stakeholders</li> </ul>

Enterprise Risk Management contd.

Risk Area	Potential Impact	Mitigation Action
Cyber Security	A cyber-attack can cause substantial impairment to the business by means of economic cost, reputational damage and legal consequences.	<ul style="list-style-type: none"> <li>• Appropriate investments are made in IT systems and infrastructure to enhance the security aspects</li> <li>• Periodic reviews of information security controls are carried out by the internal and external resources</li> <li>• Regular training and awareness programs on information security are conducted for the employees</li> </ul>
Funding and Liquidity	<p>Inability to source adequate funds for ongoing business operations and capital investments may prevent the businesses achieving their objectives.</p> <p>Insufficient liquidity may impact the company ability to repay the debts and interest.</p>	<ul style="list-style-type: none"> <li>• Banking facilities with all major banks and financial institutions are established</li> <li>• A robust treasury management function in place at the group level</li> </ul>
Credit Management	Non-payment or delays in payment by distributors and customers may have an adverse impact on the liquidity and financial cost	<ul style="list-style-type: none"> <li>• Credit exposure is minimised through bank guarantees</li> <li>• Robust credit control process is in place to avoid bad debts and delays in recoveries</li> </ul>
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.	The changes in the regulations and their impact on businesses are assessed regularly and appropriate actions are taken to mitigate any risk arising from regulatory changes.
Hazards	Hazards such as natural disasters, civil unrest, terrorist attacks could adversely affect business operations.	<ul style="list-style-type: none"> <li>• Contingency plans are in place to mitigate the hazard risks and to ensure business continuity.</li> <li>• Adequate insurance covers are obtained against all identified risks.</li> </ul>
Sustainability	Inability to address negative impacts to the environment and society can affect the reputation and the long term survival of the organisation.	Continuous efforts are in place to minimise plastic usage, use of non-renewable energy, harmful waste disposal and excessive water consumption. We support our farming community with sustainable farming practices.

# 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 2021 which were approved by the Board of Directors on 04 June 2021.

## Review of the Year

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

## Activities

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

### The Group:

- a) Operates a chain of supermarkets and convenience stores
- b) Distributes world renowned FMCG brands.
- c) Manufactures/produces/processes and markets processed meat, dairy ice cream, yoghurt, cheese, milk, nectars & fruit juices, jams, cordials, sauces, and biscuits.
- d) Operates the 'Kentucky Fried Chicken' and 'TGIF' franchise restaurants in Sri Lanka
- e) Operates a Hotel in the hill-country.
- f) Produces, import and distribute agricultural seeds.

## Financial Statements

The audited financial statements comprising the Statements of Profit or Loss and Other Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity, Statements of Cash Flows and Notes to the financial Statements of the Company and the Group for the financial year ended 31 March 2021 given on pages 68 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 62 – 67.

## Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on the pages 74 to 155.

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

**Results and Dividends**

For the year ended 31 st March	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit for the year after taxation amounted to	3,483,639	2,761,419	1,250,006	652,460
Less: Amount attributable to non controlling interest	(2,648)	(69,327)	-	-
<b>The profit attributable to shareholders was</b>	<b>3,480,991</b>	<b>2,692,092</b>	<b>1,250,006</b>	<b>652,460</b>
To which profit brought forward from previous year is added	9,650,847	9,210,192	5,019,967	5,854,635
Other comprehensive income	(46,845)	(10,353)	8,178	(9,801)
Adjustment on initial application of SLFRS 16, net of tax	-	(781,355)	-	(17,598)
Transfer of value of expired Employee share options	92,921	83,597	92,921	83,597
Exercise of put option	(2,893,309)	-	-	-
Write back of unclaimed dividends	28,123	-	28,123	-
<b>Leaving an amount available to the appropriation of</b>	<b>10,312,728</b>	<b>11,194,173</b>	<b>6,399,195</b>	<b>6,563,293</b>

From which your directors have made appropriation as follows:

Dividend paid for the year ended 31st March 2020

Final Rs. 4.10 per share for Financial Year 2018/19	-	1,054,606	-	1,054,606
Interim Rs. 1.90 per share for Financial Year 2019/20	-	488,720	-	488,720

Dividend paid for the year ended 31st March 2021

Final Rs. 3.20 per share for Financial Year 2019/20	823,107	-	823,107	-
Interim Rs. 1.90 per share for Financial Year 2020/21	488,889	-	488,889	-
<b>Leaving an unappropriated balance to be carried forward of</b>	<b>9,000,732</b>	<b>9,650,847</b>	<b>5,087,199</b>	<b>5,019,967</b>

A final dividend of Rs. 3.20 per share (Rs. 823.11 Mn) was paid on 18 September 2020 for the year ended 31st March 2020. 1st interim dividend of Rs. 1.90 per share (Rs. 488.89 Mn) was paid on 06 January 2021 for the year ended 31st March 2021.

**Reserves**

After the above mentioned appropriations, the total reserves of the Group stands at Rs. 16,180 Mn (2020 - Rs. 11,093 Mn), while the total reserves of the Company stands at Rs. 5,660 Mn (2020 - Rs. 5,241 Mn).

The movement of property, plant and equipment during the year is given in Note 12 to the financial statements on pages 97 to 99.

**Stated Capital**

Stated Capital of the company as at 31st March 2021 was Rs. 6,774 Mn (2020 - Rs. 6,757 Mn). The detail of the stated capital is given in Note 22 to the financial statements on page 122.

**Investment Property**

The fair value of land and building classified as investment property of the Group and the company as at 31st March 2021 amounted to Rs. 2,712 Mn and Rs. 4,260 Mn respectively. Details of investment property held by the Group and the company are disclosed in Note 14 to the Financial Statements on page 106.

**Capital Expenditure**

The Group's capital outlay on property, plant and equipment amounted to Rs. 6,303 Mn (2020 - Rs. 5,452 Mn) while the capital outlay of the Company on property, plant and equipment amounted to Rs. 327 Mn (2020 - Rs. 33 Mn). Details are given in the Statement of Cash Flows on page 73.

### Market Value of Properties

The land and buildings of the Group were revalued as at 31st March 2021. Details are given in Note 12 to the financial statements on page 100 and 101. 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 1,968 registered shareholders as at 31st March 2021 (31st March 2020 - 1,869).

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 and appointment have been indicated.

Mr. A.D.B. Talwatte who was appointed on 28 August 2020 retires in terms of the Company's Articles of Association and being eligible offers himself for re-appointment at the annual general meeting.

Messrs. Y. Kanagasabai and H. A. Peiris retire by rotation in terms of the Company's Articles of Association and being eligible offer themselves for re-election.

Messrs. L. R. Page, A. T. P. Edirisinghe 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.

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

Mr. Sunil Mendis who has been a Director since 27 October 2006, 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.

### Directors' Remuneration

The remuneration of the directors is given in Note 35.1 on page 143 to the 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 31 st March	2021	2020
Mr. Louis Page	42,011	42,011
Mr. Ranjit Page	17,858,781	17,573,814
Mr. Imtiaz Abdul Wahid	204,836	111,379
Mr. Priya Edirisinghe	-	-
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. Asoka Pieris	-	-
Mr. Yudhishtan Kanagasabai	-	-
Mrs. Indira Malwatte	-	-
Mr. Asite Talwatte	-	-



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

## Donations

During the year donations amounting to Rs. 50,100,000 were made by the Company. In addition, the Group made investments amounting to Rs. 16.31 Mn for various community projects during the financial year.

## Employment

The number of persons employed by the Company and Group as at 31 March 2021 was 1,845 (2020 – 2,095) and 9,875 (2020 – 10,522), 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 2021, are disclosed in Note 24.1 to the financial statements on page 124 to 126.

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 89. 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

04 June 2021

## 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, as set out in the Auditors' Report on Pages 62 to 67.

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*

04 June 2021

# Independent Auditor's Report



**KPMG**  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
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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, 2021, 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 68 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, 2021, 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.

#### 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.

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Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
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**Principals** - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA  
Ms. P. M. K. Sumanasekara FCA, W. A. A. Weerasekara CFA, ACMA, MRICS



Risk Description	Our Response
<p><b>Revenue Recognition – Group</b></p> <p>As described in Note 4 the Group has recognised revenue in the amount of Rs. 112,607 Mn.</p> <p>For the financial year ended 31 March 2021, revenue from the sale of goods from the Food Retailing and Food and Beverage Manufacturing and Distribution segment continued to be the main revenue stream for the Group amounting to Rs. 109,193 Mn which is 97% 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. 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>• Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management’s key internal controls in relation to revenue recognition from sales transactions.</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>• Comparing revenue transactions recorded during the current year for the manufacturing segment, on a sample basis, with invoices, sales contracts, underlying goods delivery and acceptance notes, where appropriate, to assess whether the related revenue was recognised in accordance with the Group’s revenue recognition accounting policies.</li> <li>• Performing a revenue mapping between the front-end system and general ledger for restaurants and retail segments and mapping total inventories issued to corresponding invoices for the manufacturing segment to assess whether the sales were completely and accurately accounted in the general ledger.</li> <li>• Comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying goods delivery notes and/or invoices to assess whether the related revenue had been recognised in the correct financial period.</li> </ul>

Independent Auditor's Report contd.

Risk Description	Our Response
<p><b>Valuation of Investment Properties and Freehold Lands and Buildings - Group</b></p> <p>As described in Note 14 and Note 12 to the financial statements, the Group's Investment Properties and Freehold Lands and buildings are stated at their fair value in the amount of Rs. 2,712 Mn and Rs. 15,496 Mn respectively as at the reporting date.</p> <p>Management's assessment of fair value of investment properties and freehold lands and buildings is based on valuations performed by a qualified independent property valuer in accordance with recognised industry standards.</p> <p>Valuation of investment properties and freehold lands and buildings 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 freehold land and building and investment properties.</li> </ul>



Risk Description	Our Response
<p><b>Carrying Value of Inventories - Group</b></p> <p>As described in Note 19 to the financial statements the Group has recognised Inventory in the amount of Rs. 11,778 Mn.</p> <p>The Group holds a significant level of inventory across a broad and diversified product range, over many locations. At 31 March 2021 14.3% 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.</p> <p>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>• Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to inventory counts across the Group's sites and purchasing and issuing of inventories.</li> <li>• Comparing, on a sample basis, the purchase prices and quantities of inventories recorded by the Group with supplier invoices, goods delivery notes and goods receipt notes.</li> <li>• Evaluation of the inventory costing methodology and valuation policy established by management, including compliance with the applicable financial reporting standard.</li> <li>• Comparing, on a sample basis, the selling price of the finished goods subsequent to the reporting date to their carrying values of these inventories as at the financial year end.</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>

### 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.

## Independent Auditor's Report contd.



### **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 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  
04 June 2021

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group		Company	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Revenue	4	112,607,061	107,051,866	78,935	96,461
Cost of sales	5	(100,089,031)	(95,224,472)	(76,115)	(96,419)
<b>Gross profit</b>		<b>12,518,030</b>	<b>11,827,394</b>	<b>2,820</b>	<b>42</b>
Other income	6	2,064,016	2,185,204	2,443,649	1,631,343
Distribution expenses		(3,093,753)	(2,963,015)	1,247	(7,970)
Administrative expenses		(3,463,746)	(3,370,018)	(820,375)	(666,971)
Other expenses		(716,257)	(618,944)	(93,336)	(104,531)
<b>Results from operating activities</b>		<b>7,308,290</b>	<b>7,060,621</b>	<b>1,534,005</b>	<b>851,913</b>
Finance income		183,796	229,418	61,380	104,416
Finance costs		(2,721,110)	(2,857,039)	(308,860)	(383,706)
<b>Net finance cost</b>	7	<b>(2,537,314)</b>	<b>(2,627,621)</b>	<b>(247,480)</b>	<b>(279,290)</b>
Changes in fair value of investment property	14	54,631	36,700	(14,549)	166,017
Share of loss of equity accounted investees, net of tax	16.4	(297,948)	(270,066)	-	-
<b>Profit before tax</b>	8	<b>4,527,659</b>	<b>4,199,634</b>	<b>1,271,976</b>	<b>738,640</b>
Income tax expense	9	(1,044,020)	(1,438,215)	(21,970)	(86,180)
<b>Profit for the year</b>		<b>3,483,639</b>	<b>2,761,419</b>	<b>1,250,006</b>	<b>652,460</b>
<b>Other comprehensive income (OCI)</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Revaluation of lands and buildings	12.3	2,859,801	-	443,500	-
Actuarial gain/(loss) on employee benefit liability	28.3	(84,109)	(59,313)	11,389	(13,613)
Share of other comprehensive income in equity accounted investee, net of tax	16.4	18,181	29,823	-	-
Net change in fair value of FVOCI financial assets	16.3.1	7,422	(3,055)	7,309	(3,070)
Tax on other comprehensive income		(323,659)	16,631	(40,719)	3,812
<b>Other comprehensive income for the year, net of tax</b>		<b>2,477,636</b>	<b>(15,914)</b>	<b>421,479</b>	<b>(12,871)</b>
<b>Total comprehensive income for the year</b>		<b>5,961,275</b>	<b>2,745,505</b>	<b>1,671,485</b>	<b>639,589</b>
<b>Profit attributable to:</b>					
Equity holders of the parent		3,480,991	2,692,092	1,250,006	652,460
Non-controlling interest		2,648	69,327	-	-
		<b>3,483,639</b>	<b>2,761,419</b>	<b>1,250,006</b>	<b>652,460</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent		5,958,024	2,678,684	1,671,485	639,589
Non-controlling interest		3,251	66,821	-	-
		<b>5,961,275</b>	<b>2,745,505</b>	<b>1,671,485</b>	<b>639,589</b>
<b>Earnings per share</b>					
Basic (Rs.)	10.1	13.51	10.47	4.85	2.54
Diluted (Rs.)	10.2	13.50	10.46	4.85	2.54

Figures in brackets indicate deductions

The notes on pages 74 to 155 are an integral part of these financial statements.

# Statement of Financial Position

As at 31 March	Note	Group		Company	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	12	36,067,201	30,694,180	3,510,224	2,784,641
Right of use of assets	13.1	14,334,399	10,170,741	169,268	185,904
Investment property	14	2,712,313	1,856,914	4,259,566	4,028,718
Intangible assets	15	1,391,786	1,385,814	2,050	1,615
Investments in subsidiaries	16.1	-	-	3,703,858	2,993,191
Investment in equity accounted investees	16.2	4,727,183	5,037,504	5,064,233	5,094,787
Other financial assets	16.3	18,904	11,482	18,702	11,393
Prepayment on leasehold land and building	17	200,912	200,912	-	-
Deferred tax assets	18	16,228	18,311	-	-
Total non-current assets		59,468,926	49,375,858	16,727,901	15,100,249
Current assets					
Inventories	19	11,778,208	10,536,870	903	21,471
Trade and other receivables	20	6,057,689	7,044,986	469,381	473,711
Amounts due from related companies	21	1,328,258	1,234,698	1,458,638	1,332,228
Other financial assets	16.3	954,796	881,034	-	-
Cash and cash equivalents	25	3,004,701	2,134,579	147,419	5,657
Total current assets		23,123,652	21,832,167	2,076,341	1,833,067
Total assets		82,592,578	71,208,025	18,804,242	16,933,316
EQUITY					
Stated capital	22	6,773,878	6,756,591	6,773,878	6,756,591
Other equity	23	-	(3,659,385)	-	-
Reserves	24	7,179,239	5,101,211	572,409	221,379
Retained earnings		9,000,732	9,650,847	5,087,199	5,019,967
Total equity attributable to equity holders of the parent		22,953,849	17,849,264	12,433,486	11,997,937
Non-controlling interest		6,874	515,554	-	-
Total equity		22,960,723	18,364,818	12,433,486	11,997,937
LIABILITIES					
Non-current liabilities					
Interest bearing loans and borrowings	26	2,854,988	-	518,092	-
Lease liability	13.2	15,379,383	10,957,940	36,068	50,356
Deferred tax liabilities	18	895,798	1,058,391	238,754	212,756
Capital grants	27	27,456	38,937	-	-
Employee benefit liability	28	1,529,000	1,231,890	580,027	517,114
Put liability	23	-	-	-	-
Total non-current liabilities		20,686,625	13,287,158	1,372,941	780,226
Current liabilities					
Trade and other payables	29	16,099,960	13,736,143	591,508	281,236
Current tax liabilities		3,716,771	3,174,755	183,826	135,717
Amounts due to related companies	21	8,240	15,208	11,819	53,009
Dividend payable	30	63,804	79,629	63,804	79,629
Interest bearing loans and borrowings	26	17,942,684	18,050,789	4,132,570	3,594,477
Lease liability	13.2	1,113,771	840,140	14,288	11,085
Put liability	23	-	3,659,385	-	-
Total current liabilities		38,945,230	39,556,049	4,997,815	4,155,153
Total liabilities		59,631,855	52,843,207	6,370,756	4,935,379
Total equity and liabilities		82,592,578	71,208,025	18,804,242	16,933,316

Figures in brackets indicate deductions.

The notes from pages 74 to 155 form an integral part of these financial statements.

