



Cargills (Ceylon) PLC
Annual Report 2014/15

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ON COURSE

The year put to test the true mettle of Cargills. In a challenging time your resilient confidence brought us back to our foundation to reignite the spirit that kindled our growth. The spirit of people who believed in sustainable value creation beyond here and now. The spirit of entrepreneurship and innovation that is ahead of its time. We were driven to reinforce our ethos of reaching out to the needs of consumers and partners across Sri Lanka and return to embody our unique style of social-centric enterprise that remains our true character. Your conviction in Cargills kept us on course. In the year ahead the aim is clear, the course is set and your confidence will be rewarded.

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 Story

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

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

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

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

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

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

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

In 2011, Cargills entered the soft alcohol industry by completing the acquisition of the McCallum Brewery and its brands. In the same year the Company secured a provisional commercial banking license from the Central Bank of Sri Lanka.

Cargills acquired the franchise license for TGI Friday's in 2012 and opened its first restaurant at Fort in 2013. In April 2014 Cargills Bank commenced business operations and in the same year the Group kick-started a restructuring initiative which saw Cargills exiting the soft alcohol business. As part of this restructuring drive in the year concluded Cargills entered into agreement with the International Finance Corporation (IFC) for equity investment into the Cargills Retail sector.



SINCE 1844

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





Financial Highlights

	2015 Rs.'000	Group 2014 Rs.'000	Change %	2015 Rs.'000	Company 2014 Rs.'000	Change %
Operations						
Continuing Operations						
Revenue	61,631,285	58,322,854	5.67	153,075	28,146,131	(99.46)
Profit from operations	1,571,788	2,210,842	(28.91)	538,171	1,578,708	(65.91)
Profit before taxation	804,653	1,130,210	(28.80)	144,274	904,555	(84.05)
Profit after taxation	247,217	649,560	(61.94)	72,343	823,004	(91.21)
Discontinuing Operations						
Profit/loss from discontinued operation, net of tax	352,761	-	-	-	-	-
Profit for the year	599,978	649,560	(7.63)	72,343	823,004	(91.21)
Financial Position						
Non-current assets	24,553,989	28,581,903	(14.09)	10,647,275	12,502,082	(14.84)
Current assets	12,609,562	10,762,975	17.16	3,653,914	12,684,465	(71.19)
Current liabilities	20,392,074	24,093,935	(15.36)	4,800,458	13,602,066	(64.71)
Non-current liabilities	3,892,330	2,941,381	32.33	367,282	2,060,944	(82.18)
Total Equity	12,879,147	12,309,562	4.63	9,133,449	9,523,537	(4.10)
Per share data (Rs.)						
Earnings per share	2.57	2.87	(10.34)	0.32	3.67	(91.21)
Dividends per share	2.00	2.00	-	2.00	2.00	-
Net assets per share	55.99	54.75	2.27	40.77	42.52	(4.10)
Market value per share	137.00	136.50	0.37	137.00	136.50	0.37
Cash Flow						
Net cash generated from/ (used in)						
- Operating activities	506,905	987,418		8,069,794	(86,798)	
- Investing activities	2,889,824	(3,471,786)		1,639,216	(713,203)	
- Financing activities	(4,147,052)	4,652,740		(11,013,583)	2,569,988	

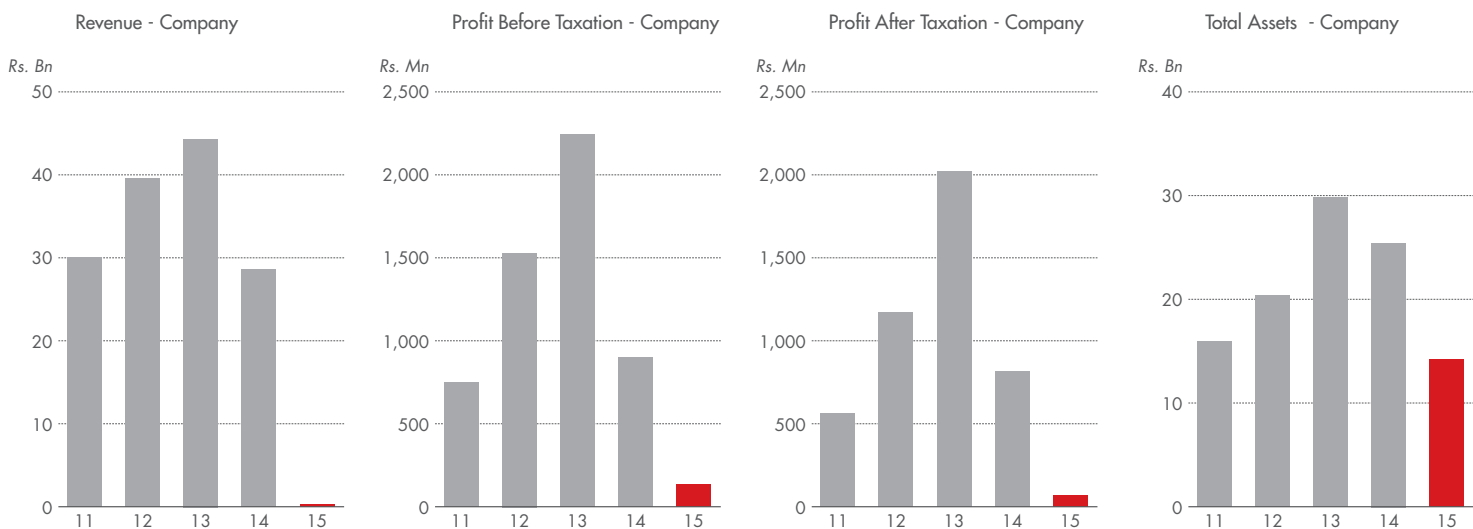
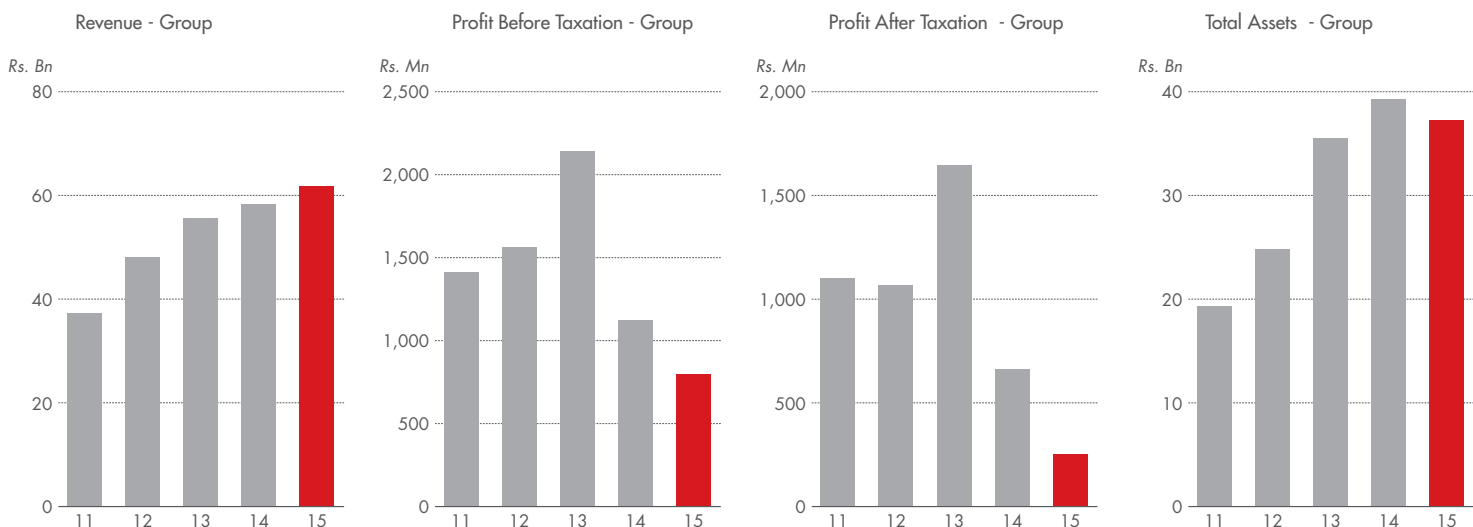
Comparative figures have not been restated