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

(Signed)

Dilantha Jayawardhana  
Group Chief Financial Officer

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

(Signed)

Ranjit Page  
Deputy Chairman / CEO

(Signed)

Imtiaz Abdul Wahid  
Managing Director/Deputy CEO

04 June 2021  
Colombo

# Statement of Changes in Equity - Group

Group	Stated capital	Capital reserve	Revaluation reserve	FVOCI reserve	Employee share option reserve	Other equity	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 2019	6,530,709	7,928	4,884,927	(3,713)	247,520	(3,456,493)	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)	247,520	(3,456,493)	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)
<b>Total comprehensive income</b>	-	-	-	(3,055)	-	-	<b>2,681,739</b>	<b>66,821</b>	<b>2,745,505</b>
<b>Transactions with owners of the Company, recognized directly in equity</b>									
Exercise of share options (Note 22)	225,882	-	-	-	-	-	-	-	225,882
Put option over non controlling interest (Note 23)	-	-	-	-	-	(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)
<b>Balance as at 31 March 2020</b>	<b>6,756,591</b>	<b>7,928</b>	<b>4,884,927</b>	<b>(6,768)</b>	<b>215,124</b>	<b>(3,659,385)</b>	<b>9,650,847</b>	<b>515,554</b>	<b>18,364,818</b>
<b>Balance as at 1 April 2020</b>	<b>6,756,591</b>	<b>7,928</b>	<b>4,884,927</b>	<b>(6,768)</b>	<b>215,124</b>	<b>(3,659,385)</b>	<b>9,650,847</b>	<b>515,554</b>	<b>18,364,818</b>
Profit for the period	-	-	-	-	-	-	3,480,991	2,648	3,483,639
Other comprehensive income	-	-	2,516,456	7,422	-	-	(46,845)	603	2,477,636
<b>Total comprehensive income</b>	-	-	<b>2,516,456</b>	<b>7,422</b>	-	-	<b>3,434,146</b>	<b>3,251</b>	<b>5,961,275</b>
<b>Transactions with owners of the Company, recognized directly in equity</b>									
Exercise of share options (Note 22)	17,287	-	-	-	-	-	-	-	17,287
Put option over non controlling interest (Note 23)	-	-	-	-	-	(129,434)	-	-	(129,434)
Equity-settled share-based payment	-	-	-	-	30,650	-	-	-	30,650
Transfer of value of expired employee share options (Note 24.1.3)	-	-	-	-	(92,921)	-	92,921	-	-
Exercise of put option (Note 23)	-	-	(383,579)	-	-	3,788,819	(2,893,309)	(511,931)	-
Write back of unclaimed dividends (Note 30)	-	-	-	-	-	-	28,123	-	28,123
Dividends (Note 11)	-	-	-	-	-	-	(1,311,996)	-	(1,311,996)
<b>Balance as at 31 March 2021</b>	<b>6,773,878</b>	<b>7,928</b>	<b>7,017,804</b>	<b>654</b>	<b>152,853</b>	<b>-</b>	<b>9,000,732</b>	<b>6,874</b>	<b>22,960,723</b>

The figures in brackets indicate deductions.

The notes from pages 74 to 155 form 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 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)
<b>Adjusted balance as at 1 April 2019</b>	<b>6,530,709</b>	<b>14,439</b>	<b>(5,114)</b>	<b>247,520</b>	<b>5,837,037</b>	<b>12,624,591</b>
Profit for the period	-	-	-	-	652,460	652,460
Other comprehensive income	-	-	(3,070)	-	(9,801)	(12,871)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(3,070)</b>	<b>-</b>	<b>642,659</b>	<b>639,589</b>
<b>Transactions with owners of the Company, recognized directly in equity</b>						
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)
<b>Balance as at 31 March 2020</b>	<b>6,756,591</b>	<b>14,439</b>	<b>(8,184)</b>	<b>215,124</b>	<b>5,019,967</b>	<b>11,997,937</b>
Balance as at 1 April 2020	6,756,591	14,439	(8,184)	215,124	5,019,967	11,997,937
Profit for the period	-	-	-	-	1,250,006	1,250,006
Other comprehensive income	-	405,992	7,309	-	8,178	421,479
<b>Total comprehensive income</b>	<b>-</b>	<b>405,992</b>	<b>7,309</b>	<b>-</b>	<b>1,258,184</b>	<b>1,671,485</b>
<b>Transactions with owners of the Company, recognized directly in equity</b>						
Exercise of share options (Note 22)	17,287	-	-	-	-	17,287
Equity-settled share-based payment	-	-	-	30,650	-	30,650
Transfer of value of expired employee share options (Note 24.1.3)	-	-	-	(92,921)	92,921	-
Write back of unclaimed dividends (Note 30)	-	-	-	-	28,123	28,123
Dividends (Note 11)	-	-	-	-	(1,311,996)	(1,311,996)
<b>Balance as at 31 March 2021</b>	<b>6,773,878</b>	<b>420,431</b>	<b>(875)</b>	<b>152,853</b>	<b>5,087,199</b>	<b>12,433,486</b>

The figures in brackets indicate deductions.

The notes from pages 74 to 155 form an integral part of these financial statements.

# Statement of Cash Flows

For the year ended 31 March	Note	Group		Company	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Cash flows from operating activities					
Profit before taxation		4,527,659	4,199,634	1,271,976	738,640
Adjustments for:					
Depreciation on property, plant and equipment	12	2,946,321	2,602,530	45,330	50,059
Employee benefit expense	28	268,504	228,302	97,816	86,962
Amortisation of intangible assets	15	93,953	92,097	815	20,588
Depreciation of right of use assets	13	1,399,427	1,074,641	16,636	14,997
Negative lease payments		(123,565)	-	(1,978)	-
Amortisation of deferred income	27	(11,481)	(11,482)	-	-
Gain on disposal of property, plant and equipment	6	(66,424)	(5,090)	-	(3,438)
Change in fair value of investment property	14	(54,631)	(36,700)	14,549	(166,017)
Impairment of / (reversal of impairment) for inventories		28,929	(527)	-	-
Impairment of / (reversal of impairment) for trade receivable and other receivables		33,111	68,999	(8,929)	(500)
Net finance costs	7	2,537,314	2,627,621	247,480	279,290
Dividend income	6	(488)	(669)	(1,338,067)	(502,388)
Impairment of investment in associate	16	30,554	18,885	30,554	18,885
Share of (profit) / loss on equity accounted investees, net of tax	16.4	297,948	270,066	-	-
Equity settled share based payment transactions		29,404	49,120	11,686	19,520
Operating profit before working capital changes		11,936,535	11,177,427	387,868	556,598
Changes in working capital					
- (Increase) / decrease in inventories		(1,270,267)	(774,307)	20,568	(9,528)
- (Increase) / decrease in trade and other receivables		944,252	(631,589)	24,919	970,255
- (Increase) / decrease in amount due from related companies		(92,315)	(92,751)	(124,856)	(66,716)
- Increase / (decrease) in trade and other payables		2,373,751	(532,006)	310,272	(349,065)
- Increase / (decrease) in amount due to related companies		(6,968)	9,386	(41,190)	48,771
Cash generated from operations		13,884,988	9,156,160	577,581	1,150,315
Income taxes paid		(981,471)	(896,398)	-	(4,886)
Interest paid		(1,217,477)	(1,655,150)	(302,220)	(376,323)
Retiring gratuity paid	28	(55,503)	(128,405)	(23,824)	(29,111)
Net cash generated from / (used in) operating activities		11,630,537	6,476,207	251,538	739,995

For the year ended 31 March	Note	Group		Company	
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Cash flows from investing activities					
Acquisition and construction of property, plant and equipment	12	(6,302,611)	(5,452,267)	(327,413)	(33,397)
Acquisition and construction of investment property	14	(1,411)	(1,416)	(245,397)	(348,146)
Acquisition of intangible assets	15	(99,925)	(65,197)	(1,250)	-
Interest income received	7	183,796	229,418	61,380	104,416
Dividend received	6	488	669	1,338,067	502,388
Acquisition of non controlling interest in subsidiaries		(3,788,819)	-	(692,947)	-
Proceeds from disposal of property, plant and equipment	6	72,190	37,667	-	3,438
(Addition)/disposal to other financial assets		(73,762)	(20,904)	-	-
Addition to prepayment on leasehold land and building	17	-	(150,887)	-	-
Net cash generated (used in) / from investing activities		(10,010,054)	(5,422,917)	132,440	228,699
Cash flows from financing activities					
Proceeds from issue of shares	23	17,287	225,882	17,287	225,882
Net proceeds from / (repayment of) short term borrowings		538,772	(148,427)	420,000	(445,000)
Net proceeds from / (repayment of) long term borrowings		3,711,351	(1,145)	693,189	-
Lease payments, net of concessions	13	(2,214,833)	(1,928,909)	(15,989)	(14,759)
Dividend paid to shareholders	11	(1,299,698)	(1,528,285)	(1,299,698)	(1,528,286)
Dividend paid to non-controlling interest		-	(8,757)	-	-
Net cash generated (used in)/ from financing activities		752,879	(3,389,641)	(185,212)	(1,762,163)
Net Increase / (decrease) in cash and cash equivalents		2,373,362	(2,336,351)	198,766	(793,469)
Cash and cash equivalents					
At the beginning of the year		(2,047,782)	288,569	(593,820)	199,649
Movement during the year		2,373,362	(2,336,351)	198,766	(793,469)
At the end of the year	25	325,580	(2,047,782)	(395,054)	(593,820)

The figures in brackets indicate deductions.

The accounting policies and notes from pages 74 to 155 form 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 2021 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 2021 is 1,845 (2,095 as at 31 March 2020).

The staff strength of the Group as at 31 March 2021 is 9,875 (10,522 as at 31 March 2020).

### 1.5 Principal Activities and Nature of Operations

The principal activities of the Group are:

- 1) operating a chain of retail outlets under the brand names of 'Food City' and 'Food City Express' 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 2021 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.

### 2.2 Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of 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 Consolidated Financial Statements by the Board of Directors

The Financial Statements of the Group for the year ended 31 March 2021 (including comparatives) were approved and authorized by the Board of Directors for issue on 04 June 2021.

### 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:

Category	Item	Basis of Measurement	Note No.
Assets	Land and Building	Cost / Revaluation	12
	Investment Properties	Fair Value	14
	Equity Investments at FVOCI	Fair Value	16.3.1
Liabilities	Employee Benefit Liability	Present value of the defined benefit obligation	28
	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.

### 2.6 Offsetting

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.

### 2.7 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'.

### 2.8 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 as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative' which was effective from 1st January 2016.

### 2.9 Comparative Information

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

### 2.10 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.

### 2.10.1 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.

### 2.10.2 Assumption

Information about assumptions and estimation uncertainties at 31 March 2021 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 12 and 14 - Determination of fair value of investment property and property plant and equipment: key valuation assumptions;
- 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

### 2.11 Going Concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. The management has also assessed the existing and anticipated effects of COVID-19 on the Group and the appropriateness of the use of the going concern basis. 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.

### 2.12 Changes in Significant Accounting Policies

The Group has early adopted COVID-19-Related Rent Concessions - Amendment to SLFRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee - i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 corona virus pandemic are lease modifications. The amendment has no impact on retained earnings at 1 April 2020.

Further a number of other new standards were effective from 1 April 2020 but they do not have a material effect on the Group's Financial Statements.

The Group has consistently applied the accounting policies to all periods presented in these Financial Statements.

## 3. Significant Accounting Policies

### 3.1 Basis of Consolidation

The Financial Statements comprise of Financial Statements of the Company, its subsidiaries and its equity accounted investees for the year ended 31 March 2021. 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 the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is

concentrated in a single identifiable asset or group of similar identifiable assets.

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 acquire 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.

## Notes to the Financial Statements contd.

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.

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



## Notes to the Financial Statements contd.

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.

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.

## Notes to the Financial Statements contd.

### 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 assesses at the inception of a contract, 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.

The policy is applied to contracts entered in to on or after 01 April 2020.

#### 3.9.1 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 liability

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.

### 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.

The Group has applied COVID-19-Related Rent Concessions - Amendment to SLFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

The Group negotiated rent concessions with its landlords for some of its leases as a result of the severe impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to the relevant leases.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is Rs. 123.5 Mn (2020: nil).

## Notes to the Financial Statements contd.

### 3.9.2 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'.

### 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.

### 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 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 2021 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.

- Onerous contracts - Cost of fulfilling a contract (Amendments to LKAS 37)
- Reference to Conceptual Framework (Amendments to SLFRS 3)
- Property, plant and equipment: Proceeds before Intended Use (Amendments to LKAS 16)
- Classification of liabilities as current or non-current (Amendments to LKAS 1)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16) (continued)
- Annual Improvements to SLFRS standards 2018-2020

# Notes to the Financial Statements contd.

## 4. Revenue

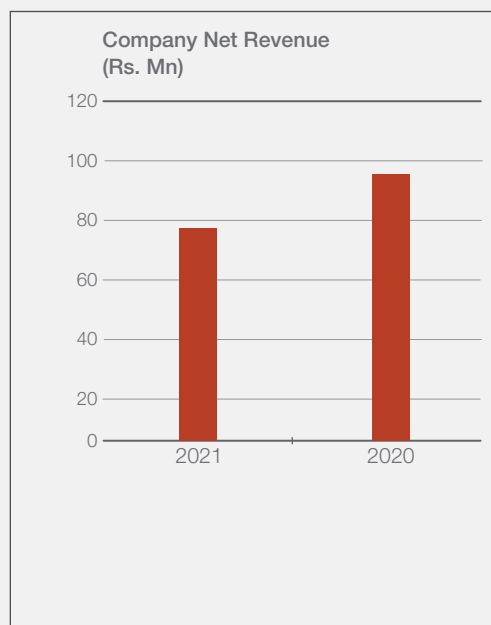
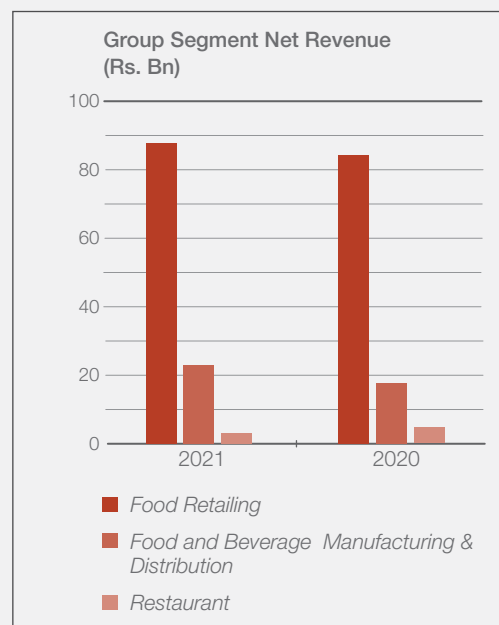
### Accounting Policy

#### 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	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross revenue	117,781,115	115,770,372	85,250	106,741
Revenue related taxes	(5,174,054)	(8,718,506)	(6,315)	(10,280)
	<b>112,607,061</b>	<b>107,051,866</b>	<b>78,935</b>	<b>96,461</b>

The Group primarily has three business segments namely, Food Retailing, Food and Beverage Manufacturing & Distribution and Restaurant. Segmental information are disclosed in Note 31.



## 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	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Dividend income				
- Related companies (Note 35.3)	-	-	1,337,581	501,719
- Other (Note 16.3.1)	488	669	486	669
Rental income	167,110	167,736	329,201	314,385
Gain on disposal of property, plant and equipment	66,424	5,090	-	3,438
Income from services	-	-	773,556	742,605
Merchandising income	1,638,796	1,777,978	-	-
Foreign exchange gain	21,216	20,945	-	-
Amortisation of deferred income				
- Capital grant	11,481	11,482	-	-
Sundry income	158,501	201,304	2,825	68,527
	<b>2,064,016</b>	<b>2,185,204</b>	<b>2,443,649</b>	<b>1,631,343</b>



Notes to the Financial Statements contd.**7. Net Finance Cost****Accounting Policy**

Interest income is recognised in the statement of profit or loss and other comprehensive income as it accrues and is calculated by using the effective interest rate. Interest expense is recognised when they accrue.

The Group's finance income and finance cost includes:

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

For the year ended 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>7.1 Finance Income</b>				
- Interest income	183,796	229,418	61,380	104,416
	183,796	229,418	61,380	104,416
<b>7.2 Finance Cost</b>				
Interest on short term loans	900,054	1,467,656	239,315	338,639
Interest on bank overdrafts	98,008	160,524	30,549	27,144
Interest on other loans and bank charges	218,090	25,823	32,114	10,540
Interest on staff security deposits	1,325	1,147	-	-
interest on lease liabilities (Note 13.2)	1,503,633	1,201,889	6,882	7,383
	2,721,110	2,857,039	308,860	383,706
<b>Net finance cost</b>	<b>2,537,314</b>	<b>2,627,621</b>	<b>247,480</b>	<b>279,290</b>

Borrowing cost amounting Rs. 10.03 Mn (2020 - Rs. 5.75 Mn) from the Bandarawela property under property, plant and equipment has been capitalised by the Group under capital work in progress.

## 8. Profit Before Taxation

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

For the year ended 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Staff costs (Note 8.1)	8,130,351	7,351,660	514,618	372,776
Auditors' remuneration				
- Audit and audit related services	11,435	19,437	687	8,862
- Non audit services	1,947	811	1,947	533
Depreciation on property, plant and equipment (Note 12)	2,946,321	2,602,530	45,330	50,059
Amortisation of intangible assets (Note 15)	93,953	92,097	815	20,588
Provision for / (reversal of) impairment of trade and other receivables	33,111	68,999	(8,929)	(500)
Foreign exchange gain/ (loss) (Note 6)	21,216	20,945	-	-
Provision for / (reversal of) impairment of inventories	28,929	(527)	-	-
Directors' emoluments (Note 35.1)	445,862	443,061	56,263	51,586
Depreciation of right of use assets (Note 13.1)	1,399,427	1,074,641	16,636	14,997

### 8.1 Staff Costs

Salaries, wages and other costs	7,187,983	6,478,334	375,887	240,987
Employee benefits (Note 28.2)	268,504	228,302	97,816	86,962
Defined contribution plan cost- PF and ETF	644,460	595,904	29,229	25,307
Equity settled share based payment transaction	29,404	49,120	11,686	19,520
	8,130,351	7,351,660	514,618	372,776
Number of employees as at 31 March	9,875	10,522	1,845	2,095

## Notes to the Financial Statements contd.

### 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, and subsequent amendments thereto.

##### IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

IFRIC - 23 interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination.

The Group applies significant judgement in identifying uncertainties over income tax treatments. The Group assessed whether the Interpretation had an impact on its financial statements. The Group is of the view that it is probable that its tax treatments will be accepted by the taxation authorities hence the Interpretation did not have an impact on the financial statements of the Group. The Group reviewed its income tax treatments and concluded that no additional provisions are required as disclosed in Note 33.

##### 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.

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	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>Income tax expense</b>				
Current tax expense (Note 9.1)	1,303,595	1,527,692	36,691	59,706
Irrecoverable ESC / WHT	11,529	142	-	-
Withholding tax on related company dividend	217,767	84,123	-	-
(Over) / under provision of current tax of previous years	(4,702)	(46,116)	-	-
Deferred tax expense (Note 9.2)	(484,169)	(127,626)	(14,721)	26,474
	<b>1,044,020</b>	<b>1,438,215</b>	<b>21,970</b>	<b>86,180</b>

(a) The tax liability of companies are computed at the standard rate of 14 %, 18%, 24%.

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

For the year ended 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Profit before taxation	4,527,659	4,199,634	1,271,976	738,640
Aggregate disallowed expenses	7,487,860	6,677,266	468,699	318,010
Aggregate allowable expenses	(5,109,082)	(5,106,983)	(264,278)	(171,527)
Aggregate other income	(478,373)	(368,880)	(1,384,899)	(776,259)
Exempt profit	(24,359)	(102,467)	-	-
Adjusted business profit	6,403,705	5,298,570	91,498	108,864
Tax losses incurred	12,841	23,054	-	-
Taxable income from other sources	87,072	146,694	61,380	104,374
<b>Adjusted profit (a)</b>	<b>6,503,618</b>	<b>5,468,318</b>	<b>152,878</b>	<b>213,238</b>

Notes to the Financial Statements contd.**9.1 Reconciliation Between Current Tax Expense and Profit Before Taxation is Given Below: (contd.)**

For the year ended 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Tax losses brought forward	1,554,445	1,544,170	-	-
Tax losses added (Note 9.1.1)	12,841	23,054	-	-
Tax losses utilised (b)	(14,982)	(12,277)	-	-
Adjustment on finalisation of liability	(7,506)	(502)	-	-
Tax losses carried forward	1,544,798	1,554,445	-	-
<b>Taxable income (a+b)</b>	<b>6,488,636</b>	<b>5,456,041</b>	<b>152,878</b>	<b>213,238</b>
Income tax @ 28%	-	1,527,692	-	59,706
Income tax @ 24%	542,565	-	36,691	-
Income tax @ 18%	761,030	-	-	-
Income tax @ 14%	-	-	-	-
<b>Current tax expense</b>	<b>1,303,595</b>	<b>1,527,692</b>	<b>36,691</b>	<b>59,706</b>

**9.1.1 Tax Losses Added**

Tax losses incurred by continuing operations	12,841	23,054	-	-
	12,841	23,054	-	-

**9.2 Deferred Tax Expense**

For the year ended 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Deferred tax expense charge/ (reversal) arising from:				
- Temporary difference of property, plant and equipment	(656,892)	62,598	(207,199)	27,725
- Temporary difference of revaluation surplus of freehold building	199,047	(30,795)	180,468	13,090
- Temporary difference of revaluation surplus of freehold land	204	(2,370)	9,298	6,186
- Temporary difference on equity settled share based payment	8,823	(14,874)	1,751	(5,465)
- Temporary difference on provisions	(36)	168,384	-	-
- Temporary difference of employee benefit liability	4,350	(27,842)	2,852	(16,118)
- Temporary difference on capital grants	5,960	3,213	-	-
- Temporary difference of carried forward tax losses	258	(376)	-	-
- Temporary difference of operating lease liability	-	20,792	-	-
- Temporary difference of ROU assets and lease liabilities	(45,883)	(306,356)	(1,891)	1,056
	<b>(484,169)</b>	<b>(127,626)</b>	<b>(14,721)</b>	<b>26,474</b>

Deferred tax has been computed taking into consideration the tax rates effective from 1 January 2020 which is 14%, 18% and 24%. The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the Parent can control the timing of the reversal of these temporary differences.

**9.3** Temporary differences associated with subsidiary companies, Cargills Food Services (Pvt) Limited, 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 recognized, are as follows.

As at 31 March	2021		2020	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deductible temporary differences	-	-	-	-
Tax losses	1,519,728	259,211	1,517,671	288,513
	<b>1,519,728</b>	<b>259,211</b>	<b>1,517,671</b>	<b>288,513</b>

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 therefrom.

## 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	
	2021	2020	2021	2020
Profit attributable to equity shareholders of the parent (Rs. '000)	3,480,991	2,692,092	1,250,006	652,460
Weighted average number of ordinary shares (Refer Note 10.1.1)	257,677,731	257,221,043	257,677,731	257,221,043
Basic earnings per share (Rs.)	13.51	10.47	4.85	2.54

#### 10.1.1 Weighted Average Number Of Ordinary Shares

	Group		Company	
	2021	2020	2021	2020
Issued ordinary shares as at 1 April	257,221,043	257,221,043	257,221,043	257,221,043
Exercise of share options	456,688	-	456,688	-
Weighted average number of ordinary shares as at 31 March	257,677,731	257,221,043	257,677,731	257,221,043

Notes to the Financial Statements contd.**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	
	2021	2020	2021	2020
Profit attributable to equity shareholders of the parent (Rs. '000)	3,480,991	2,692,092	1,250,006	652,460
Weighted average number of ordinary shares (Diluted) (Refer Note 10.2.1)	257,761,547	257,343,367	257,761,547	257,343,367
Diluted earnings per share (Rs.)	13.50	10.46	4.85	2.54

**10.2.1 Weighted Average Number Of Ordinary Shares (Diluted)**

	Group		Company	
	2021	2020	2021	2020
Weighted-average number of ordinary shares (basic as at 31 March)	257,677,731	257,221,043	257,677,731	257,221,043
Effect of share options on issue	83,816	122,324	83,816	122,324
Weighted-average number of ordinary shares (diluted) as at 31st March	257,761,547	257,343,367	257,761,547	257,343,367

**11. Dividend Per Share**

	Group				Company			
	2021		2020		2021		2020	
	Rs	Rs. '000	Rs	Rs. '000	Rs	Rs. '000	Rs	Rs. '000
Dividends for the year								
Final dividend for prior year	3.20	823,107	4.10	1,054,606	3.20	823,107	4.10	1,054,606
First Interim - dividend	1.90	488,888	1.90	488,720	1.90	488,888	1.90	488,720
	5.10	1,311,996	6.00	1,543,326	5.10	1,311,996	6.00	1,543,326

A final dividend of Rs. 3.20 per share (Rs. 823.11 Mn) was paid on 18 September 2020 for the year ended 31st March 2020. 1st interim dividend of Rs. 1.90 per share (Rs. 488.89 Mn) was paid on 06 January 2021 for the year ended 31st March 2021.

A final dividend of Rs. 4.10 has been proposed for the year ended 31 March 2021 and has not been recognised as at the reporting date in accordance with LKAS 10 - "Events After the Reporting Period".



## **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 2021.

#### **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.

## Notes to the Financial Statements contd.

### 12. Property, Plant and Equipment (contd.)

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

#### Impairment

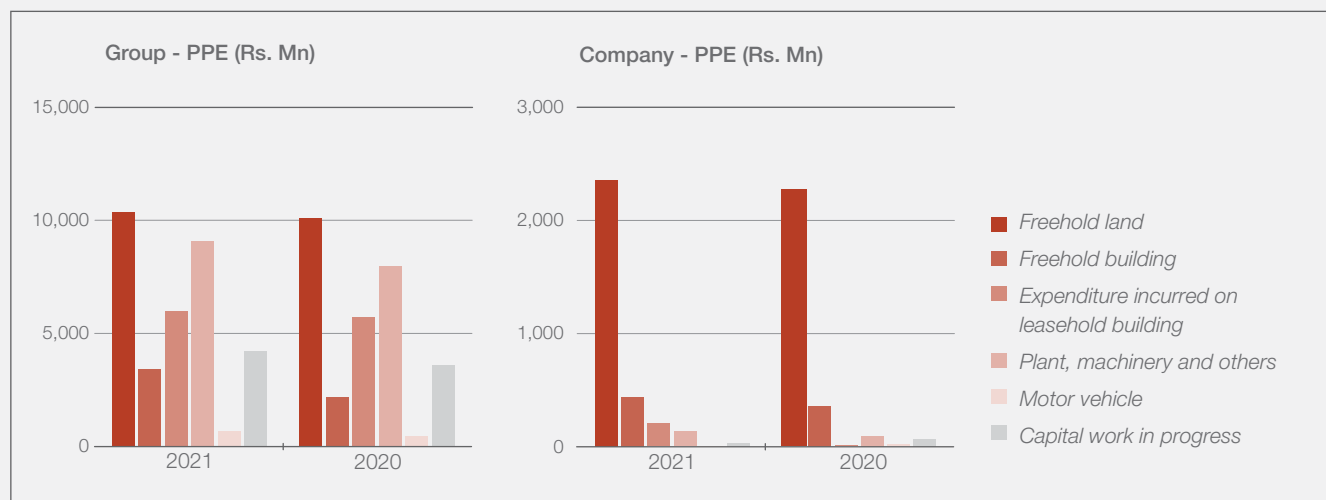
The Management has assessed the potential impairment loss of property, plant and equipment as at 31 March 2021. Based on the assessment, the Group does not foresee any indications of Impairment as at the reporting date due to the COVID-19 pandemic, and functions under the business continuity plan as per the Group's risk management strategy, allowing operations to function through alternate working arrangements, whilst strictly adhering to and supporting government directives.

	Freehold land Rs. '000	Freehold building Rs. '000	Expenditure incurred on leasehold buildings Rs. '000	Plant, machinery and others Rs. '000	Motor vehicles Rs. '000	Capital WIP Rs. '000	Total Rs. '000
<b>Group</b>							
<b>Cost / revaluation</b>							
As at 1 April 2020	10,052,474	3,107,044	10,760,029	21,822,548	1,603,866	3,572,468	50,918,429
Additions	858	773,341	1,259,326	2,494,203	400,393	7,618,240	12,546,361
Revaluation	2,106,121	753,680	-	-	-	-	2,859,801
Transfers	-	-	-	-	-	(6,281,697)	(6,281,697)
Disposals	-	-	(8,826)	(15,774)	(133,918)	-	(158,518)
Transfer to investment property	(232,806)	-	-	-	-	(566,551)	(799,357)
Transfer-Acc.Dep-Revaluation	-	(1,064,654)	-	-	-	-	(1,064,654)
<b>As at 31 March 2021</b>	<b>11,926,647</b>	<b>3,569,411</b>	<b>12,010,529</b>	<b>24,300,977</b>	<b>1,870,341</b>	<b>4,342,460</b>	<b>58,020,365</b>
<b>Accumulated depreciation and impairment</b>							
As at 1 April 2020	-	921,937	5,084,608	13,075,774	1,141,930	-	20,224,249
Depreciation	-	142,717	707,991	1,878,988	216,625	-	2,946,321
Disposals	-	-	(5,187)	(13,647)	(133,918)	-	(152,752)
Impairment	-	-	-	-	-	-	(152,752)
Transfer-Acc.Dep-Revaluation	-	(1,064,654)	-	-	-	-	(1,064,654)
<b>As at 31 March 2021</b>	<b>-</b>	<b>-</b>	<b>5,787,412</b>	<b>14,941,115</b>	<b>1,224,637</b>	<b>-</b>	<b>21,953,164</b>
<b>Carrying value as at 31 March 2021</b>	<b>11,926,647</b>	<b>3,569,411</b>	<b>6,223,117</b>	<b>9,359,862</b>	<b>645,704</b>	<b>4,342,460</b>	<b>36,067,201</b>
<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	2,350,835	45,606,902
Additions	-	138,210	1,258,572	2,524,006	309,846	6,896,667	11,127,301
Transfers	-	-	-	-	-	(5,675,034)	(5,675,034)
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>3,572,468</b>	<b>50,918,429</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>-</b>	<b>20,224,249</b>
<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>3,572,468</b>	<b>30,694,180</b>

Notes to the Financial Statements contd.**12. Property Plant and Equipment (contd.)**

	Freehold land Rs. '000	Freehold building Rs. '000	Expenditure incurred on leasehold buildings Rs. '000	Plant, machinery and others Rs. '000	Motor vehicles Rs. '000	Capital WIP Rs. '000	Total 2021 Rs. '000
<b>Company</b>							
<b>Cost / revaluation</b>							
As at 1 April 2020	2,266,075	425,797	7,506	319,392	138,194	62,897	3,219,861
Additions	-	38,169	217,809	98,857	-	17,238	372,073
Revaluation	389,864	53,636	-	-	-	-	443,500
Transfers	-	-	-	-	-	(44,660)	(44,660)
Disposals	-	-	-	-	-	-	-
Transfer-Acc.Dep-Revaluation	-	(78,041)	-	-	-	-	(78,041)
<b>As at 31 March 2021</b>	<b>2,655,939</b>	<b>439,561</b>	<b>225,315</b>	<b>418,249</b>	<b>138,194</b>	<b>35,475</b>	<b>3,912,733</b>
<b>Accumulated depreciation and impairment</b>							
As at 1 April 2020	-	69,427	4,654	228,078	133,061	-	435,220
Depreciation	-	8,614	1,222	30,361	5,133	-	45,330
Disposals	-	-	-	-	-	-	-
Transfer-Acc.Dep-Revaluation	-	(78,041)	-	-	-	-	(78,041)
<b>As at 31 March 2021</b>	<b>-</b>	<b>-</b>	<b>5,876</b>	<b>258,439</b>	<b>138,194</b>	<b>-</b>	<b>402,509</b>
<b>Carrying value as at 31 March 2021</b>	<b>2,655,939</b>	<b>439,561</b>	<b>219,439</b>	<b>159,810</b>	<b>-</b>	<b>35,475</b>	<b>3,510,224</b>

	Freehold land Rs. '000	Freehold building Rs. '000	Expenditure incurred on leasehold buildings Rs. '000	Plant, machinery and others Rs. '000	Motor vehicles Rs. '000	Capital WIP Rs. '000	Total 2021 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	68,480	3,209,433
Additions	-	17,327	242	21,411	-	11,744	50,724
Transfers	-	-	-	-	-	(17,327)	(17,327)
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>62,897</b>	<b>3,219,861</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>-</b>	<b>435,220</b>
<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>62,897</b>	<b>2,784,641</b>



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

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

## Notes to the Financial Statements contd.

### 12.1 Revaluation of Freehold Land & Buildings

Fair value of Land and Building as at 31 March 2021 have been based on valuations carried out by Mr. Tissa Weeratne (FIV), a member of the Institute of Valuers of Sri Lanka, with appropriate qualifications and recent experience in the valuation of properties in the relevant locations. Mr. Tissa Weeratne is not related to the Group.

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 lands and buildings measured at fair value as at 31 March 2021 is as follows:

Location	Type of asset	Method of valuation	Land extent	Building area (Sq.ft)	No.of. buildings	Significant unobservable inputs	2021 Valuation Rs. '000
Colombo - 01	Land	Income approach	140.75 Perches	-	-	Rental per square foot	2,655,939
	Building		-	124,215	1		439,561
Canal Row, Colombo - 01	Land	Income approach	15.25 Perches	-	-	Rental per square foot	308,624
	Building		-	12,300	1		91,667
Staple Street - Colombo - 02	Land	Market approach	81.5 Perches	-	-	Market value per perch	867,975
	Building		-	20,970	2		55,400
Dematagoda	Land	Income approach	84.32 Perches	-	-	Rental per square foot	124,654
	Building		-	71,956	1		244,165
Cargills Square-Jaffna	Building	Income approach	-	99,164	1	Rental per square foot	413,356
Kandy	Land	Income approach	87.96 Perches	-	-	Rental per square foot	1,373,623
	Building		-	25,174	1		52,777
Maharagama	Land	Income approach	145.3 Perches	-	-	Rental per square foot	594,135
	Building		-	15,827	1		89,565
Nuwara Eliya	Land	Income approach	56.5 Perches	-	-	Rental per square foot	295,737
	Building		-	9,617	1		11,363
Mattakkuliya (111)	Land	Income approach	330 Perches	-	-	Rental per square foot	740,304
	Building		-	80,967	2		107,696
Kohuwala	Land	Income approach	28.65 Perches	-	-	Rental per square foot	158,987
	Building		-	6,225	1		14,013
Mattakkuliya (141)	Land	Income approach	287.96 Perches	-	-	Rental per square foot	514,895
	Building		-	44,469	4		74,905
Gampaha	Land	Income approach	82.6 Perches	-	-	Rental per square foot	158,916
	Building		-	39,565	1		264,860
Moratuwa	Land	Income approach	78.6 Perches	-	-	Rental per square foot	319,028
	Building		-	7,475	1		66,737

Location	Type of asset	Method of valuation	Land extent	Building area (Sq.ft)	No.of. buildings	Significant unobservable inputs	2021 Valuation Rs. '000
Ingiriya (Lot A,C,D,B1)	Land	Market approach	26 Acres	-	-	Market value per perch	248,338
	Building		-	1,300	1		520
Park Road	Building	Income approach	-	4,610	1	Rental per square foot	64,800
Negombo - Kaluwarippuwa	Land	Market approach	28.8 Acres	-	-	Market value per perch	760,750
Ja - Ela - Ma Eliya	Land	Market approach	4 Acres	-	-	Market value per perch	164,000
	Building		-	7,600	1		5,700
Mattakuliya	Land	Market approach	1.3 Acres	-	-	Market value per perch	427,740
	Building		-	17,881	1		46,338
Ja - Ela - Ganemulla	Land	Market approach	5.03 Acres	-	-	Market value per perch	360,155
	Building		-	41,833	1		126,360
Katana	Land	Market approach	11.3 Acres	-	-	Market value per perch	354,540
	Building		-	76,059	1		239,700
Kelaniya	Land	Income approach	1.5 Acres	-	-	Rental per square foot	243,750
	Building		-	55,770	2		251,250
Katoolaya Estate, Thawalatenne	Land	Market approach	4 Acres	-	-	Market value per perch	15,800
	Building		-	19,961	1		51,200
Mirigama, Baduragoda	Land	Market approach	100.2 Perches	-	-	Market value per perch	20,040
Mirigama, Baduragoda	Land	Market approach	38.51 Perches	-	-	Market value per perch	8,672
	Building		-	1,476	1		4,428
Mulleriyawa	Land	Market approach	1.7 Acres	-	-	Market value per perch	150,000
	Building		-	35,528	3		178,717
Bogahawatta	Land	Market approach	1 Acres	-	-	Market value per perch	48,000
	Building		-	33,221	6		437,750
Hatton	Land	Market approach	17.5 Acres	-	-	Market value per perch	62,950
	Building		-	14,569	4		41,472
Bandarawela	Land	Market approach	85.2 Perches	-	-	Market value per perch	415,350
	Building		-	6,345	1		188,111
Katubedda	Land	Market approach	1.15 Acres	-	-	Market value per perch	533,745
	Building		-	3,500	1		7,000
<b>Total</b>							<b>15,496,058</b>

Refer Note 38.2.1 for details for 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	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>Group</b>				
Cost	6,358,335	6,357,477	2,739,092	1,965,751
Accumulated depreciation	-	-	(735,600)	(598,645)
<b>Net book value</b>	<b>6,358,335</b>	<b>6,357,477</b>	<b>2,003,492</b>	<b>1,367,106</b>
<b>Company</b>				
Cost	1,813	1,813	117,134	78,965
Accumulated depreciation	-	-	(18,993)	(13,137)
<b>Net book value</b>	<b>1,813</b>	<b>1,813</b>	<b>98,141</b>	<b>65,828</b>

**12.3 Movement in revaluation reserve**

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Opening balance	4,884,927	4,884,927	14,439	14,439
Revaluation surplus	2,859,801	-	443,500	-
Deferred tax impact on revaluation	(343,345)	-	(37,508)	-
Set-off against reserve on purchase of treasury shares in Cargills Foods Company (Private) Limited (Note 23)	(383,579)	-	-	-
<b>Closing Balance</b>	<b>7,017,804</b>	<b>4,884,927</b>	<b>420,431</b>	<b>14,439</b>

Depreciation amounting to Rs. 2,404.65 Mn (2020 - Rs. 2,121.80 Mn) and Rs. 541.67 Mn (2020 - Rs. 480.73 Mn) has been charged respectively to the cost of sales and, administration and other expenses of the Group. The total depreciation amounting to Rs. 45.33 Mn (2020 - Rs. 50.06 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. 6,382.52 Mn (2020 - Rs. 5,645.21 Mn) and that of the Company is Rs. 325.88 Mn (2019 - Rs. 256.53 Mn).