Group Revenue

Rs. **61,631** Mn

Group Operating Profit

Rs. **1,572** Mn



Group Profit Before Tax

Rs. 805 Mn

Group Profit After Tax

Rs. 600 Mn

Our Businesses



Retail

Cargills is Sri Lanka's largest modern retailer. Its pioneer venture into modern trade was an innovation of the company's trading legacy.

Thereafter Cargills Food City continued to challenge the norm by taking to the masses what was traditionally an affluent focused business and offering 'higher value for the lowest price'.

Today the Cargills retail operation is spread across the island as 'Cargills Food City' supermarkets, 'Cargills Food City Express' convenience stores and 'Cargills Food City' hypermarkets. Cargills Food City has been rated the 8th most valuable brand in Sri Lanka as per the Brand Finance Index ratings of 2015 with a AA rating and is the only Retailer ranked in the top ten of national brands.





Dairy - Ice Cream

Magic and Kotmale are leading dairy ice cream brands in Sri Lanka. Cargills Quality Dairies which produces Magic ice cream is the first dairy product manufacturing company in Sri Lanka to be accredited with all three ISO certifications; ISO 9001: 2000 Quality Management System certification, ISO 22000: 2005 Food Safety Management System certification and ISO 14001: 2004 Environment Management System certification. Magic was the first to introduce fresh fruits and local flavours to its portfolio of ice creams creating a new trend in the overall ice cream industry. Through its innovation driven focus Magic has expanded its market share exponentially and is now the fastest growing ice cream brand in Sri Lanka. The 'Heavenly' range is the premium segment of the Magic offering while Kotmale enjoys tremendous mass appeal for its renowned creamy taste.



Our Businesses contd.



Other Dairy Products

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





Processed Meats

The Cargills processed meats range which consists of 'Goldi' and 'Sams' catering to mass market demand and 'Finest' a premium deli range. Cargills is rapidly gaining market share in this category through its product innovation, quality and unique taste. Cargills Quality Foods has secured the ISO 9001: 2000 Quality Management System certification, ISO 22000: 2005 Food Safety Management System certification and ISO 14001: 2004 Environment Management System certification. The company has also engaged international expertise to develop new and innovative products which offer a novel variety of taste whilst catering to the nutritional needs of the consumer. In 2014 'Goldi' secured the certification for the SLS standard.



Our Businesses contd.



Agrifoods

Kist is one of the most trusted brand names in Sri Lanka known by generations for its true Sri Lankan flavours and high standards of quality. Kist which is traditionally renowned for its delectable selection of jams, sauces and cordials has expanded its 100% fruit based product range introducing fruit based nectars to the market. Today the nutritious and delicious Kist nectar range has revolutionized the industry and is popular for its genuine fruity taste.





Confectionery

Originally Diana Biscuits Manufactures (Private) Limited, the company now renamed Cargills Quality Confectioneries (Private) Limited is engaged in the manufacturing, distribution and marketing of biscuits and confectioneries under the Brand name 'Kist'. The Company was a family owned business established in 2006 and acquired by Cargills in 2010. It presently manufactures soft & hard dough biscuits & wafers.



Our Businesses contd.



Restaurants

Cargills holds the franchise for the internationally acclaimed KFC chain which is the largest and most popular international restaurant chain in the country. The success of KFC was in the fusion of an international brand with well - loved Sri Lankan recipes. The locally inspired additions to the KFC menu have now been included into the regional product portfolio.





Cargills secured the 'TGI Friday's' franchise for Sri Lanka in 2012 and opened its flagship restaurant in October 2013. TGI Friday's a globally followed entertainment cum dining trend that has stormed the leisure circuit of 60 countries worldwide.