### 13. Leases

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

#### 13.1 Right of use assets

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Balance as at 1 April	10,170,741	-	185,904	-
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 st April</b>	<b>10,170,741</b>	<b>8,487,783</b>	<b>185,904</b>	<b>192,472</b>
Additions	5,563,085	2,757,599	-	8,429
Depreciation	(1,399,427)	(1,074,641)	(16,636)	(14,997)
<b>Balance as at 31 March</b>	<b>14,334,399</b>	<b>10,170,741</b>	<b>169,268</b>	<b>185,904</b>

#### 13.2 Lease Liability

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Balance as at 1 April	11,798,080	-	61,441	-
Recognition of lease liability on initial application of SLFRS 16	-	9,767,501	-	60,388
<b>Adjusted balance as at 1 st April</b>	<b>11,798,080</b>	<b>9,767,501</b>	<b>61,441</b>	<b>60,388</b>
Additions	5,529,839	2,757,599	-	8,429
Interest expense	1,503,633	1,201,889	6,882	7,383
Payments	(2,214,833)	(1,928,909)	(15,989)	(14,759)
Negative lease payments due to rent concessions	(123,565)	-	(1,978)	-
<b>Balance as at 31 March</b>	<b>16,493,154</b>	<b>11,798,080</b>	<b>50,356</b>	<b>61,441</b>

Lease Liabilities included in the statement of  
financial position as at 31 March

Current	1,113,771	840,140	14,288	11,085
Non - current	15,379,383	10,957,940	36,068	50,356
	<b>16,493,154</b>	<b>11,798,080</b>	<b>50,356</b>	<b>61,441</b>

Maturity analysis - contractual undiscounted cash flows

Less than one year	2,658,487	2,100,428	19,623	17,967
One to five years	10,256,939	9,697,142	19,938	39,561
More than five years	20,583,683	12,376,096	133,560	133,560
<b>Total undiscounted liabilities as at 31 March</b>	<b>33,499,109</b>	<b>24,173,666</b>	<b>173,121</b>	<b>191,088</b>

Notes to the Financial Statements contd.**13.3 Amounts Recognised in Profit or Loss**

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Depreciation of right-of-use assets	1,399,427	1,074,641	16,636	14,997
Interest expense on lease liabilities	1,503,633	1,201,889	6,882	7,383
Negative lease payments due to rent concessions	(123,565)	-	(1,978)	-
Expense relating to short term leases	-	25,686	-	25,686
Income from sub - leasing right of use assets presented in 'other income'	(24,324)	(30,643)	(69,187)	(72,832)
	<b>2,755,171</b>	<b>2,271,573</b>	<b>(47,647)</b>	<b>(24,766)</b>

**13.4 Amounts Recognised in Statement of Cash Flows**

Total cash outflow for leases, net of concessions	(2,214,833)	(1,928,909)	(15,989)	(14,759)
	<b>(2,214,833)</b>	<b>(1,928,909)</b>	<b>(15,989)</b>	<b>(14,759)</b>

**Impairment**

The Group does not foresee any indications of impairment of right of use assets due to the COVID-19 pandemic since as Group is operating under the business continuity plan as per the Group risk management strategy, to the extent possible, whilst strictly adhering to and supporting government directives. The Group does not anticipate discontinuation of any right of use assets as at the year end.

**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	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
As at 1 April	1,856,914	1,818,798	4,028,718	3,514,555
Additions	1,411	1,416	866,995	2,348
Reclassification from PPE	799,357	-	-	-
Changes in fair value during the year	54,631	36,700	(14,549)	166,017
	<b>2,712,313</b>	<b>1,856,914</b>	<b>4,881,164</b>	<b>3,682,920</b>
Capital work in progress addition / (transfers)	-	-	(621,598)	345,798
	<b>2,712,313</b>	<b>1,856,914</b>	<b>4,259,566</b>	<b>4,028,718</b>

In accordance with LKAS 40, fair value of the above Investment Properties were ascertained as at 31 March 2021 by Mr. T Weeratne (FIV), a member of the Institute of Valuers of Sri Lanka, with appropriate qualifications and recent experience in the valuation of properties in the relevant locations. Mr. Tissa weeratne is not related to the Group.

# 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. 29.12 Mn (2020 - Rs. 33.39 Mn) and Rs. 131.38 Mn (2020 - Rs. 123.94 Mn) respectively. Direct operating expenses incurred on investment property by the Group and Company amounted to Rs. 17.41 Mn (2020 - Rs. 17.21 Mn) and Rs. 48.49 Mn (2020 - Rs. 40.04 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 2021 are as follows:

Location	Type of asset	Method of valuation	Land extent	Building area (Sq.ft)	No.of. buildings	Current / proposed use	Group		Company	
							2021 Fair Value Rs. '000	2020 Fair Value Rs. '000	2021 Fair Value Rs. '000	2020 Fair Value Rs. '000
Canal Row, Colombo 01	Land	Income approach	15.25 Perches	-	-	Rent	-	-	308,624	297,169
	Building		-	12,300	1				91,667	90,881
Braybrook place	Land	Market approach	78.17 Perches	-	-	Undetermined use	723,073	703,530	723,073	703,530
	Building		-	5,146	1		1,614	1,807	1,614	1,807
Cargills Square-Jaffna	Building	Income approach	Leasehold	99,164	1	Rent	627,844	633,451	1,041,200	1,050,500
Staple Street - Colombo 02	Land	Market approach	81.5 Perches	-	-	Rent	-	-	867,975	856,170
	Building		-	20,970	2		-	-	55,400	54,355
Dematagoda	Land	Income approach	84.32 Perches	-	-	Rent	267,013	-	391,674	341,496
	Building		-	71,956	1		522,969		767,126	622,419
Nittambuwa	Land	Market approach	112 Perches	-	-	Undetermined use	143,800	134,950	-	-
Boralesgamuwa	Land	Income approach	2.5 Acres	-	-	Rent	364,656	325,920	-	-
	Building		-	23,168	4		61,344	57,256	-	-
							2,712,313	1,856,914	4,248,353	4,018,327
CWIP - Wellawatta (Preliminary expense)							-	-	11,213	10,391
							2,712,313	1,856,914	4,259,566	4,028,718

Refer Note 38.2.1 for details on valuation techniques used.

### Key Considerations relating to COVID 19

Majority of the Group's investment properties rented out to inter Companies and as a result of COVID 19, there was no significant drop in the rents charged to the inter Companies. A part of the Cargills Square Jaffna is rented out external tenants, however as a result of COVID 19, the Group has given rent concessions to these tenants. The Group has also not lost any tenants as a result of COVID 19. Therefore, management is of the view that the impact of COVID 19 would not have a material impact on the investment property valuations which was also reflected in the independent valuation report obtained by management.

### Sensitivity Analysis

Significant judgement is required when evaluating the inputs into fair value determination of investment property. Reasonably possible changes at the reporting date to one of the relevant assumptions, holding other assumptions constant, would have affected the fair value of the investment property rented out to third parties by the amounts shown below. The effect of the COVID-19 pandemic has meant that the range of reasonably possible changes is wider for the 2021 figures than for the Comparative year.

Description	31-Mar-21		31-Mar-20	
	Increase (in Rs. '000)	Decrease (in Rs. '000)	Increase (in Rs. '000)	Decrease (in Rs. '000)
Annual expenses, rates & repairs, void (2021:10% movement; 2020: 5% movement)	(12,315)	12,315	(6,157)	6,157
Discount rate (2021:2% movement; 2020: 1% movement)	299	(299)	151	(151)

## 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 the initial recognition, intangible assets are stated in the Statement of Financial Position at cost less any accumulated amortisation and any accumulated impairment losses, if any.

### Subsequent Expenditure

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

### Useful Economic Lives, Amortisation and Impairment

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

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

# Notes to the Financial Statements contd.

## 15. Intangible Assets (contd.)

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

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

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

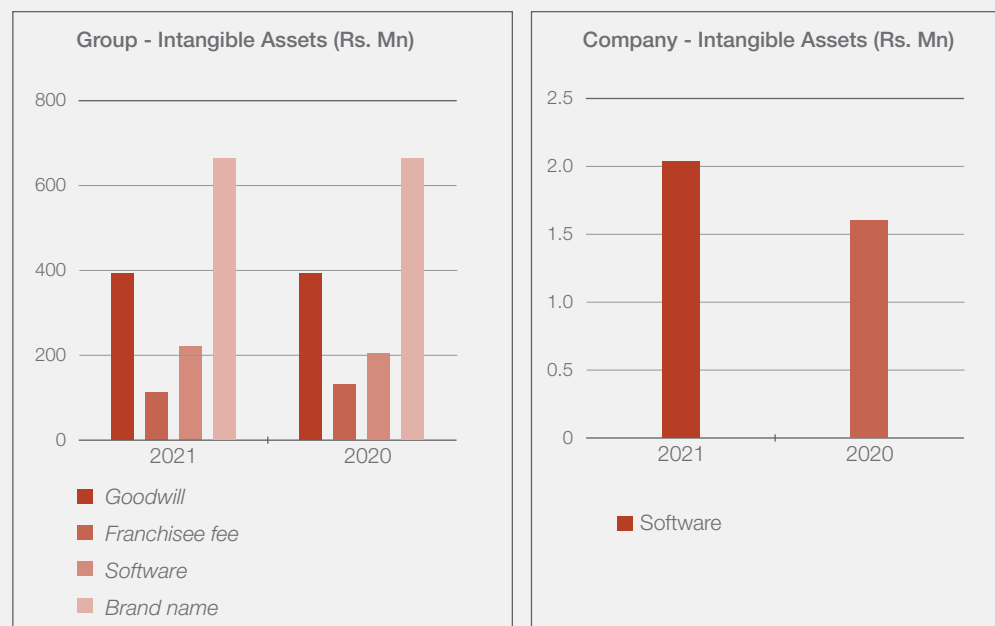
### De-recognition

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

Group	Goodwill		Franchisee fee		Software		Brand name		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	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	297,227	287,699	543,541	487,872	661,865	661,865	2,032,400	1,967,203
Additions	-	-	-	9,528	99,925	55,669	-	-	99,925	65,197
As at 31 March	529,767	529,767	297,227	297,227	643,466	543,541	661,865	661,865	2,132,325	2,032,400
<b>Amortisation/Impairment</b>										
As at 1 April	138,978	138,978	167,581	145,072	340,027	270,439	-	-	646,586	554,489
Amortisation	-	-	23,142	22,509	70,811	69,588	-	-	93,953	92,097
As at 31 March	138,978	138,978	190,723	167,581	410,838	340,027	-	-	740,539	646,586
Carrying value as at 31 March	390,789	390,789	106,504	129,646	232,628	203,514	661,865	661,865	1,391,786	1,385,814

Company	Software		Total	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost</b>				
As at 1 April	152,667	152,667	152,667	152,667
Additions	1,250	-	1,250	-
As at 31 March	153,917	152,667	153,917	152,667
<b>Amortisation/Impairment</b>				
As at 1 April	151,052	130,464	151,052	130,464
Amortisation for the year	815	20,588	815	20,588
As at 31 March	151,867	151,052	151,867	151,052
Carrying value as at 31st March	2,050	1,615	2,050	1,615





#### Impairment testing for CGUs containing goodwill.

For the purposes of impairment testing, goodwill has been allocated to the Group's CGU (operating divisions) as follows.

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Cargills Quality Foods Limited	246,203	246,203	-	-
Cargills Agro Development Company (Private) Limited	133,196	133,196	-	-
CPC Lanka Limited	8,839	8,839	-	-
Cargills Food Processors (Private) Limited	2,532	2,532	-	-
Cargills Distributors (Private) Limited	19	19	-	-
	<b>390,789</b>	<b>390,789</b>	<b>-</b>	<b>-</b>

CGU's below are disclosed for the material goodwill balances only.

#### CGU 1 - Cargills Quality Foods Limited

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

# Notes to the Financial Statements contd.

## 15. Intangible Assets (contd.)

The key assumptions used in the estimation of value in use were as follows:

	2021	2020
Description		
Discount rate	11.28%	11.33%
Terminal value growth rate	3%	3%
Budgeted EBITDA growth rate (average of next five years)	19%	10%

The discount rate was based on the weighted average cost of capital (WACC) for the companies, determined by considering the cost of equity and cost of debt proportionately weighted.

Five years of cash flows were included in the discounted cash flow model. A long-term nominal growth rate into perpetuity has been determined as 3% based on management's internal assessment.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years.

A reasonably possible change in any of the key assumptions on which the management has based its determination of the CGU's recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount.

### CGU 2 - Cargills Agro Development Company (Private) Limited

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

The key assumptions used in the estimation of value in use were as follows:

	2021	2020
Description		
Discount rate	7.72%	12.34%
Terminal value growth rate	2%	3%
Budgeted EBITDA growth rate (average of next five years)	5%	15%

The discount rate was based on the weighted average cost of capital (WACC) for the companies, determined by considering the cost of equity and cost of debt proportionately weighted.

Five years of cash flows were included in the discounted cash flow model. A long-term nominal growth rate into perpetuity has been determined as 2% based on management's internal assessment.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years.

A reasonably possible change in any of the key assumptions on which the management has based its determination of the CGU's recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount.

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

### Brand Name

Rs. 661.9 Mn represents the brand value recognised on the acquisition of Kotmale Holding 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.

The recoverable amount of this CGUs was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

The key assumptions used in the estimation of value in use were as follows:

Description	2021	2020
Discount rate	12.69	12.89
Terminal value growth rate	3%	3%
Budgeted EBITDA growth rate (Average of next five years)	10%	10%

The discount rate was based on the weighted average cost of capital (WACC) for the companies, determined by considering the cost of equity and cost of debt proportionately weighted.

Five years of cash flows were included in the discounted cash flow model. A long-term nominal growth rate into perpetuity has been determined as 3% based on management's internal assessment.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth of the Kotmale Brands. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years.

A reasonably possible change in any of the key assumptions on which the management has based its determination of the CGU's recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount.

Amortisation of intangible assets amounting to Rs. 50.54 Mn (2020 - Rs. 32 Mn) have been included in cost of sales and Rs. 43.41 Mn (2020 - Rs. 60.01 Mn) in other expenses of the Group. Amortisation of intangible assets amounting to Rs. 0.82 Mn (2020 - Rs. 20.59 Mn) have been included in other expenses of the Company.

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

	No of Shares	Holding %	Group		Company	
			2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Cargills Foods Company (Private) Limited	48,255,426	100	-	-	1,167,947	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 Holdings PLC	54,315	0.17	-	-	3,437	3,437
Frederick North Hotel Company Limited	31,100,000	100	-	-	311,000	311,000
			-	-	3,513,437	2,820,490
Employee share option investment (Note 16.1.1)			-	-	190,421	172,701
			-	-	3,703,858	2,993,191

**16.1.1 Employee Share Option Investment**

	Company	
	2021 Rs. '000	2020 Rs. '000
Cargills Foods Company (Private) Limited	136,214	123,538
Kotmale Dairy Products (Private) Limited	3,262	2,958
Cargills Food Processors (Private) Limited	5,547	5,031
Cargills Food Services (Private) Limited	1,208	1,096
Cargills Quality Confectionaries (Private) Limited	284	256
Cargills Quality Dairies (Private) Limited	11,102	10,070
Cargills Quality Foods Limited	7,428	6,736
Cargills Distributors (Private) Limited	365	329
Millers Limited	19,650	17,826
Cargills Agrifoods Limited	5,361	4,861
	190,421	172,701

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 100% 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 Confectionaries (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.

Cargills 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 2021, 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

	No of Shares	Holding %	Group		Company	
			2021	2020	2021	2020
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Unquoted equity investments						
C T Properties Limited	54,100,000	21.76	357,366	390,446	346,390	376,944
Cargills Bank Limited	350,696,905	39.71	4,369,817	4,647,058	4,717,843	4,717,843
			4,727,183	5,037,504	5,064,233	5,094,787

An impairment amounting to Rs. 30.55 Mn (2020 - Rs. 18.9 Mn) and Rs. 30.55 Mn (2020 - Rs. 18.9 Mn) has been recognised in relation to investment in associate of C T Properties Limited in the Company and Group respectively.

## 16.3 Other Financial Assets

### 16.3.1 Equity Investments at FVOCI - "Non current"

As at 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>Quoted equity investments</b>				
Lanka IOC PLC	2,932	3,480	2,932	3,480
Sierra Cables PLC	338	90	249	16
Aitken Spence PLC	8,212	10,967	8,212	10,967
	<b>11,482</b>	<b>14,537</b>	<b>11,393</b>	<b>14,463</b>
Increase / (Decrease) in fair value of investments	<b>7,422</b>	<b>(3,055)</b>	<b>7,309</b>	<b>(3,070)</b>
	<b>18,904</b>	<b>11,482</b>	<b>18,702</b>	<b>11,393</b>

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 2021, as quoted by the Colombo Stock Exchange amounted to Rs. 18.90 Mn (2020 - Rs.11.48 Mn)

Notes to the Financial Statements contd.**16. Investments (Contd.)**

Dividend income recognised on quoted equity investments is as follows:-

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Lanka IOC PLC	150	401	150	401
Sierra Cables PLC	4	-	2	-
Aitken Spence PLC	334	268	334	268
	<b>488</b>	<b>669</b>	<b>486</b>	<b>669</b>

**16.3.2 Other Non Equity Investments - Current**

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Call deposits / fixed deposit	954,796	881,034	-	-
	<b>954,796</b>	<b>881,034</b>	<b>-</b>	<b>-</b>

**16.4 Investment in Equity Accounted Investees**

	Group	
	2021 Rs. '000	2020 Rs. '000
As at 1 April	5,037,504	5,296,632
Share of loss	(297,948)	(270,066)
Share of other comprehensive income	18,181	29,823
Impairment	(30,554)	(18,885)
As at 31 March	<b>4,727,183</b>	<b>5,037,504</b>

**16.4.1 Summarised Financial Information of Associates**

	<b>Group</b>			
	<b>C T Properties Limited</b>		<b>Cargills Bank Limited</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
Revenue / operating income	35,664	39,975	1,211,220	1,304,015
Operating expenses	(5,169)	(5,360)	(2,097,756)	(2,191,429)
Finance expenses	(42,101)	(59,234)	-	-
Income tax expense	-	-	142,589	220,814
Loss for the year	(11,606)	(24,619)	(743,947)	(666,600)
Other comprehensive income	-	-	45,784	75,103
Total comprehensive loss	(11,606)	(24,619)	(698,163)	(591,497)
Group's share of loss	(2,526)	(5,358)	(295,422)	(264,708)
Group's share of other comprehensive income	-	-	18,181	29,823
Group's share of total comprehensive loss	(2,526)	(5,358)	(277,241)	(234,885)
	<b>C T Properties Limited</b>		<b>Cargills Bank Limited</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>	<b>Rs. '000</b>
Total assets	2,967,199	2,945,752	46,532,534	39,138,534
Total liabilities	(965,030)	(931,973)	(36,798,232)	(28,706,069)
Net assets	2,002,169	2,013,779	9,734,302	10,432,465
Ownership interest	21.76%	21.76%	39.71%	39.71%
Group's share of net assets	435,762	438,288	3,865,501	4,142,742
Goodwill	31,375	31,375	504,316	504,316
Impairment	(109,771)	(79,217)	-	-
	357,366	390,446	4,369,817	4,647,058

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

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>Cost</b>				
As at 1 April	200,912	238,374	-	153,349
Transfer to right of use assets on initial application of SLFRS 16	-	(188,349)	-	(153,349)
Prepayments	-	150,887	-	-
As at 31 March	200,912	200,912	-	-
<b>Amortisation</b>				
As at 1 April	-	21,556	-	9,306
Transfer to right of use assets on initial application of SLFRS 16	-	(21,556)	-	(9,306)
Amortisation	-	-	-	-
As at 31 March	-	-	-	-
Carrying value as at 31 March	200,912	200,912	-	-
Non - current portion of the prepayment	200,912	200,912	-	-
<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 2021 relate to contracts that are to commence after 01 April 2021. No lease contracts have been signed as at 31 March 2021.



**18. Deferred Tax Asset/ Liability**

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
As at 1 April	18,311	10,747	1,058,391	1,386,624	-	-	212,756	193,443
Charge/(reversal) and impact of change in tax rate recognised in Profit or loss	(2,051)	5,775	(486,220)	(121,851)	-	-	(14,721)	26,474
Charge/(reversal) and impact of change in tax rate recognised in other comprehensive income	(32)	28	323,627	(16,603)	-	-	40,719	(3,812)
Adjustment on initial application of SLFRS 16	-	1,761	-	(189,779)	-	-	-	(3,349)
As at 31 March	16,228	18,311	895,798	1,058,391	-	-	238,754	212,756

The Group's deferred tax charge recognised in P&L and OCI for the year ended 31 March 2021 includes benefit from change in tax rate as mentioned in Note 9.2 which amounts to Rs. 282 Mn.

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	(6)	(36)	1,149,929	1,786,863	-	-	31,451	238,651
- Temporary difference of revaluation surplus of freehold building	-	-	553,367	233,876	-	-	315,906	136,439
- Temporary difference of revaluation surplus of freehold land	-	-	227,238	19,829	-	-	64,924	16,639
- Temporary difference on equity settled share based payment	-	154	(72,438)	(79,826)	-	-	(30,137)	(31,888)
- Temporary difference on provisions	8,466	9,265	(52,150)	(52,576)	-	-	-	-
- Temporary difference of employee benefit liability	814	965	(358,561)	(343,217)	-	-	(139,207)	(144,792)
- Temporary difference on capital grants	-	-	(4,942)	(10,903)	-	-	-	-
- Temporary difference of carried forward tax losses	4,721	5,722	(4,634)	-	-	-	-	-
- Temporary difference of operating lease liability	-	-	-	-	-	-	-	-
- Temporary difference of ROU assets and lease liabilities	2,233	2,241	(542,011)	(495,655)	-	-	(4,183)	(2,293)
	16,228	18,311	895,798	1,058,391	-	-	238,754	212,756

# Notes to the Financial Statements contd.

## 19. Inventories

### Accounting Policy

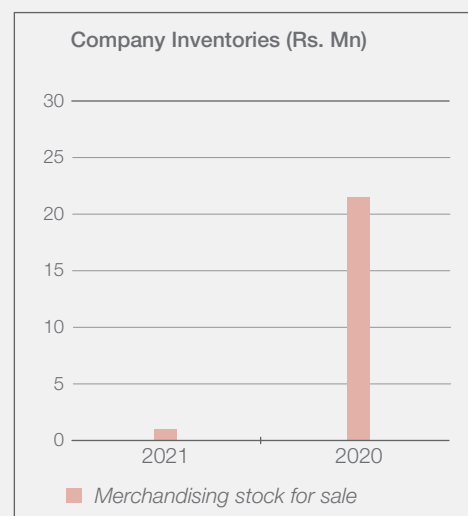
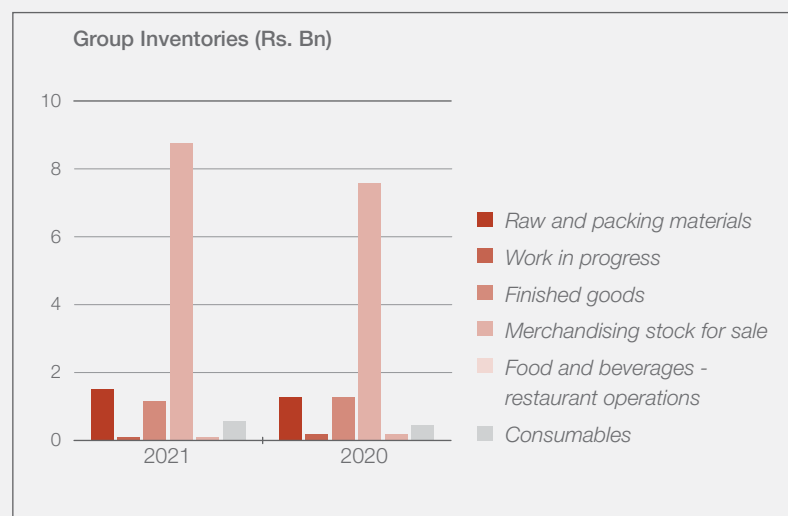
Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the normal course of business less estimated cost of realisation and / or cost of conversion from their existing state to saleable condition.

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

The Group makes provisions for inventory during its monthly and year end counts by identifying perishable, damaged and slow moving inventory with short shelf lives or expiration dates or by identifying specific seasonal inventories that require provisions.

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Raw and packing materials	1,449,702	1,266,934	-	-
Work in progress	46,304	80,713	-	-
Finished goods	1,110,061	1,245,614	-	-
Merchandising stock for sale	8,809,308	7,547,157	903	21,471
Food and beverages - restaurant operations	75,032	124,745	-	-
Consumables	347,666	297,931	-	-
	11,838,073	10,563,094	903	21,471
Provision for obsolete inventories	(113,246)	(84,317)	-	-
	11,724,827	10,478,777	903	21,471
Goods in transit	53,381	58,093	-	-
	11,778,208	10,536,870	903	21,471



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	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Trade receivables	3,186,554	3,542,334	-	-
Provision for impairment of trade receivables	(225,291)	(184,078)	-	-
	<b>2,961,263</b>	<b>3,358,256</b>	<b>-</b>	<b>-</b>
Other prepayments and deposits	1,904,782	1,983,917	382,917	401,152
Other receivables	513,344	555,157	19,428	15,797
Loans and advances (Note 20.1)	114,974	103,758	5,279	4,832
Tax recoverable (Note 20.2)	563,326	1,043,898	61,757	51,930
	<b>6,057,689</b>	<b>7,044,986</b>	<b>469,381</b>	<b>473,711</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.

Notes to the Financial Statements contd.**20.1 Loans and advances represents loans to employees and the movement during the year is as follows:**

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
As at 1 April	103,758	64,872	4,832	10,092
Loans granted	26,846	67,628	4,219	16,326
	130,604	132,500	9,051	26,418
Repayments	(15,630)	(28,742)	(3,772)	(21,586)
As at 31 March	114,974	103,758	5,279	4,832

**20.2 Tax Recoverable**

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

**21. Amounts Due from/ to Related Companies**

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
As at 31 March				
Amounts due from subsidiaries				
Cargills Foods Company (Private) Limited	-	-	11,661	40,146
Cargills Quality Foods Limited	-	-	3,454	242
Dawson Office Complex (Private) Limited	-	-	-	66,111
Cargills Agrifoods Limited	-	-	8,864	-
Cargills Quality Dairies (Private) Limited	-	-	613	-
Cargills Quality Confectionaries (Private) Limited	-	-	610	-
Kotmale Holdings PLC	-	-	14	233
Cargills Agro Development Company (Private) Limited	-	-	17	608
The Empire Investments Company (Private) Limited	-	-	173,891	34,313
Fredrick North Hotel Company Limited	-	-	-	326
Cargills Enterprise Solutions (Private) Limited	-	-	3,200	-
	-	-	202,324	141,979
Amounts due from holding company				
C T Holdings PLC	7,036	6,381	7,036	6,381
	7,036	6,381	7,036	6,381
Amounts due from associate companies				
Cargills Bank Limited	72,981	39,099	13,363	9,588
C T Properties Limited	945,405	916,973	945,405	916,973
	1,018,386	956,072	958,768	926,561

As at 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>Amounts due from other related companies</b>				
Ceylon Hotels Corporation PLC	257	522	-	-
Ceylon Theatres (Private) Limited	75,374	41,534	64,031	30,835
C T Land Development PLC	95	181	-	-
Galle Face Hotel Company Limited	480	3,039	-	-
Kandy Hotels Company (1938) PLC	85	194	-	-
United Hotels Company (Private) Limited	66	303	-	-
Cargills Foundation	226,479	226,472	226,479	226,472
	302,836	272,245	290,510	257,307
<b>Total amount due from related companies</b>	<b>1,328,258</b>	<b>1,234,698</b>	<b>1,458,638</b>	<b>1,332,228</b>
<b>Amounts due to subsidiaries</b>				
Cargills Agrifoods Limited	-	-	-	13,512
Cargills Food Processors (Private) Limited	-	-	3,009	9,617
Millers Limited	-	-	3,636	7,442
Cargills Quality Confectionaries (Private) Limited	-	-	-	7,870
Cargills Quality Dairies (Private) Limited	-	-	-	11,043
C P C (Lanka) Limited	-	-	303	687
Kotmale Dairy Products (Private) Limited	-	-	613	1,786
Cargills Foods Services (Private) Limited	-	-	299	856
	-	-	7,860	52,813
<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	-	-
Unidil Packaging Limited	4,281	1,357	-	-
CT Land Development PLC	3,959	196	3,959	196
	8,240	9,927	3,959	196
<b>Total amount due to related companies</b>	<b>8,240</b>	<b>15,208</b>	<b>11,819</b>	<b>53,009</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	2021 Rs. '000	Number of Shares	2020 Rs. '000
Balance as at 1 April	257,221,043	6,756,591	255,999,927	6,530,709
Exercise of share options	93,457	17,287	1,221,116	225,882
Balance as at 31 March	257,314,500	6,773,878	257,221,043	6,756,591

Pursuant to the Employee Share Option Scheme of the Company approved by the Shareholders on 29th June 2017, 456,688 options were exercised by employees during the period 1st April 2020 to 31st March 2021 and in respect of which 93,457 shares have been issued during the period.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are eligible for one vote per share at General Meetings of the Company.

Consequent to this share issue the stated capital of the Company at the balance sheet date amounted to Rs. 6,774 Mn (2020 - Rs. 6,757 Mn) comprising 257,314,500 ordinary (voting) shares (2020 – 257,221,043).

**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	
	2021 Rs. '000	2020 Rs. '000
Put option over Non Controlling Interest (NCI)	-	3,659,385

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.

International Finance Corporation (IFC) has Exercised the put option and the group had subscribed for the 4,130,424 shares of Cargills Foods Company (Private) Limited ( representing 8 % share of the company) for an amount of Rs. 3.789 Bn on 27 August 2020. Out of the 4,130,424 shares purchased by the group, Cargills Foods Company Private Limited repurchased its own shares from IFC amounting to Rs 3,096 Bn. In line with the Companies Act, this amount has been first set-off against the revaluation reserve and then with retained earnings. There was no change in the value of stated capital of Cargills Foods Company Private Limited.

# 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	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>Capital reserves</b>				
Revaluation reserve (Note 12.3)	7,017,804	4,884,927	420,431	14,439
Capital reserve	7,928	7,928	-	-
Employee share option reserve (Note 24.1)	152,853	215,124	152,853	215,124
	7,178,585	5,107,979	573,284	229,563
<b>Revenue reserve</b>				
FVOCI Reserve	654	(6,768)	(875)	(8,184)
	654	(6,768)	(875)	(8,184)
	7,179,239	5,101,211	572,409	221,379

## 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 –

- First tranche – 3,839,999 options constituting 1.50% of the issued shares of the Company at an exercise price of Rs. 184.98;
- 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
- 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 would be subdivided in to sub tranches with different vesting periods and exercise periods. Share options would be issued to employees who are eligible for the award of the share options for a consideration that is equivalent to the volume weighted average price during the period of thirty (30) market days immediately prior to the respective grant dates for each tranche.

The 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.30.65 Mn. (2020 - Rs. 51.2 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.

Notes to the Financial Statements contd.**24. Reserves (Contd.)****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 2021	*WAEP 2021 (Rs.)	Number of options 2020	*WAEP 2020 (Rs.)
Outstanding as at 1 April	4,480	192.69	6,383	189.12
Forfeited during the year	(2,103)	189.17	(1,903)	180.73
Exercised during the year	(457)	184.98	-	-
Outstanding as at 31 March	1,920	198.38	4,480	192.69
Exercisable as at 31 March	-	-	1,280	184.98

\*WAEP - Weighted Average Exercise Price

Pursuant to the Employee Share Option Scheme of the Company approved by the Shareholders on 29th June 2017, 456,688 options were exercised by employees during the period 1st April 2020 to 31st March 2021 and in respect of which 93,457 shares have been issued during the period.