Located at one of the oldest buildings in Fort, the 191 seat restaurant stylishly refurbished by Cargills, brims with old-world architectural charm with a very contemporary finish adding much energy and colour to the already transformed adjacent Dutch Hospital Precinct.



Our Businesses contd.



Marketing and Distribution

The Company's marketing and distribution arm Millers is a pioneer distribution operation in the country geared with a network spread across the 25 districts of Sri Lanka. Millers is the island wide distributor for international brands such as Kodak, Kraft, Cadbury, Bonlac, Nabisco, Tang, Toblerone etc.





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Chairman's Review

Dear Shareholder,

I am pleased to present to you on behalf of the Board of Directors of Cargills (Ceylon) PLC the Annual Report and Audited Financial Statements for the year ended 31st March 2015.

The socio-economic environment presented mixed opportunities for all business sectors of the Group with the year ending on a positive note and the momentum gained expected to continue into the new financial year. The rapid infrastructure development within and beyond the Western province has shifted growth to well beyond Colombo during the last several years and this is increasingly evident in the gradual change in consumption patterns and lifestyles beyond the metros. The expansion of the core Retail sector as well as capacity and product portfolio enhancement in the FMCG sector is aligned to this growth opportunity.

Management Focus

The challenging trading conditions of the first 6 months of the year have impacted profits and necessarily remain a focus of management attention. There is never a year in which a business focuses solely on one or the other. But it is fair to say that in the past several years fiscal policy challenges that impacted the business fundamentals of the Group meant that a greater part of management's energies and resources tipped towards addressing operational issues. More broadly, however, the concluded year has been one where your company continued to move from addressing existing business issues to driving our strategy to set the course for future growth and value. Today while remaining focused on the present we are starting to quicken our pace into the future.

In line with this the Group continued its restructuring process concluding the IFC investment into the Retail Company of the Group, exiting the brewery business and commence proceedings towards merging Kotmale Holdings PLC with the existing Cargills Magic Dairy business with a view to unlock the real potential of the dairy sub-sector which is envisaged to be a key growth driver in the medium term. Meanwhile Millers Limited was also restructured with a Voluntary Retirement Scheme offered at a cost of Rs. 44.5 Mn. The above process of restructuring and consolidation has resulted in management and business sectors getting on track to enhance efficiency through undivided business-specific focus which has resulted in stronger performance.

During the year the Group reduced its debt level by Rs. 4.4 Bn. as at 31st March 2015 supported by lower interest rates and healthy cash flows. Gearing levels are set to stabilize further in the year ahead.

Retail

The Modern Retail Industry has become an increasingly important sector in the economy making a substantial contribution to State Revenue while partnering macroeconomic growth. The sector's role in enhancing the agriculture value chain, building and enhancing efficiencies of dry, chilled and frozen supply chains as well as strengthening food safety and quality standards is notable. The sector provides professional training and employment to youth largely from regional Sri Lanka creating opportunities for career advancement and even lucrative employment overseas.

As an important catalyst to regional growth, employment generation and agriculture value-chain development in the Country, we are continuously engaging with policy makers on the necessity of creating a more enabling policy environment for modern retail. Cargills Foods City is one of the largest retailers of Non-VAT (Value Added Tax) liable products such as rice, local fruits, vegetables, seafood, meats etc and the far-reaching implication this ad-hoc policy shifts has on smallholder farmers is explained in the ensuing Management Discussion Analysis. We are encouraged by the positive discourses we have had with the policymakers on this subject and remain optimistic that your Company would succeed in reaching consensus on applying the policy in a manner that would stimulate growth in local agricultural produce.

FMCG

The FMCG sector is enjoying substantial volume growth and the investments made towards capacity expansions and supply chain development has resulted in a strong portfolio of national brands now contributing 22% towards Group turnover. It is notable that the FMCG sector too is reporting a strong performance beyond the Western province indicating the growth opportunity that can be readily captured through our already strong presence in the regions.

“More broadly, however, the concluded year has been one where your company continued to move from addressing existing business issues to driving our strategy to set the course for future growth and value. Today while remaining focused on the present we are starting to quicken our pace into the future.”

‘Magic’ and ‘Kotmale’ brands have emerged as strong local brands on par with international dairy brands and are contributing towards the growth of the national dairy industry. ‘Magic’ continues to be the lead player in the impulse dairy ice cream category while ‘Kotmale’ is now synonymous with quality dairy products made from local fresh milk. The comprehensive portfolio of dairy products now manufactured by the sub-sector would be further consolidated with capacity expansions and production enhancements in the new financial year.

The successive increases in farm gate prices of fresh milk have made local dairy farmers un-competitive against imported milk powder. Milk powder is an essential nutrition component in the diet of a majority of Sri Lankans and the Company appreciates the necessity to maintain lower prices in view of health and nutrition-intake concerns. However the context is counterproductive to the effective expansion of local dairy production due to the prohibitive pricing that stems from the high

raw material and processing costs. At present UHT packaged fresh milk remains a product catering to the middle to upper income segment of consumers. Your Company is focused on driving the value-added range while developing medium to long term strategies to make fresh milk consumption affordable for the masses. In the year ahead we foresee further investments in enhancing the cheese product portfolio while strengthening the smallholder dairy farmer value chain and storage capacities of the dairy sub-sector towards building a more sustainable supply chain.

Increased competition at the lower end of the processed meat market has resulted in tighter margins despite the steady growth enjoyed by our key brands ‘Goldi’ ‘Sams’ and ‘Finest’. While bulk trading is proliferating at the cost of quality and hygiene, our brands continue to hold strong positions both in the grocery and modern trade. The management is currently pursuing a medium term action plan towards enhancing operational efficiency and product innovation across production facilities with the meat processing plant located in Ja - ela set to receive priority in this regard.

Our range of Kist nectars, cordials, jams, bottled water and sauces reported a solid performance with Kist nectar in particular enhancing its leadership in the category. During the year the brand continued to strengthen its leadership with strategic enhancements made to the product portfolio. The first month of the new financial year saw capacity enhancement of the ‘Nectar’ line while enhancement of the water bottling facilities located on the Knuckles mountain range is also underway.

Meanwhile the Group’s agency-lines business is now stabilizing with the Company now aggressively seeking out new agency lines with a view to grow its product portfolio and thereby penetration into the trade. The company has secured several new agencies which are expected to boost its overall stature as an FMCG distributor.

Chairman's Review contd.

Restaurants

The Restaurants sector is on an upward trajectory after some set-backs experienced in the first part of the financial year. While continuing to offer value-for-money meals, KFC is now driving its unique-selling-point of 'freshly prepared' signature KFC chicken which is unparalleled in the market. TGI Friday's, the American franchise, is yet to turn-around but is expected to perform well under a new management structure.

Banking

Your Company's strategic investment into Banking and Finance is making steady progress with three full-fledged branches now operational. In the year ahead the Bank would focus on enhancing its deposit base and lending portfolio across corporate, Small and Medium Enterprises and personal-banking customers with a detailed focus on the necessary IT backbone to cater to the target clientele on a platform of innovation.

Cargills Sarubima

It gives me great pleasure to congratulate the management and employees of Cargills regarding the tremendous success of the Cargills Sarubima programme (Sarubima, i.e. good earth) that embodies the very crux of the Cargills business philosophy of creating value and opportunity beyond our immediate business interest and beyond our time. In 1999 when Cargills began to reach out directly to our partners in the farmer communities the impact we would be able to create was never envisaged. Nevertheless we pursued on a course never taken to build a business model that transformed the local fruit and vegetable supply chain to a value chain. Today a simple gesture of setting aside 50 cents against each kilogram of produce purchased from farmers has metamorphosed into a national initiative to reposition our agriculture value-chain as a holistic sustainability standard. In the year ahead the programme would be scaled up to cover every produce collecting location under our businesses with a view to doubling the number of education scholarships granted whilst continuing to drive a culture of sustainable agriculture practices among our farmer partners.

2014/15 saw Cargills realigning with what remain our fundamental strengths; the entrepreneurship vision focused on regional community development as the building block of growth and the constant quest to exceed consumer expectation through innovation of businesses, processes, products and services.

Performance

The Group reported a 9.8% growth in turnover of continuing operations for the year ended to close at Rs. 61.6 Bn. The revenue growth is largely stemming from a strong performance from the FMCG segment while Retail and Restaurants businesses have also stabilized during the last quarter. The Group reported a net-profit of Rs. 599.9 Mn. for the year which includes a Rs. 352.7 Mn. one-off gain from the disposal of Millers Brewery Limited and a provision for impairment in value of goodwill and investments amounting to Rs. 180.9 Mn. Group profit after tax for the last quarter was Rs. 317.3 Mn.

A dividend of 70 cents per share was paid on 27th February 2015 as interim dividend and a dividend of Rs. 1.30 per share will be proposed at the forthcoming annual general meeting. Your Company continues to maintain a consistent dividend policy and expects to enhance its ROE in the forthcoming year.

Future

2014/15 saw Cargills realigning with what remain our fundamental strengths; the entrepreneurship vision focused on regional community development as the building block of growth and the constant quest to exceed consumer expectation through innovation of businesses, processes, products and services. While managing day to day challenges our top leadership is refocused on ultimate potential of your company by reinforcing our ethos of reaching out to the needs of consumers and partners across Sri Lanka. Cargills has now returned to embody our unique style of social-centric enterprise that remains our true character. Your confidence in Cargills has kept us on course with our potential as a business and a true corporate citizen of Sri Lanka and in the year ahead we are optimistic that the Company would do justice to this sentiment.

Acknowledgement

In conclusion I take this opportunity to commend our employees who have grown to 7826 across 340 locations islandwide. Their abilities and skills are reflected in our continued resilience in challenging business environments. I extend my sincere thanks to the Board of Directors whose leadership continues to steer the company to greater heights. I thank our business partners, our principals, suppliers and financial institutions for their continued support. I also wish to acknowledge our shareholders whose support holds us in good stead to remain on course in what is set to be an iconic journey of sustainable value creation.

(Signed)

Louis Page
Chairman

7th July 2015

Profile of Directors

Louis Page

***Chairman*

Louis R Page is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants (UK). He is the Chairman of the CT Holdings Group Of Companies. He has also held a number of Board and Senior Management positions at the highest level in overseas Public Companies and Public Institutions.

Ranjit Page

Deputy Chairman/CEO

Mr. V. Ranjit Page possesses over 30 years of management experience with expertise in food retailing, food service, and manufacturing, having introduced the concept of super marketing to the Sri Lankan masses. He also serves on the boards of several other companies, and is the Deputy Chairman/Managing Director of the parent company, C T Holdings PLC.

Imtiaz Abdul Wahid

Managing Director/Deputy CEO

Mr. M. Imtiaz Abdul Wahid is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants (UK). He has been involved in the operations of the company in an executive capacity at different intervals progressively at higher levels (appointed Director 1997 and Deputy Managing Director in 2001) spanning a period of 28 years, leaving the services of the company for employment abroad on two occasions in between whereby he also gained valuable exposure holding a number of senior management positions in overseas companies. He was appointed Managing Director/Deputy CEO in May 2010.

Sidath Kodikara

Director

Mr. Sidath V. Kodikara is the Chief Executive Officer of Cargills Foods Company (Private) Limited, the retail arm of the Group. He is a Fellow of the Institute of Hospitality, United Kingdom and is the Chairman of its Sri Lanka Chapter. He counts over 30 years of managerial experience in the hospitality and retail sector.

P S Mathavan

Director

Mr. Prabhu Mathavan is an Associate Member of the Chartered Institute of Management Accountants (UK) and the Institute of Chartered Accountants of Sri Lanka. He also holds a Bachelor's Degree in Commerce. He possesses over 20 years of experience in the fields of Finance, Auditing, Accounting and Taxation. He is presently the Deputy Managing Director/Chief Financial Officer of Cargills Bank Ltd.