**25. Cash and Cash Equivalents**

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Cash in hand and at bank	2,672,494	1,714,949	147,419	5,657
Fixed deposits - Maturity period is less than or equal to 3 months	332,207	419,630	-	-
Cash and cash equivalents in the Statement of Financial Position	3,004,701	2,134,579	147,419	5,657
Bank overdraft	(2,679,121)	(4,182,361)	(542,473)	(599,477)
Cash and cash equivalents in the Statement of Cash Flows	325,580	(2,047,782)	(395,054)	(593,820)

**26. Interest Bearing Loans and Borrowings**

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
As at 31 March				
Current				
Current portion of long term loan	856,363	-	175,097	-
Current portion of finance lease liabilities (Note 26.1)	-	510	-	-
Short term loans	14,407,200	13,867,918	3,415,000	2,995,000
Bank overdraft	2,679,121	4,182,361	542,473	599,477
	17,942,684	18,050,789	4,132,570	3,594,477
Non-current				
Long term loans	2,854,988	-	518,092	-
	2,854,988	-	518,092	-
Total borrowings	20,797,672	18,050,789	4,650,662	3,594,477
Movement				
At the beginning of the year	13,867,918	14,016,345	2,995,000	3,440,000
Loans obtained	81,214,676	89,742,667	24,147,947	26,508,000
Accrued interest	165,339	-	30,967	-
Repayments	(77,129,382)	(89,891,094)	(23,065,725)	(26,953,000)
At the end of the year	18,118,551	13,867,918	4,108,189	2,995,000

Notes to the Financial Statements contd.**26. Interest Bearing Loans and Borrowings (Contd.)****26.1 Finance Lease Liabilities**

As at 31 March	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 April	520	1,665	-	-
Repayments	(520)	(1,145)	-	-
	-	520	-	-
Lease interest in suspense	-	(10)	-	-
As at 31 March	-	510	-	-
Lease payable with in one year	-	(510)	-	-
Payable with in 1-2 year	-	-	-	-

**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	200,000	-	On demand, based on monthly AWPLR+1.0%	Corporate guarantee from C T Holdings PLC
Deutsche Bank	45,000	43,639	On demand, based on the prevailing market rates	Clean basis
MCB Bank Limited	500,000	498,834	On demand, based on monthly AWPLR	Clean basis
Nations Trust Bank PLC	35,000	-	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
		542,473		
<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	1,500,000	450,000	1-12 months, based on the prevailing market rates	Corporate guarantee for Rs. 50 Mn. from C T Holdings PLC
Nations Trust Bank PLC	2,965,000	2,965,000	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
		3,415,000		

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
<b>Long term loan</b>				
Commercial Bank of Ceylon PLC	800,000	693,189	Interest to be serviced monthly and capital to be repaid in 3 bi-annual installments	Clean basis
		693,189		
		4,650,662		
<b>Cargills Foods Company (Private) Limited</b>				
<b>Bank overdraft</b>				
Bank of Ceylon	115,000	1,569	On demand, based on monthly AWPLR+0.5%	Clean basis
Cargills Bank Limited	-	378,310	On demand, based on the prevailing market rates	Fully secured against cash
Commercial Bank of Ceylon PLC	50,000	-	On demand, based on monthly AWPLR+1.0%	Corporate guarantee from Cargills (Ceylon) PLC
Deutsche Bank	500,000	566,871	On demand, based on the prevailing market rates	Clean basis
		946,750		
<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	2,945,000	1-12 months, based on the prevailing market rates	Corporate guarantee of Rs. 250.0 Mn. from Cargills (Ceylon) PLC
Hatton National Bank PLC	3,250,000	3,250,000	1-4 months, based on weekly AWPLR	Clean basis
Standard Chartered Bank	2,600,000	1,250,000	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
		7,445,000		
<b>Long term loan</b>				
Commercial Bank of Ceylon PLC	3,000,000	3,001,056	Interest to be serviced monthly and capital to be repaid in 3 bi-annual installments	Clean basis
		3,001,056		
		11,392,806		

Notes to the Financial Statements contd.

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
<b>Cargills Agrifoods Limited</b>				
<b>Bank overdraft</b>				
Cargills Bank Limited	-	100,800	On demand, based on the prevailing market rates	Fully secured against cash
Commercial Bank of Ceylon PLC	150,000	7,523	On demand, based on monthly AWPLR+1.0%	Corporate guarantee for Rs. 155 Mn. from Cargills (Ceylon) PLC
		108,323		
<b>Cargills Food Processors (Private) Limited</b>				
<b>Bank overdraft</b>				
Cargills Bank Limited	-	64,273	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
		64,273		
<b>Short term loan</b>				
Commercial Bank of Ceylon PLC	250,000	-	1-12 months, based on the prevailing market rates	Corporate guarantee from Cargills (Ceylon) PLC
		-		
		64,273		
<b>Cargills Food Services (Private) Limited</b>				
<b>Bank overdraft</b>				
Commercial Bank of Ceylon PLC	-	1,735	On demand, based on the prevailing market rates	Clean basis
Deutsche Bank	5,000	4,462	On demand, based on the prevailing market rates	Clean basis
		6,197		
<b>Short term loan</b>				
Hatton National Bank PLC	85,000	12,000	1-6 months, based on weekly AWPLR+0.5%	Clean basis
		12,000		

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
<b>Long term loan</b>				
Hatton National Bank PLC	11,700	8,775	To be repaid over a period of 02 years in 24 equal monthly installments	Clean basis
		8,775		
		26,972		
<b>Cargills Quality Confectionaries (Private) Limited</b>				
<b>Bank overdraft</b>				
Commercial Bank of Ceylon PLC	100,000	36,986	On demand, based on monthly AWPLR +1.0%	Corporate guarantee for Rs. 150 Mn. from Cargills (Ceylon) PLC
		36,986		
<b>Short term loan</b>				
Hatton National Bank PLC	200,000	-	1-4 months, based on weekly AWPLR	Corporate guarantee for Rs. 200 Mn. from Cargills (Ceylon) PLC
		-		
		36,986		
<b>Cargills Quality Dairies (Private) Limited</b>				
<b>Bank overdraft</b>				
Commercial Bank of Ceylon PLC	50,000	21,990	On demand, based on monthly AWPLR +1.0%	Corporate guarantee for Rs. 70 Mn. from Cargills (Ceylon) PLC
Cargills Bank Limited	-	165,133	On demand, based on the prevailing market rates	Fully secured against cash
Deutsche Bank	100,000	98,107	On demand, based on the prevailing market rates	Clean basis
Seylan Bank PLC	-	9,449	On demand, based on monthly AWPLR +2.5%	Clean basis
		294,679		
<b>Short term loans</b>				
Commercial Bank of Ceylon PLC	1,450,000	270,000	1-12 months, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	2,500,000	190,000	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
		1,610,000		
		1,904,679		

Notes to the Financial Statements contd.

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
<b>Cargills Quality Foods Limited</b>				
<b>Bank overdraft</b>				
Commercial Bank of Ceylon PLC	50,000	30,253	On demand, based on monthly AWPLR +1.0%	Corporate guarantee for Rs. 125 Mn. from Cargills (Ceylon) PLC
Deutsche Bank	350,000	350,218	On demand, based on the prevailing market rates	Clean basis
		<b>380,471</b>		
<b>Short term loans</b>				
Commercial Bank of Ceylon PLC	100,000	95,000	1-12 months, based on the prevailing market rates	Corporate guarantee from Cargills (Ceylon) PLC
Hatton National Bank PLC	1,000,000	395,200	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
		<b>990,200</b>		
		<b>1,370,671</b>		
<b>Millers Limited</b>				
<b>Bank overdraft</b>				
Commercial Bank of Ceylon PLC	50,000	5,326	On demand, based on monthly AWPLR +1.0%	Corporate Guarantee from Cargills (Ceylon) PLC
Cargills Bank Limited	-	13,460	On demand, based on the prevailing market rates	Fully secured against cash
Deutsche Bank	200,000	197,855	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
		<b>216,641</b>		
<b>Short term loans</b>				
Commercial Bank of Ceylon PLC	150,000	40,000	1-12 months, based on the prevailing market rates	Corporate Guarantee for Rs. 215 Mn. from Cargills (Ceylon) PLC



Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
Standard Chartered Bank	250,000	-	1-3 months, based on the prevailing market rates	Corporate Guarantee for Rs. 250 Mn. from Cargills (Ceylon) PLC
		40,000		
		256,641		
<b>Cargills Agro Development Company (Private) Limited</b>				
<b>Short term loan</b>				
Hatton National Bank PLC	100,000	40,000	1-6 months, based on weekly AWPLR+0.5%	Clean basis
		40,000		
<b>Long term loan</b>				
Hatton National Bank PLC	9,529	8,331	To be repaid over a period of 02 years in 23 equal monthly installments	Clean basis
		8,331		
		48,331		
<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
Seylan Bank PLC	-	82,328	On demand, based on the prevailing market rates	Clean basis
		82,328		
<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	1,000,000	605,000	1-4 months, based on weekly AWPLR	Clean basis

Notes to the Financial Statements contd.

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
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
		705,000		
		787,328		
<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 loan</b>				
Hatton National Bank PLC	150,000	150,000	1-4 months, based on weekly AWPLR	Corporate Guarantee for Rs. 150 Mn. from Cargills (Ceylon) PLC
		150,000		
<b>Grand total</b>		<b>20,797,672</b>		

**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	2021 Rs. '000	2020 Rs. '000
As at 1 April	38,937	50,419
Amortisation	(11,481)	(11,482)
<b>As at 31 March</b>	<b>27,456</b>	<b>38,937</b>

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	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 April	1,231,890	1,072,680	517,114	445,935
Transferred in / (out) to subsidiary / equity accounted investees	-	-	310	(285)
Interest cost	129,348	117,996	54,329	49,024
Current service cost	139,156	110,306	43,487	37,938
Actuarial (gain) / loss	84,109	59,313	(11,389)	13,613
Benefits paid	(55,503)	(128,405)	(23,824)	(29,111)
As at 31 March	1,529,000	1,231,890	580,027	517,114

Notes to the Financial Statements contd.**28. Employee Benefit Liabilities (Contd.)****28.2 Amount Recognised in the Profit / loss**

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Continuing operations				
Current service cost	139,156	110,306	43,487	37,938
Interest cost	129,348	117,996	54,329	49,024
	<b>268,504</b>	<b>228,302</b>	<b>97,816</b>	<b>86,962</b>

**28.3 Amount Recognised in Other Comprehensive Income**

Actuarial (gain) / loss arising from:

- Demographic assumptions	(74,862)	-	(55,358)	-
- Financial assumptions	147,908	(2,276)	41,512	(853)
- Experience adjustment	11,063	61,589	2,457	14,466
	<b>84,109</b>	<b>59,313</b>	<b>(11,389)</b>	<b>13,613</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 2021. The principal assumptions, used in the actuarial valuation were as follows:

	2021	2020
	%	%
Group		
Discount rate	8	10.5
Salary increment rate		
- Executive	9.5	9.5
- Staff	9.5	9.5

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.

Reasonable possible change at the reporting date to one of the relevant actuarial assumption, holding other assumption constant would have affected the defined benefit obligation by the amount shown below.

	2021		2020	
	Increase Rs. '000	Decrease Rs. '000	Increase Rs. '000	Decrease Rs. '000
<b>Group</b>				
Discount rate (1% movement)	(69,743)	77,194	(61,223)	68,528
Salary increment rate (1% movement)	81,111	(74,654)	73,134	(66,408)
<b>Company</b>				
Discount rate (1% movement)	(19,392)	21,195	(17,282)	19,024
Salary increment rate (1% movement)	22,685	(21,152)	20,778	(19,207)

## 29. Trade and other Payables

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
As at 31 March				
Trade payables	11,344,679	10,268,675	12,424	50,141
Other payables	3,172,880	1,794,214	515,744	170,349
Accrued expenses	1,582,401	1,673,254	63,340	60,746
	<b>16,099,960</b>	<b>13,736,143</b>	<b>591,508</b>	<b>281,236</b>

## 30. Dividends Payable

	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
As at 31 March				
At 1 April	79,629	64,588	79,629	64,589
Dividends declared to shareholders (Note 11)	1,311,996	1,543,326	1,311,996	1,543,326
Dividends declared to non-controlling interest	-	8,757	-	-
Dividends paid to shareholders	(1,299,698)	(1,528,285)	(1,299,698)	(1,528,286)
Dividends paid to non-controlling interest	-	(8,757)	-	-
Write back of unclaimed dividends	(28,123)	-	(28,123)	-
At 31 March	<b>63,804</b>	<b>79,629</b>	<b>63,804</b>	<b>79,629</b>

## Notes to the Financial Statements contd.

### 31. Segmental Information

#### Accounting Policy

#### Segment Reporting

The Group's primary segments are Food Retailing, Food and Beverage Manufacturing & Distribution 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).

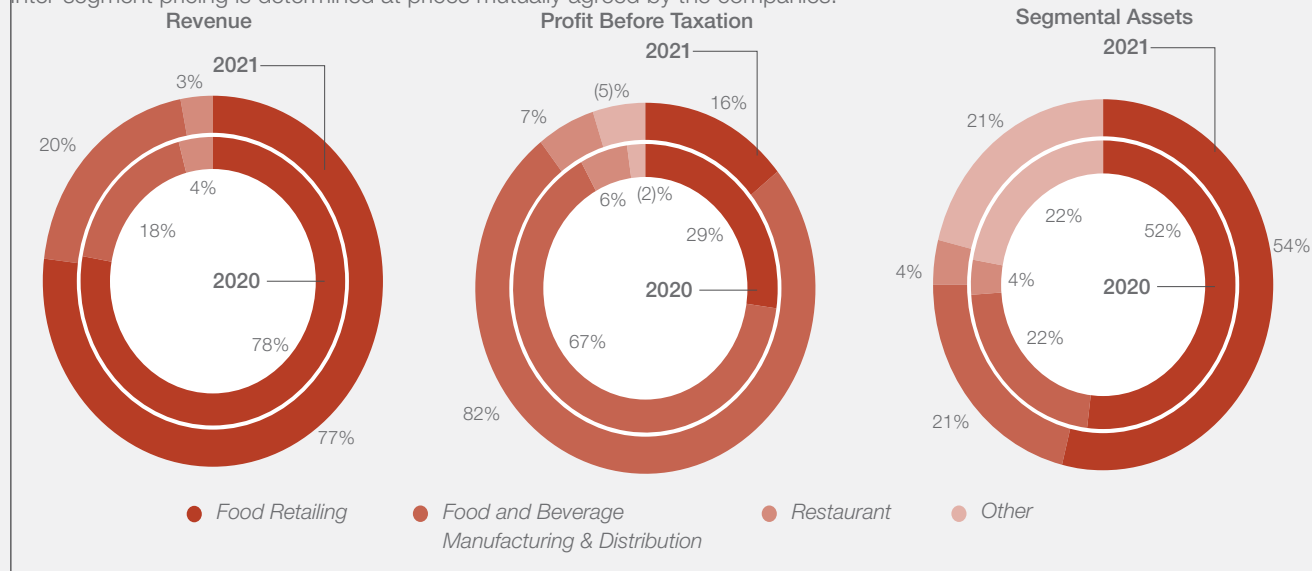
Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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:

Reportable segment	Operations
Food Retailing	Operating a chain of retail outlets under the brand names of 'Food City', 'Food City Express' and 'Food Hall'
Food and Beverage Manufacturing & Distribution	Manufacturing and distributing ice cream and other dairy products, fruit based products, processed and fresh meat products, biscuits, distribution of international Food and Beverage Manufacturing and Distribution 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.



	Food Retailing		Food and Beverage Manufacturing & Distribution		Restaurant		Other		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	87,148,405	84,004,321	29,911,487	27,321,413	3,422,733	4,152,067	78,935	96,461	120,561,560	115,574,262
Intra segment revenue	-	-	(136,217)	(141,112)	-	-	-	-	(136,217)	(141,112)
Inter segment revenue	(84,336)	(283,868)	(7,655,011)	(8,000,955)	-	-	(78,935)	(96,461)	(7,818,282)	(8,381,284)
	87,064,069	83,720,453	22,120,259	19,179,346	3,422,733	4,152,067	-	-	112,607,061	107,051,866
Segment operating profit	2,542,577	2,937,408	4,069,029	3,346,204	438,748	366,806	257,936	410,203	7,308,290	7,060,621
Net finance cost	(1,799,026)	(1,715,963)	(383,991)	(527,266)	(107,944)	(106,110)	(246,353)	(278,282)	(2,537,314)	(2,627,621)
Change in fair value of investment property	-	-	8,850	175	-	-	45,781	36,525	54,631	36,700
Share of equity accounted investees results	-	-	-	-	-	-	(297,948)	(270,066)	(297,948)	(270,066)
Profit before taxation	743,551	1,221,445	3,693,888	2,819,113	330,804	260,696	(240,584)	(101,620)	4,527,659	4,199,634
Income tax expense										
Current tax expense	(369,940)	(439,695)	(775,739)	(890,260)	(118,941)	(135,808)	(38,975)	(61,929)	(1,303,595)	(1,527,692)
Deferred tax expense	196,291	71,580	250,249	4,623	29,041	43,843	8,588	7,580	484,169	127,626
Other tax expense	-	(7,100)	(205,123)	(70,167)	(24,126)	39,118	4,655	-	(224,594)	(38,149)
Profit for the year	569,902	846,230	2,963,275	1,863,309	216,778	207,849	(266,316)	(155,969)	3,483,639	2,761,419
Attributable to:										
Equity shareholders of the parent	568,184	777,627	2,962,345	1,862,585	216,778	207,849	(266,316)	(155,969)	3,480,991	2,692,092
Non controlling interest	1,718	68,603	930	724	-	-	-	-	2,648	69,327
	569,902	846,230	2,963,275	1,863,309	216,778	207,849	(266,316)	(155,969)	3,483,639	2,761,419
Segment assets										
Non current assets										
Property plant and equipment	18,350,031	15,241,407	8,878,342	7,870,145	1,052,652	1,080,974	7,786,176	6,501,654	36,067,201	30,694,180
Right of use assets	12,136,959	8,804,692	796,542	47,744	1,236,080	1,139,660	164,818	178,645	14,334,399	10,170,741
Investment property	-	-	165,789	137,957	-	-	2,546,524	1,718,957	2,712,313	1,856,914
Intangible assets	164,029	148,729	723,861	708,897	111,395	136,123	392,501	392,065	1,391,786	1,385,814
Equity investments at FVOCI	-	-	118	47	84	42	18,702	11,393	18,904	11,482
Prepayments on leasehold land and buildings	200,912	200,912	-	-	-	-	-	-	200,912	200,912
Investment in equity accounted investees	-	-	-	-	-	-	4,727,183	5,037,504	4,727,183	5,037,504
Deferred tax assets	-	-	13,036	12,838	3,192	5,473	-	-	16,228	18,311
	30,851,931	24,395,740	10,577,688	8,777,628	2,403,403	2,362,272	15,635,904	13,840,218	59,468,926	49,375,858

Notes to the Financial Statements contd.