Priya Edirisinghe

**Director*

Mr. A. T. Priya Edirisinghe is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow Member of the Chartered Institute of Management Accountants (UK), and holds a Diploma in Commercial Arbitration. He was the Senior Partner of HLB Edirisinghe & Co., Chartered Accountants and currently serves as Consultant/Advisor. He is the Managing Director of PE Management Consultants (Pvt) Ltd. He counts over 45 years' experience in both public practice and in the private sector. He serves on the boards of a number of other listed and non-listed companies where in some companies he also serves as Chairman/Member of the Audit Committee and Member of the Remuneration Committee. Mr. Edirisinghe is the Chairman of the company's Audit Committee and a member of the company's Remuneration Committee.

Sanjeev Gardiner

**Director*

Mr. Sanjeev Gardiner who has been a Director of Cargills (Ceylon) PLC since 1994 is the Chairman and Chief Executive Officer of the Gardiner Group of Companies including the Galle Face Hotel Co Limited, Galle Face Hotel 1994 (Pvt) Ltd, Ceylon Hotels Holdings (Pvt) Ltd (holding Co of Ceylon Hotels Corporation PLC) Kandy Hotels Company (1938) PLC (which owns the Queen's and Suisse Hotels in Kandy) and, United Hotels Co (Pvt) Limited which owns the The Surf (Bentota), The Safari (Tissa) and The Lake – (Polonnaruwa) and Co-Chairman of Suisse Hotels Kandy (Pvt) Ltd who owns OZO Hotel in Kandy. He is also a Director of several public and private companies and counts over 25 years of management experience in a diverse array of business. He holds a Bachelor of Business Degree from the Royal Melbourne Institute of Technology, Australia and, a Bachelor of Business Degree (Banking and Finance) from Monash University, Australia. He has been a Council Member of HelpAge Sri Lanka for several years.

Sunil Mendis

**Director*

Desamanya Sunil Mendis was formerly the Chairman of Hayleys Group, and a former Governor of the Central Bank of Sri Lanka. He possesses around 50 years of wide and varied commercial experience, most of which has been in very senior positions. Mr. Mendis is the Chairman of the Company's Remuneration Committee and a member of the Company's Audit Committee.

Anthony A Page

***Director*

Mr. Anthony Page counts over 40 years of management experience in a diverse array of businesses. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka. He served on the Boards of the Colombo Stock Exchange and several public listed and non-listed Companies. Mr. Page also served as a Council Member of the Employers Federation of Ceylon.

Joseph Page

***Director*

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

Errol Perera

**Director*

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

* Independent Non Executive

** Non Independent Non Executive

Three Magical Flavours to Delight You th



his Season!



LIMITED EDITION



Management Discussion and Analysis

Retail

Industry

The Central Bank Annual Report 2014 reported that the Domestic Trade segment, which is the largest component of the Wholesale and Retail Trade sub sector, grew by 8.1% in 2014, from 6.9% in 2013. This growth was largely influenced by the improved consumer demand encouraged by low interest rates and improved income levels evident in the latter part of the financial year. The Bank stated that significant growth in highland crops and vegetables supported this growth despite a substantial contraction in paddy production in both the Yala and Maha seasons. Meanwhile the Nielsen Company in its Annual Review 2014 Sri Lanka reported that food related expenses were 37.6% of total household expenses and noted a shift from basic food to lifestyle products. Nielsen also reports that the last two quarters of the 2014 calendar year experienced high revenue growth in FMCG in the overall trade driven by encouraging volume growth. Consumer confidence meanwhile is on the rise since August/September 2014 according to Nielsen and reached an all-time high in February 2015 which is reflected in Industry sector performance during the latter half of the financial year.

The VAT stamped on the Retail Industry was further revised in the 2015 Budget proposals with the reduction of the rate to 11% and revision of the threshold applicable to Rs. 100 Mn. turnover per quarter with effect from 1st January 2015. However the proposal to revise the excise duty structure of the tobacco and alcohol categories, and remove VAT from these categories amplified the VAT impact on the supermarket sector.

Retail on course

The challenging market conditions imposed by VAT have impacted profits and necessarily remain a focus of Retail management attention. Nevertheless we continue to devote energy and creativity towards building loyalty through attractive products and services. We have also continued to focus on improving the experience for customers with investment in training and development of our staff whilst maintaining our programme of expansion and significant investment in improving processes with an emphasis on building on our foundation as Sri Lanka's pioneer modern retailer.

'Deemed' VAT continues to dampen growth potential of locally sourced agriculture products

The 'deemed VAT' continues to hamper the market potential of locally sourced rice, fruits, vegetables, meats and seafood. Supermarkets can only claim a maximum of 25% of its turnover as Non-VAT liable regardless of the composition of its turnover. As a result the sector was compelled to pull back aggressive

sales drives for the fresh produce category. Despite this your Company paid Rs. 861.9 Mn. as 'deemed VAT' during the year on VAT exempted commodities. This is compared to Rs. 82.7 Mn. paid as 'deemed VAT' in the previous financial year. The decline in Operating Profit was largely attributed to this impact.

As reiterated in previous disclosures, the ad-hoc VAT policy has far-reaching implications on smallholder farmers and your Company is continuously engaging with policy makers to reach consensus on applying the policy in a manner that would stimulate growth in local agricultural produce.

Moving closer to our customer

The 'Cargills Food City Express' concept has been a winning model for the sector with 15 of the 23 new stores opened in the year being the small-store format, which has a focused locally relevant offering whilst maintaining the highest standards of food safety and hygiene. The Express model has helped Cargills Food City move closer to the customer and understand our clientele by their community and life styles which enables a more personalized service.

This customer-centric focus has been further strengthened through the Cargills Member Loyalty programme which reached over 340000 customers. In the year ahead the Cargills Member Loyalty card will play an important part in providing a differentiated, personalized offering which is relevant and tailored to individual customers and their life styles.

Meanwhile it is increasingly clear that customers are actively seeking the best value, and this is more important than ever in a market which has become even more competitive over the concluded year. Our value-for-money promise is now well established and provides instant reassurance to customers, that be it fresh foods, own-label or branded products, they will save more at Cargills Food City.

Having more than 5000 colleagues spread across the island in our retail network alone, this year we have focused on providing further customer service training as part of our efforts to strengthen our front-end relationships with our customers. While we are seeing improvements in customer perceptions we remain aware that we need to do more to make service a point of differentiation to deliver excellence in customer service. This would be a key priority for the Retail sector in the coming year.

Retail restructure and IFC equity investment

During the year ended CCP entered into an agreement with the International Finance Corporation (IFC) for an equity investment into the Cargills Retail sector, i.e. Cargills Foods Company (Pvt)

Ltd (CFC) wherein IFC has subscribed for an 8% stake at a pre-equity valuation of approximately Rs. 30 Bn. The transaction was completed in the 4th quarter of the financial year.

This investment forms part of the overall Group restructuring drive envisaged to streamline business focus and empower operational teams to direct their energies towards building their respective businesses.

IFC's investment in the Company is expected to help further advance the internal processes of Cargills' retail business. CFC is currently moving towards internationally accredited management systems for environmental and social standards while continuing to open opportunities for employment for rural youth and expand sustainable markets for farmers.

Agribusiness

Our enduring relationship with the farmer communities across Sri Lanka remains an engagement that forms the heart and soul of this sector differentiating commerce from sustainable business. Through the Group's Retail business alone Cargills now partners over 10000 farmers through 10 collection and processing centres islandwide.

During the year under review our fruit and vegetable value chain was further strengthened with the daily tonnage reaching 30 Mn kg during the year. The newly established Fish Processing Centre in Negombo along with the two fish collection centres operating in Point Pedro and East coast on a seasonal basis now account for approximately 125,000 kg per month.

The ad-hoc VAT policy has far-reaching implications on smallholder farmers and your Company is continuously engaging with policy makers to reach consensus on applying the policy in a manner that would stimulate growth in local agricultural produce.

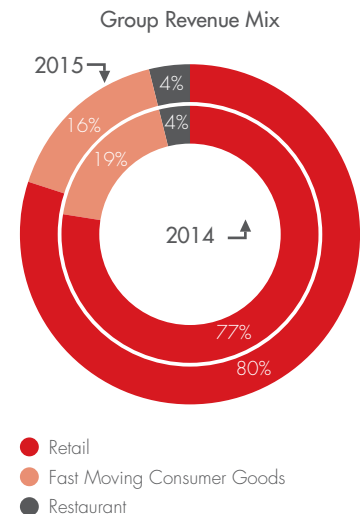
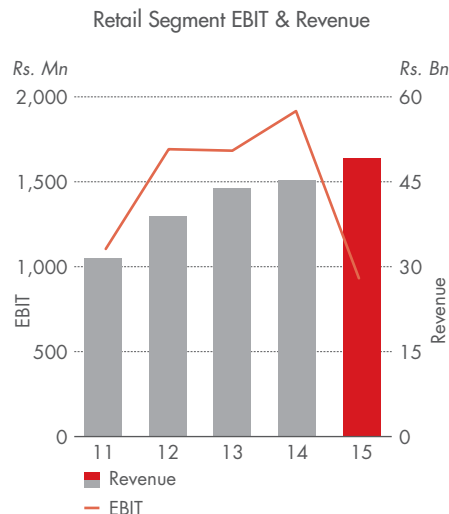
Performance

The Retail sector reported a turnover of Rs. 49.3 Bn. for the year with Rs. 861.9 Mn. paid as 'deemed VAT' on VAT exempted commodities compared to Rs. 82.7 Mn. paid as 'deemed VAT' in the previous financial year. The decline in segment profit to Rs. 45.8 Mn. from Rs. 808.3 Mn. in 2013/14 is largely attributed to this impact.

Retail

	2014/15 Rs. Mn	2013/14 Rs. Mn	Growth %
Revenue	49,351	45,288	8.97
EBIT	934	1,927	(51.53)
Interest	703	1,102	36.21
PBT	290	1,078	(73.10)
PAT	46	808	(94.31)
CAPEX	1,319	2,438	(45.90)

Comparative figures have not been restated



Management Discussion and Analysis contd.

FMCG

Industry

2014/15 was a stable year for the FMCG industry with volume growth contributing towards the industry growth during the year. Nielsen retail audit data indicates a 10% volume growth in the industry in particular during the latter half of the calendar year compared to the same period in 2013 while inflationary growth remained in-check at 4% according to the same research. Growth in premium spend categories was 15% while the low spend categories also grew at 28% compared to 2013. Consumption growth is attributed to the 'feel good factor' kicking into the economy during the latter part of the financial year while the research also points out that wage increases for the public sector and the drop in fuel prices also pitched in with additional spending power. The Company expects the FMCG sector to continue to drive volume growth in the coming financial year.

Dairy

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

The Company is presently the second largest private-sector milk collector in the country with the average daily collection standing at approximately 90,000 litres. 'Magic' and 'Kotmale' combined source fresh milk from 15000 small holders, majority organized into farmer societies in Central, North Western, Northern and Western regions of the Country. They are connected to an integrated supply chain through 17 chilling centres that reach 330 collection centres islandwide. In the year concluded, our total collection reached 29 Mn. litres with direct revenue generation to small holder farmers totalling Rs. 2.1 Bn. Our most recent operation in the Northern region is enjoying a good response from local dairy farmers.