	Food Retailing		Food and Beverage Manufacturing & Distribution		Restaurant		Other		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Current assets</b>										
Inventories	8,945,365	7,627,053	2,752,929	2,760,168	79,011	128,178	903	21,471	11,778,208	10,536,870
Trade and other receivables	2,626,183	3,039,482	2,657,650	3,155,075	194,040	163,070	579,816	687,359	6,057,689	7,044,986
Amount due from related companies	59,963	37,819	11,981	6,630	-	-	1,256,314	1,190,249	1,328,258	1,234,698
Other financial assets	856,021	795,389	88,827	76,167	-	-	9,948	9,478	954,796	881,034
Cash and cash equivalents	925,111	1,214,029	1,549,956	737,788	368,645	175,968	160,989	6,794	3,004,701	2,134,579
	13,412,643	12,713,772	7,061,343	6,735,828	641,696	467,216	2,007,970	1,915,351	23,123,652	21,832,167
<b>Total segmental assets</b>	<b>44,264,574</b>	<b>37,109,512</b>	<b>17,639,031</b>	<b>15,513,456</b>	<b>3,045,099</b>	<b>2,829,488</b>	<b>17,643,874</b>	<b>15,755,569</b>	<b>82,592,578</b>	<b>71,208,025</b>
<b>Segment liabilities</b>										
<b>Non current liabilities</b>										
Interest bearing loans and borrowings	2,330,420	-	3,551	-	2,925	-	518,092	-	2,854,988	-
Lease liability	13,383,266	9,779,907	718,077	32,271	1,246,797	1,102,839	31,243	42,923	15,379,383	10,957,940
Deferred tax liability	5,485	124,241	481,620	659,795	(950)	30,371	409,643	243,984	895,798	1,058,391
Capital grant	-	-	27,456	38,937	-	-	-	-	27,456	38,937
Employee benefit liability	829,173	621,192	119,800	93,582	-	-	580,027	517,116	1,529,000	1,231,890
	16,548,344	10,525,340	1,350,504	824,585	1,248,772	1,133,210	1,539,005	804,023	20,686,625	13,287,158
<b>Current liabilities</b>										
Trade and other payables	12,395,926	10,407,783	2,571,222	2,422,773	535,415	623,499	597,397	282,088	16,099,960	13,736,143
Current tax liabilities	768,802	735,755	2,336,239	1,987,114	412,681	310,108	199,049	141,778	3,716,771	3,174,755
Amount due to related companies	-	8,374	4,281	6,638	-	-	3,959	196	8,240	15,208
Dividends payable	-	-	-	-	-	-	63,804	79,629	63,804	79,629
Interest bearing loans and borrowings	9,062,386	8,411,970	4,509,408	5,789,998	88,320	106,841	4,282,570	3,741,980	17,942,684	18,050,789
Lease liability	761,319	582,868	102,933	8,667	235,231	237,520	14,288	11,085	1,113,771	840,140
Put liability	-	-	-	-	-	-	-	3,659,385	-	3,659,385
	22,988,433	20,146,750	9,524,083	10,215,190	1,271,647	1,277,968	5,161,067	7,916,141	38,945,230	39,556,049
<b>Total segmental liabilities</b>	<b>39,536,777</b>	<b>30,672,090</b>	<b>10,874,587</b>	<b>11,039,775</b>	<b>2,520,419</b>	<b>2,411,178</b>	<b>6,700,072</b>	<b>8,720,164</b>	<b>59,631,855</b>	<b>52,843,207</b>
<b>Other information</b>										
Capital expenditure	4,095,073	2,882,769	1,397,032	1,968,682	192,994	142,103	718,848	525,326	6,403,947	5,518,880
Depreciation	1,652,187	1,467,994	1,011,956	855,525	225,399	217,503	56,779	61,508	2,946,321	2,602,530

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



**32. Commitments**

As at 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Capital commitment				
Approved and contracted	2,157,569	1,411,267	9,000	290,269
Financial commitments				
(a) Future payments of operating lease rentals*				
- within 1 year.	-	-	-	-
- between 1-5 years	-	-	-	-
- more than 5 years	-	-	-	-
(b) Settlement of letter of credits and import bills	2,018,360	380,588	-	-

\* Future payments of operating lease rentals 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.

**33.1 IFRIC 23 - Uncertainty over Income Tax Treatments****Deferred tax on Freehold Land**

The Inland Revenue Act No. 24 of 2017 and new tax rates including capital gains taxes were effective from 1 April 2018. Accordingly, the income tax charge for the year ended 31 March 2021 has been computed at rates applicable to the year of assessment 2020/21. The provision for deferred tax as at 31 March 2021 has been calculated at 10% on capital gains arising from revalued Land applicable post 1 April 2018.

The uncertain tax treatment relates to the interpretation of the new law relating to freehold land for tax purposes, where the group had to exercise judgement 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 that it is likely that the taxation authorities would accept the Group's tax treatment and accordingly, deferred tax has been provided on the related gain on revaluation post 1 April 2018.

## Notes to the Financial Statements contd.

### 33.1 IFRIC 23 - Uncertainty over Income Tax Treatments (Contd.)

In the event it is deemed that freehold land be considered as “Capital Assets used in the business”, the Company and Group would have to make an additional deferred tax charge in the statement of profit or loss and other comprehensive income, with a consequential increase in the deferred tax liability on the statement of financial position for the year ended 31st March 2021, as shown below:

Description	Company		Group	
	2021 (Rs. Mn)	2020 (Rs. Mn)	2021 (Rs. Mn)	2020 (Rs. Mn)
Freehold land classified as Investment Property which may have a P&L Impact	308	280	462	457
Freehold land classified as Property, Plant and Equipment which could have an OCI Impact	516	551	587	669

The above amounts have not been recognised in these consolidated financial statements because based on the independent professional and legal advice received.

#### Income Tax

The income tax exemptions and concessions claimed under the Inland Revenue Act No. 10 of 2006 for the years of assessment between 2006/07 to 2017/18, is being contested by the Department of Inland Revenue. Out of the tax assessments raised by IRD for the Group companies, Kotmale Dairy Products (Private) Limited has a contingent liability on potential income tax payment amounting to Rs. 77.38 Mn. Having sought professional advice, the Management is confident that the tax exemptions are applicable and as such no liabilities would arise. Where necessary, interim stay orders have been obtained on any recovery actions.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. Accordingly, no additional provision has been made in the Financial Statements.

#### 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

The Company has issued 363,231 shares on 19 April 2021. (Please refer Note 24.1.3)

The Board of Directors have proposed a final dividend of 4.10 Rupee per share ( on the 257,677,731 shares now in issue) for the year ended 31 March 2021 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 2021.

No events other than above, have occurred since the reporting date which would require any adjustment to, 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.

#### 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:

Year ended 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Salaries and other short-term employee benefits	445,862	443,061	56,263	51,586
Equity Settled share based payments	-	4,493	-	346
Post- employment benefit payments	-	61,591	-	-
	445,862	509,145	56,263	51,932

Notes to the Financial Statements contd.**35. Transactions with Group Companies (Contd.)****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	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Transaction with related parties				
Subsidiaries				
Sale / (purchase)	-	-	78,935	106,741
Other income / (expense)	-	-	1,075,186	1,166,747
Fund transfer / (settlement)	-	-	(1,048,811)	(1,326,589)
Holding company				
Sale / (purchase)	-	-	-	-
Other income / (expense)	-	(5,281)	-	-
Fund transfer / (settlement)	(4,626)	1,077	655	1,094
Associates				
Sale / (purchase)	-	-	-	-
Other income / (expense)	80,692	87,813	46,741	66,697
Fund transfer / (settlement)	(18,377)	(16,106)	(14,533)	(12,745)
Other related companies				
Sale / (purchase)	889	1,581	-	-
Other income / (expense)	17,225	92,404	6,075	11,456
Fund transfer / (settlement)	14,164	(76,042)	23,365	6,341

The admin expense relating to Company includes employee benefit cost transfer to subsidiaries amounting to Rs. 56.08 Mn (2020 - Rs. 47.72 Mn) for the year ended 31 March 2021.

Net dividends received from subsidiary companies	2021 Rs. '000	2020 Rs. '000
Cargills Quality Foods Limited	1,199,933	415,117
Cargills Foods Company (Private) Limited	-	86,602
Cargills Foods Processers (Private) Limited	137,648	-
	1,337,581	501,719

### **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 2021 was Rs. 13.72 Mn (2020 - Rs. 19.92 Mn).

Purchases for re-sale in the ordinary course of business amounted to Rs. 123.71 Mn (2020 - Rs. 130.52 Mn) Rental income is Nil (2020 - Rs. 0.58 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.

### **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.

## Notes to the Financial Statements contd.

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

Following the spread of global pandemic COVID-19 in Sri Lanka and due to impose of quarantine curfew and lockdown, the Group business operations were affected from Mid-March to Mid-May 2020. 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 Food and Beverage Manufacturing and Distribution 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 health and wellbeing of our employees, customers and other affected parties are paramount and we have established several protocols to protect them and to minimise contact. We are prioritising those that are most susceptible to COVID-19 including those with underlying health conditions.

The Group has evaluated its financial position and tested for any material impairment due to the effects of COVID-19. The Group is satisfied that there were no indications that required to make an adjustment into financial statements. The Group had strong net asset values and cash position and availability of banking facilities to continue its business operations.

In view of the rapidly evolving dynamic environment created by the COVID-19 pandemic, the Group is cautiously optimistic of the future in anticipation of the gradual revival of the economy and will continue to closely observe the market developments and take all decisions and measures in order to ensure the Group remains a going concern and continues to deliver shareholder value.

## 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)		Financial assets at amortised cost		FVTOCI - equity instruments	
As at 31 March		2021	2020	2021	2020
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value					
Other financial instruments	16.3.1	-	-	18,904	11,482
Financial assets not measured at fair value					
Trade and other receivables, excluding prepayments, deposits and tax recoverable	20	3,589,581	4,017,171	-	-
Amounts due from related companies	21	1,328,258	1,234,698	-	-
Other financial assets	16.3.2	954,796	881,034	-	-
Cash and cash equivalents	25	3,004,701	2,134,579	-	-
		8,877,336	8,267,482	18,904	11,482
Financial Liabilities by Categories (Group)					
As at 31 March		Financial liabilities at Amortised cost			
	Note	2021	2020		
		Rs. '000	Rs. '000		
Financial liabilities not measured at fair value					
Interest bearing loans and borrowings	26	20,797,672	18,050,789		
Lease liability	13	16,493,154	11,798,080		
Trade and other payables, excluding accrued expenses	29	14,517,559	12,062,889		
Amounts due to related companies	21	8,240	15,208		
Put Liability	23	-	3,659,385		
Total		51,816,625	45,586,351		

Notes to the Financial Statements contd.**38.1 Accounting Classification and Fair Values (contd.)**

Financial Assets by Categories (Company)		Financial assets at amortised cost		FVTOCI - equity instruments	
As at 31 March		2021	2020	2021	2020
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value	16.3.1	-	-	18,702	11,393
Other financial instruments					
Financial assets not measured at fair value					
Trade and other receivables, excluding prepayments, deposits and tax recoverable	20	24,707	20,629	-	-
Amounts due from related companies	21	1,458,638	1,332,228	-	-
Cash and cash equivalents	25	147,419	5,657	-	-
<b>Total</b>		<b>1,630,764</b>	<b>1,358,514</b>	<b>18,702</b>	<b>11,393</b>

Financial Liabilities by Categories (Company)		Financial liabilities at Amortised cost	
As at 31 March		2021	2020
	Note	Rs. '000	Rs. '000
Financial liabilities not measured at fair value			
Interest bearing loans and borrowings	26	3,957,473	3,594,477
Lease liability	13	50,356	61,441
Trade and other payables, excluding accrued expenses	29	528,168	220,490
Amounts due to related companies	21	11,819	53,009
<b>Total</b>		<b>4,547,816</b>	<b>3,929,417</b>

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	
	2021	2020	2021	2020	2021	2020	2021	2020
	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)	-	-	-	-	15,496,058	12,237,581	15,496,058	12,237,581
Investment property (Note 14)	-	-	-	-	2,712,313	1,856,914	2,712,313	1,856,914
Equity investment at FVOCI (Note 16.3.1)	18,904	11,482	-	-	-	-	18,904	11,482

As at 31 March	Level 1		Level 2		Level 3		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Company</b>								
Freehold land and buildings (Note 12)	-	-	-	-	3,095,500	2,622,445	3,095,500	2,622,445
Investment property (Note 14)	-	-	-	-	4,259,566	4,028,718	4,259,566	4,028,718
Equity investment at FVOCI (Note 16.3.1)	18,702	11,393	-	-	-	-	18,702	11,393

## Notes to the Financial Statements contd.

### 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	<b>Market approach:-</b> 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 value per perch of land/ Price per square foot. The valuer has used a range of prices for respective lands based on adjusted fair value taking into account other valuation considerations - Rs. 800,000 - Rs. 18,000,000 per perch	Estimated fair value will increase (decrease) if; Market value per perch/ Price for sq ft increases (decreases)
	<b>Income approach :-</b> The net income generated by the property is used in conjunction with certain factors is used to calculate its fair value.	Cash flows from property discounted at an appropriate rate Contractual rental Rs. 50,000-9,000,000 per month. Capitalization rates 5%-8% Repairs and insurance 25%-30%	Estimated fair value will increase (decrease) if; market interest rate increases (decreases) Contractual rentals were higher/(lower) Capitalization rate was (higher)/lower Repair and insurance was (higher)/lower Market value per perch was higher/(lower)
Investment property - Freehold land and building	<b>Market approach :-</b> 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 Rs 24,000 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 considerations - Rs. 800,000 - Rs. 18,000,000 per perch	The estimated fair value would increase/ (decrease) if ; Cost per square foot was higher/(lower) Market value per perch was higher/(lower)
	<b>Income approach:-</b> The net income generated by the property is used in conjunction with certain factors is used to calculate its fair value.	Occupancy rates 70%-95% Capitalization rates 5%-8% Repairs and insurance 25%-30% Contractual rental Rs. 50,000-9,000,000 per month.	The estimated fair value would increase/ (decrease) if ; Contractual rentals were higher/(lower) Occupancy rates were higher/(lower) Capitalization rate was (higher)/lower Repair and insurance was (higher)/lower Market value per perch was higher/(lower)

## 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.

Group implemented several initiatives such as periodic review of the creditworthiness of its counterparties, financial statements reviews, and industry information. Further, economic environment was scrutinized in response to COVID-19 pandemic limiting exposure to counterparties who were severely affected.

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	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Trade and other receivables, excluding prepayments and tax recoverable	3,589,581	4,017,171	24,707	20,629
Amount due from related companies	1,328,258	1,234,698	1,458,638	1,332,228
Cash and cash equivalents , excluding cash in hand	2,436,934	1,561,883	133,462	4,358
	7,354,773	6,813,752	1,616,807	1,357,215

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

As at 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Past due 1 - 30 days	2,143,756	1,781,892	-	-
Past due 31 - 60 days	451,514	854,761	-	-
Past due 61 - 90 days	198,772	429,043	-	-
> 91 days	167,221	292,560	-	-
	<b>2,961,263</b>	<b>3,358,256</b>	<b>-</b>	<b>-</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. 3,004.70 Mn and Rs. 147.42 Mn at 31 March 2021 (2020 - Rs. 2,134.58 Mn and Rs. 5.66 Mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks, which are rated AAA(Ika) to BBB-(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.

The following are the contractual maturities of financial liabilities of the Group as at 31 March 2021:

Group	Contractual cash flows				
	Carrying amount Rs.'000	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	14,517,559	14,517,559	14,517,559	-	-
Amounts due to related companies	8,240	8,240	8,240	-	-
Finance lease liabilities	-	-	-	-	-
Short term loan	14,407,200	14,407,200	14,407,200	-	-
Long term loan	3,711,351	3,711,351	856,363	2,854,988	-
Bank overdraft	2,679,121	2,679,121	2,679,121	-	-
Lease liabilities	16,493,154	33,499,109	2,658,487	10,256,939	20,583,683
	<b>51,816,625</b>	<b>68,822,580</b>	<b>35,126,970</b>	<b>13,111,927</b>	<b>20,583,683</b>

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

Group	Contractual cash flows				
	Carrying amount Rs.'000	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	510	510	-	-
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
	<b>45,586,351</b>	<b>58,066,773</b>	<b>35,993,535</b>	<b>9,697,142</b>	<b>12,376,096</b>

The following are the contractual maturities of financial liabilities of the Company as at 31 March 2021:

Company	Contractual cash flows				
	Carrying amount Rs.'000	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	528,168	528,168	528,168	-	-
Amounts due to related companies	11,819	11,819	11,819	-	-
Short term loan	3,415,000	3,415,000	3,415,000	-	-
Long term loan	693,189	693,189	175,097	518,092	-
Bank overdraft	542,473	542,473	542,473	-	-
Lease liabilities	50,356	173,121	19,623	19,938	133,560
	<b>5,241,005</b>	<b>5,363,770</b>	<b>4,692,180</b>	<b>538,030</b>	<b>133,560</b>

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	Contractual cash flows				
	Carrying amount Rs.'000	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	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	61,411	191,088	17,967	39,561	133,560
	<b>3,929,387</b>	<b>4,082,802</b>	<b>3,909,681</b>	<b>39,561</b>	<b>133,560</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.

### Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and Company's profit before tax (through the impact on floating rate borrowings).