The distinct quality and flavour associated with 'Kotmale' brands has resonated across the dairy category to establish itself as the Sri Lankan dairy brand with the widest consumer appeal. The popular pasteurized and UHT milk categories continue to report strong growth while the 'Kotmale' cheese wedges product is of superior quality and further strengthens the brand's position in the cheese category. The 'Kotmale' Yoghurt and 'Yoguard' are also enjoying tremendous success while 'Kotmale Chox' has

In the year ahead the management is focused on research and development efforts towards strengthening its dairy portfolio with novel products while investments are earmarked to further enhance presence in the cheese sub-category which indicates good growth potential in the short to medium term.

gained reasonable market share in the ready-to-drink chocolate malt sub-category. 'Magic', Sri Lanka's leading dairy ice cream brand, expanded its product portfolio during the year with the seasonal range adding the 'Dark Cherry' variant to its exquisite collection. 'Magic Traffic Lights' was also launched in 2014 and has gained tremendous popularity among the young and young at heart.

In the year ahead the management is focused on research and development efforts towards strengthening its dairy portfolio with novel products while investments are earmarked to further enhance presence in the cheese sub-category which indicates good growth potential in the short to medium term.

Meats

Our meat products enjoyed a steady growth despite tighter margins due to increased competition at the lower end of the market where bulk trading is proliferating at the cost of quality and hygiene. However 'Goldi' and 'Sams' continue to hold strong positions both in the grocery and modern trade with the increased awareness on food safety and quality which are key attributes of our brands. During the year a selected range of products received SLS certification in addition to the ISO certifications received by the production facility covering

Quality, Food Safety and Environment Management Systems. The full product range is set to secure the SLS standard in the next financial year.

Increasingly stringent regulations pertaining to animal slaughter and movement of raw material continued to pose serious challenges to the sub-sector while regulatory changes in our main export market India also led to a decline in exports during the year. However continued focus on food safety and quality has meant that your Company is now a close No 2 in the processed meats category.

Agrifoods

Our range of Kist nectars, cordials, jams, sauces and bottled water reported a solid performance with Kist nectar in particular enhancing its leadership in the category. All categories reported double-digit growth during the year resonating the brand's strong equity among consumers across income tiers. During the year the newly launched smaller SKU (Stock Keeping Unit) for jam, 'Jam Batta' gained ground in the grocery trade in line with the demand for smaller pack sizes. Kist sauces remains the superior product in the market and has now further enhanced market share with the convenient squeeze bottle that appeals to both on-premise and take-home consumption. Kist Knuckles water is also enjoying steady growth for its exclusive quality attributed to its water source located in the pristine Knuckles mountain range. The management added further capacity to its flagship 'Nectar' range subsequent to 31st March 2015 while enhancement of the water bottling facilities located in Katulooya Estate, Thawalantenna is currently underway.

Confectioneries

The Confectioneries business reached EBITDA positive during the year, with a significant turnaround in the 2nd half of 2014/15 attributable to strengthening the management team, and enhancing efficiency and productivity of the production facility. The 'Kist' biscuits range has now overcome a greater part of its operational challenges and is consistently delivering high quality products on par with competition. During the year the Company launched the 'Piknik' savoury range in a drive towards giving consumers a new taste experience in the biscuits arena. Kist Biscuits is now making steady in-roads in the snack-biscuits category and we are very confident that consumers would truly enjoy the 'Piknik' experience.

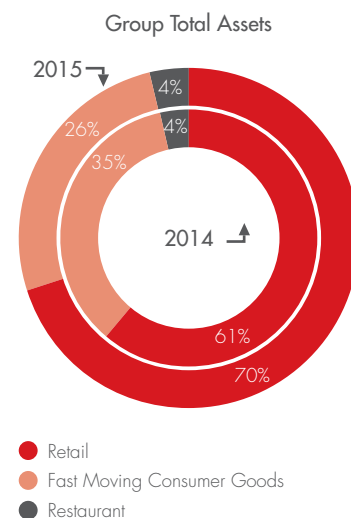
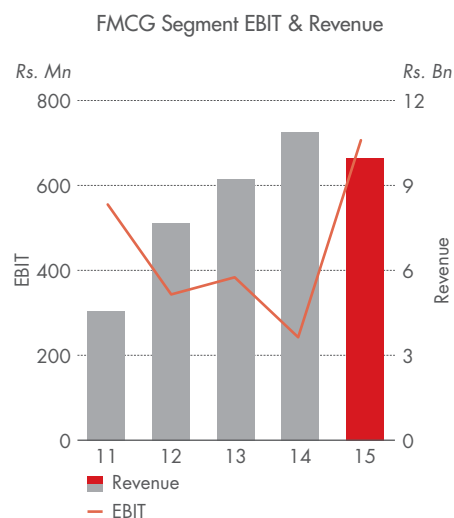
Performance

The revenue decline in the FMCG sector is attributed to the disposal of the soft alcohol business resulting in a decline of 8.3% to end the year at Rs. 9.9 Bn. However the sector has made a strong return to profit with 280.8% growth in profit-after-tax to reach Rs. 329.6 Mn. The commendable growth levels recorded across Dairy, Agrifoods and Processed Meats segments augurs well for this sector which now contributes 65% of Group profit.

FMCG

	2014/15 Rs. Mn	2013/14 Rs. Mn	Growth %
Revenue	9,979	10,878	(8.26)
EBIT	707	242	192.15
Interest	126	247	48.99
PBT	586	13	4,407.69
PAT	330	(182)	281.32
CAPEX	399	1,019	(60.84)

Comparative figures have not been restated



Management Discussion and Analysis contd.

Restaurants

Industry

The hotels and restaurants sub sector expanded at a slower pace of 11.5% during 2014, compared to 22.3% in 2013. Tourist arrivals which grew by 26.7% in 2013 decelerated to 19.8% in 2014. However, this was well above the United Nations World Tourism Organisation's 2014 annual estimates of 4.7% growth for the entire world and 7.1% growth for South Asia, in international tourist arrivals. The Restaurants industry is highly competitive and is continuing to expand in numerical terms. Globally recognized online restaurants guides list over 500 restaurants in Colombo alone indicating the level of supply in this segment.