As at 31 March	Group		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
+100 basis points	(144,072)	(138,679)	(34,150)	(29,950)
-100 basis points	144,072	138,679	34,150	29,950

### 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 is not material to the Group.

### 39.3.4 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	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Total liabilities	59,631,855	52,843,207	6,370,756	4,935,379
Less: Cash and cash equivalents, excluding bank overdraft	3,004,701	2,134,579	147,419	5,657
<b>Net Debt</b>	<b>56,627,154</b>	<b>50,708,628</b>	<b>6,223,337</b>	<b>4,929,722</b>
Total Equity	22,960,723	18,364,818	12,433,486	11,997,937
<b>Net Debt to Equity Ratio</b>	<b>2.47</b>	2.76	<b>0.50</b>	0.41

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

## Five Year Financial Summary

Group	2017 Rs'000	2018 Rs'000	2019 Rs'000	2020 Rs'000	2021 Rs'000
<b>Continuing Operations</b>					
Revenue	84,190,870	91,293,127	94,662,991	107,051,866	112,607,061
Profit from operation	5,091,120	6,262,937	4,682,326	7,060,621	7,308,290
Profit before taxation	4,154,134	5,245,334	3,402,935	4,199,634	4,527,659
Profit after taxation	2,284,196	3,330,921	2,033,813	2,761,419	3,483,639
<b>Discontinued Operations</b>					
Profit/loss from discontinued operation, net of tax	-	-	-	-	-
Profit for the year	2,284,196	3,330,921	2,033,813	2,761,419	3,483,639
<b>Attributable to</b>					
Owners of the company	2,140,184	3,200,534	1,980,246	2,692,092	3,480,991
Non controlling interest	144,012	130,387	53,567	69,327	2,648
	2,284,196	3,330,921	2,033,813	2,761,419	3,483,639
<b>Financial position</b>					
Stated capital	130,723	6,530,709	6,530,709	6,756,591	6,773,878
Reserves	13,826,109	9,797,683	10,890,361	11,092,673	16,179,971
Non controlling interest	415,091	491,919	521,831	515,554	6,874
Capital and reserves	14,371,923	16,820,311	17,942,901	18,364,818	22,960,723
<b>Current assets</b>	15,932,377	19,115,574	21,632,870	21,832,167	23,123,652
<b>Current liabilities</b>	(30,274,672)	(30,523,915)	(34,365,900)	(39,556,049)	(38,945,230)
<b>Working capital</b>	(14,342,295)	(11,408,341)	(12,733,030)	(17,723,882)	(15,821,578)
<b>Non current assets</b>	33,371,059	33,676,707	36,642,556	49,375,858	59,468,926
<b>Non current liabilities</b>	(4,656,841)	(5,448,055)	(5,966,625)	(13,287,158)	(20,686,625)
<b>Non controlling interest</b>	(415,091)	(491,919)	(521,831)	(515,554)	(6,874)
<b>Net assets attributable to equity holders of the parent</b>	13,956,832	16,328,392	17,421,070	17,849,264	22,953,849



Group	2017 Rs'000	2018 Rs'000	2019 Rs'000	2020 Rs'000	2021 Rs'000
<b>Key Indicators</b>					
Growth in turnover (%)	18.55	8.44	3.69	13.09	5.19
Growth in earnings (%)	35.11	45.82	(38.94)	35.78	26.15
Operating profit to turnover (%)	6.05	6.86	4.95	6.60	6.49
Earnings to turnover (%)	2.71	3.65	2.15	2.58	3.09
Return on total assets (%)	4.63	6.31	3.49	3.88	4.22
Growth in total assets (%)	16.36	7.08	10.11	22.18	15.99
Growth in capital and reserves (%)	(0.92)	17.04	6.67	2.35	25.03
Return on capital and reserves (%)	15.89	19.80	11.33	15.04	15.17
Return on investment (%)	15.82	21.36	11.70	15.21	16.86
Earnings per share (Rs.)	8.32	12.44	7.70	10.46	13.51
Dividends per share (Rs.)	5.60	6.00	1.90	6.00	5.10
Net assets per share (Rs.)	54.24	63.46	67.70	69.37	89.21
Dividends paid per share (Rs.)	7.85	6.00	1.90	6.00	5.10
Dividend pay out (%)	58.64	42.06	24.56	57.33	37.75
Dividends paid	1,758,400	1,344,000	486,400	1,543,326	1,311,996
Debt equity ratio (times)	2.43	2.14	2.24	2.88	2.60
Interest cover (times)	4.53	4.79	3.29	2.69	2.88
Current ratio (times)	0.53	0.63	0.63	0.55	0.59
Quick assets ratio (times)	0.25	0.31	0.34	0.29	0.29
Capital additions	4,692,824	4,746,875	5,431,854	5,518,880	6,403,947
Market value per share as at 31st March (Rs.)	187.70	194.90	200.00	170.00	235.00
Market capitalisation	42,044,800	49,894,400	51,200,000	43,727,577	60,468,908

(a) Return on investment is computed by dividing the profit for the year by total average assets employed.

(b) Debt equity ratio is computed by dividing the total liabilities by the shareholders' funds.

(c) Above per share details have been computed based on 257,314,500 shares in issue as at 31 March 2021 except for Dividend per share & Market value per share.

## 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	140.75 Perches	124,215	3,095,500	2021
Staple Street - Colombo 2	81.5 Perches	20,970	923,375	2021
Braybrooke Place	78.17 Perches	5,146	724,687	2021
Canal Raw - Colombo 01	15.25 Perches	12,300	400,291	2021
Cargills Square - Jaffna	Leasehold	99,164	1,041,200	2021
Dematagoda	84.32 Perches	71,956	1,158,800	2021
<b>Cargills Foods Company (Private) Limited</b>				
Kandy	87.96 Perches	25,174	1,426,400	2021
Maharagama	145.3 Perches	15,827	683,700	2021
Nuwara Eliya	56.5 Perches	9,617	307,100	2021
Mattakkuliya (111)	330 Perches	80,967	848,000	2021
Park Road	-	4,610	64,800	2021
Kohuwala	28.65 Perches	6,225	173,000	2021
Mattakkuliya (141)	287.96 Perches	44,469	589,800	2021
Gampaha	82.6 Perches	39,565	423,776	2021
Moratuwa	78.6 Perches	7,475	385,765	2021
Ingiriya (Lot A,C,D,B1)	26 Acres	1,300	248,858	2021
Negombo	28.8 Acres	-	760,750	2021
<b>Cargills Quality Foods Limited</b>				
Ja - Ela - Ganemulla	5.03 Acres	41,833	486,515	2021
Mattakkuliya	1.3 Acres	17,881	474,078	2021
Ja ela - Ma Eliya	4 Acres	7,600	169,700	2021

Location	Land Extent	Building Area (Sq.Ft)	Valuation/ Cost Rs'000	Year of Valuation
<b>Cargills Agrifoods Limited</b>				
Katana	11.3 Acres	76,059	594,240	2021
<b>Millers Limited</b>				
Kelaniya	1.5 Acres	55,770	495,000	2021
Nittambuwa	112 Perches	-	143,800	2021
<b>CPC Lanka Limited</b>				
Katoolaya estate, Thawalantenne	4 Acres	19,961	67,000	2021
<b>Cargills Quality Dairies (Private) Limited</b>				
Mirigama, Baduragoda	100.2 Perches	-	20,040	2021
Mirigama, Baduragoda	38.51 Perches	1,476	13,100	2021
<b>Kotmale Dairy Products (Private) Limited</b>				
Mulleriyawa	1.7 Acres	35,528	328,717	2021
Bogahawatta	1 Acres	33,221	485,750	2021
Hatton	17.5 Acres	14,569	104,422	2021
<b>Fredrick North Hotel Company Limited</b>				
Boralesgamuwa	2.5 Acres	23,168	426,000	2021
<b>The Empire Investments Company (Private) Limited</b>				
Bandarawela	85.2 Perches	6,345	603,461	2021
Katubedda	1.15.Acres	3,500	540,745	2021

# Investor Relations Supplement

## 1. General

Stated capital	Rs. 6,773,878,016
Issued shares	257,314,500
Class of shares	Ordinary shares
Voting rights	One vote per ordinary share

## 2. Stock exchange listing

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

## 3. Distribution of shareholders

Size of	31 March 2021				31 March 2020			
	Shareholders		Holding		Shareholders		Holding	
	Number	%			Number	%		
1 - 1,000	1,213	61.64	204,576	0.08	1,141	61.05	186,505	0.07
1,001 - 10,000	506	25.71	1,723,905	0.67	471	25.20	1,607,506	0.63
10,001 - 100,000	185	9.40	5,587,135	2.17	192	10.27	5,748,568	2.24
100,001 - 1,000,000	49	2.49	15,119,590	5.88	48	2.57	12,535,236	4.87
1,000,001 and over	15	0.76	234,679,294	91.20	17	0.91	237,143,228	92.19
	1,968	100.00	257,314,500	100.00	1,869	100.00	257,221,043	100.00

## 4. Analysis of shareholders

Group of	31 March 2021				31 March 2020			
	Shareholders		Holding		Shareholders		Holding	
	Number	%			Number	%		
Institutions	119	6.05	222,263,895	86.38	118	6.31	222,185,887	86.38
Individuals	1,849	93.95	35,050,605	13.62	1,751	93.69	35,035,156	13.62
Total	1,968	100.00	257,314,500	100.00	1,869	100.00	257,221,043	100.00
Residents	1,891	96.09	239,401,524	93.04	1,790	95.77	238,527,092	92.73
Non residents	77	3.91	17,912,976	6.96	79	4.23	18,693,951	7.27
Total	1,968	100.00	257,314,500	100.00	1,869	100.00	257,221,043	100.00

## 5. Share valuation

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

	2021 Rs.	2020 Rs.
Highest	252.00	205.90
Lowest	150.00	169.00
Last traded price	235.00	170.00

## 6. Top 20 shareholders

The holdings of the top 20 shareholders

	31 March 2021		31 March 2020	
	Number of Shares	%	Number of Shares	%
C T Holdings PLC	179,713,417	69.84	179,713,417	69.87
Mr. V.R. Page	17,858,781	6.94	17,573,814	6.83
Employees' Provident Fund	8,407,333	3.27	8,407,333	3.27
Ms. M.M. Page	5,866,552	2.28	5,746,475	2.23
Odeon Holdings (Ceylon) (Private) Limited	5,511,909	2.14	5,511,909	2.14
CITI Bank New York S/A Norges A/C No. 2	5,280,234	2.05	5,285,234	2.05
BNYMSANV RE-LF Ruffer Investment Funds :				
LF Ruffer Pacific And Emerging Markets Fund	3,970,920	1.54	3,970,920	1.54
Seb Ab - Tundra Frontier Opportunities Fund	3,797,770	1.48	2,609,579	1.01
Ceylon Guardian Investment Trust PLC - A/C No.1	2,886,858	1.12	3,587,149	1.39
GF Capital Global Limited	1,124,605	0.44	1,016,000	0.39
Hatton National Bank PLC - NDB Wealth Growth and Income Fund	1,063,841	0.41	-	-
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	868,675	0.34
Serendip Investments Limited	852,429	0.33	1,552,429	0.60
Mr. A.A. Page	761,728	0.30	616,759	0.24
J.B. Cocoshell (Pvt) Ltd	653,314	0.25	56,094	0.02
Sir Chittampalam A Gardiner Trust	643,474	0.25	643,474	0.25
Sri Lanka Insurance Corporation Ltd - Life Fund	608,284	0.24	114,286	0.04
Mr. P.E. Muttukumaru	520,000	0.20	510,000	0.20
Mr. J.C. Page	520,000	0.20	520,000	0.20
<b>Total</b>	<b>241,824,227</b>	<b>93.98</b>	<b>239,217,650</b>	<b>93.00</b>

## 7. Public holding

The percentage of shares held by the public and number of public shareholders as at 31 March 2021 is 20.53%. (2020 - 20.65%) and 1,951 (2020 - 1,851) respectively. The total number of shares in issue is 257,314,500, of which Public Holding represents 52,814,532 shares. The float adjusted market capitalisation amounts to Rs. 12.41 Bn. Accordingly, the Company complies with the Minimum Public Holding requirement of the Main Board as per Option 1 of Section 7.13.1 (a) of the CSE Listing Rules.

## Notice of Annual General Meeting

Notice is hereby given that the seventy fifth Annual General Meeting of Cargills ( Ceylon ) PLC ( the Company ) will be held at the “Board Room” of the Cargills Corporate Office at Level 28, West Tower, World Trade Center , Echelon Square , Colombo 01 to be convened through an “online virtual “platform by using “audio visual” tools on Tuesday, 29 June 2021 at 9.30 a.m. and the business to be brought before the meeting will be:

### Read the Notice convening the Meeting

1. To receive, consider and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31 March 2021, with the Report of the Auditors thereon
2. To declare a dividend as recommended by the Directors
3. To re-elect Directors
  - a) Y. Kanagasabai and
  - b) H.A. Peiris who retire by rotation in terms of the Company's Articles of Association and being eligible offer themselves for re-election
  - c) A.D.B Talwatte who was appointed on 28 August 2020 also retires in terms of the Company's Articles of Association and being eligible offers himself for re-appointment, and
  - d) L. R. Page,
  - e) A. T. P. Edirisinghe, 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 one years be and is hereby reappointed a Director of the Company and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director”

#### Ordinary Resolution (ii)

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

#### Ordinary Resolution (iii)

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

4. To authorise the Directors to determine contributions to charities.
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

The Annual Report and Financial Statements of the Company for the year ended 31st March 2021 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>

The said Annual Report and Financial Statements of Cargills (Ceylon) PLC for 2020/21 can also be accessed by scanning the following QR code.



For clarification on how to download and/ or access the Annual Report and Financial Statements, please contact Mr. S. Kannahasnan on +94 77 6529116 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  
4th June 2021

## Notes:

- i. A member is entitled to appoint a proxy to attend and vote at the meeting in his or her stead and the proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose.
- ii. The Board of Directors, having taken note of the health and safety guidelines issued by the Health Authorities in view of the COVID-19 pandemic and the Colombo Stock Exchange issuing guidelines to the listed entities to hold Shareholder Meetings virtually, has decided to hold the Annual General Meeting (AGM) through an “online virtual” platform by using “audio-visual” tools in conformity with the applicable regulatory provisions.
- iii. Shareholders who wish to participate in the Annual General Meeting through the online platform are kindly requested to complete and forward the “Annexure II – Registration of Shareholder details” attached hereto with e-signature or scan of the signed document to the email address [ccp.agm@cargillsceylon.com](mailto:ccp.agm@cargillsceylon.com) with the email subject title “CCPAGM 2021” or post it to the registered address mentioned below to be received not less than 48 hours before the date of the meeting.  
  
Shareholders are requested to provide their email address legibly in the space provided in “Annexure II” in order to forward the weblink if they wish to participate at the meeting through the online platform.
- iv. The Deputy Chairman, certain members of the Board and key essential officials for the administration of formalities to conduct the meeting, will be physically present at the Cargills Corporate Office.
- v. Voting on the items listed in the Agenda will be registered by using an online platform and the procedure to be followed when voting will be explained to the shareholders prior to the commencement of the meeting.
- vi. Shareholders who wish to appoint a member of the Directors as his/her proxy to represent them at the AGM may do so by completing the Form of Proxy. In such event the email address of the proxy holder will not be required.
- vii. Shareholders may send their questions/comments on the items listed in the Agenda of the Notice convening the AGM by email to [ccp.agm@cargillsceylon.com](mailto:ccp.agm@cargillsceylon.com) to be received not less than 48 hours before the meeting.
- viii. The duly completed instrument appointing the proxy should be deposited at the Registered Office of the Company or a scanned copy of the same should be emailed to [ccp.agm@cargillsceylon.com](mailto:ccp.agm@cargillsceylon.com) to be received not less than 48 hours before the date of the meeting.
- ix. Only registered shareholders and registered proxy holders will be permitted to log-in and participate in the AGM virtually.
- x. The Company intends to proceed to hold the AGM as planned on 29 June 2021 irrespective of whether it is declared a public holiday since the aforesaid measures will enable full participation at the meeting.
- xi. In the event the Company is required to take any further action in relation to the Meeting in the best interests of the shareholders 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

## SEVENTY FIFTH ANNUAL GENERAL MEETING Cargills (Ceylon) PLC (PQ 130)

\*I/We ..... bearing NIC No ..... of ..... being a \*member/members of Cargills (Ceylon) PLC (the Company) hereby appoint \*Mr/Mrs/Miss ..... bearing NIC No ..... of ..... (email address .....) 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 fifth Annual General Meeting of the Company to be held at the “Board Room” of Cargills Corporate office at Level 28, West tower, World trade center, Echelon Sqaure, Colombo 01 to be convened through an “online virtual” platform by using “audio-visual” tools on Tuesday 29 June 2021 and at any adjournment thereof.

Please mark your preference with “X”

Resolution number	1	2	3 (a)	3(b)	3 (c)	3(d)	3 (e)	3(f)	4	5
For										
Against										

Signed on this ..... day of ..... 2021

Signature of member (s) .....

NIC/PP/Co.Reg.No.Shareholder/.....

### 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 or electronic document with e-signature or scan of the signed document emailed to [ccp.agm@cargillsceylon.com](mailto:ccp.agm@cargillsceylon.com), with the subject title “CCP-AGM 2021” 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, address and email 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 (upto 27 Aug 2020)  
Yudhishtan Kanagasabai  
Asoka Pieris  
Indira Malwatte  
Asite Talwatte (w. e. f. 28 Aug 2020)

## **Company Secretary**

Hemali Sagarika Ellawala

## **Remuneration Committee**

Asite Talwatte (Chairman) - w. e. f. 01 Jan 2021  
Sunil Mendis - (Chairman - upto 31 Dec 2020)  
Priya Edirisinghe  
Deva Rodrigo (upto 27 Aug 2020)

## **Audit Committee**

Asite Talwatte (Chairman) - w. e. f. 01 Jan 2021  
Priya Edirisinghe - (Chairman - upto 31 Dec 2020)  
Sunil Mendis  
Errol Perera  
Deva Rodrigo (upto 27 Aug 2020)  
Yudhishtan Kanagasabai

## **Related Party Transactions Review Committee**

Asite Talwatte (Chairman) - w. e. f. 01 Jan 2021  
Priya Edirisinghe - (Chairman - upto 31 Dec 2020)  
Sunil Mendis  
Errol Perera  
Deva Rodrigo (upto 27 Aug 2020)  
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  
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  
DFCC Bank  
Habib 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

\* All Companies are incorporated in Sri Lanka.

Concept & Designed by



Printed by Printel (Pvt) Ltd