KFC

KFC which saw a below-par performance in the first half of the year turned around in the last six months of 2014/15 to stabilize during the last quarter. The downturn in the first half was largely due to lower than expected footfall in the early part of the year coupled with the closure of four restaurants for refurbishment. Increasing competition from the higher number of local stand-alone and branded food outlets also impacted performance. However better alignment with KFC's core strength of freshly prepared chicken made to the secret recipe loved the world over has reignited the chain's unique-selling-point. Meanwhile a focused drive to enhance quality and service consistency by addressing the challenges of high turnover in the youthful cadre base is also yielding results. The Group restructuring process which is ongoing also sees the Restaurants sub-sector operating independently under a focused management. A combination of these efforts is expected to yield the results for this business in the new financial year.

TGI Friday's

TGI Friday's, the American franchise into its second year of operation continued to experience some teething challenges in operation and supply chain which are being addressed and rectified under the new management structure. The offering has also been repositioned to tastefully cater to the local clientele while remaining true to the signature taste and core dishes of Friday's. The overall product is now well accepted in the market and is highly patronized by both local and foreign clientele for its authentic 'Friday-Feel' and delectable range of food and beverages coupled with a superior service and ambience. Your Company is confident that the business would achieve its true potential under the new management structure.

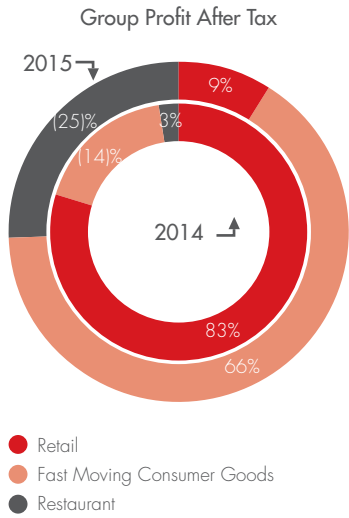
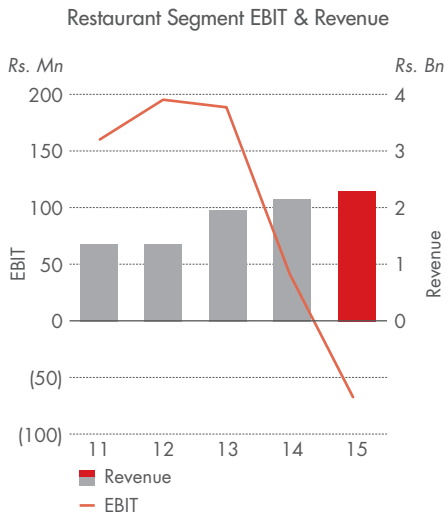
Better alignment with KFC's core strength of freshly prepared chicken made to the secret recipe loved the world over has reignited the chain's unique-selling-point.

Performance

The Restaurants business stabilized during the last quarter of the year with the KFC franchise returning to profit during the last 4 months of the year. However the sub-sector reports a loss of Rs. 128.2 Mn. for FY 2014/15 mainly attributable to the adverse results of the first half of the year and the impact from TGI Friday's which is yet to turnaround. The closure of four high-traffic restaurants for refurbishment and relocation, namely Kotahena, Hampden Lane, Colombo - Fort and Pelawatta, led to a fairly flat turnover for the segment.

Restaurant

	2014/15 Rs. Mn	2013/14 Rs. Mn	Growth %
Revenue	2,301	2,157	6.68
EBIT	(69)	42	(264.29)
Interest	2	3	33.33
PBT	(72)	39	(284.62)
PAT	(128)	23	(656.52)
CAPEX	140	437	(67.96)



If it isn't

KIST

It isn't real
tomato sauce

Kist Tomato Sauce is a rich, red, deliciously thick and smooth sauce made from the freshest tomatoes.

NOW AVAILABLE
IN AN EASY
**Squeezy
Bottle**

KIST
Tomato Sauce

KIST
Tomato Sauce
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A QUALITY **Cargills** PRODUCT

KIST[®]

Nectar

100%
More Fruit Juice
than flavoured fruit drinks



A QUALITY **Cargills** PRODUCT



Corporate Governance

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

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

Corporate Governance Rule	Compliance Status	Details
7.10.1 Non-Executive Directors		
(a) The board of directors of a Listed Entity shall include at least, (i) Two non-executive directors; or (ii) Such number of non-executive director's equivalent to one third of the total number of directors whichever is higher.	Complied with.	Company has seven non executive directors and four executive directors on its board.
(b) The total number of directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Complied with.	
(c) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Complied with.	
7.10.2 Independent Directors		
(a) Where the constitution of the board of directors includes only two non-executive directors as mentioned above, both such non-executive directors shall be 'independent'. In all other instances two or 1/3 of non-executive directors appointed to the board of directors, whichever is higher shall be 'independent'.	Complied with.	Four of seven non executive directors are determined to be independent.
(a) The board shall require each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	Complied with.	Each non executive director has provided a signed and dated declaration of his/her independence or non independence against the criteria laid down in the listing rules.
7.10.3 Disclosures Relating to Directors		
(a) The board shall make a determination annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be 'independent.'	Complied with.	

Corporate Governance contd.

Corporate Governance Rule	Compliance Status	Details
<p>(b) Functions The remuneration committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the board of Listed Entity which will make the final determination upon consideration of such recommendations.</p>	Complied with.	The Committee recommends to the Board the remuneration payable to the Executive Directors and the Chief Executive Officer. In recommending an appropriate remuneration package the primary objective of the Committee is to attract and retain the services of highly qualified and experienced personnel.
<p>(c) Disclosures The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.</p> <p>The term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received in consideration of employment with the Listed Entity (excluding statutory entitlements such as Employees Provident Fund and Employees Trust Fund).</p>	Complied with.	<p>Please refer inner back cover for the names of directors of the remuneration committee.</p> <p>Please refer the remuneration committee report on page 51 for a statement of the remuneration policy.</p> <p>Please refer note 37.1 to the financial statements for the aggregate remuneration paid to the directors.</p>
7.10.6 Audit Committee		
<p>A Listed Entity shall have an Audit Committee in conformity with the following:</p> <p>(a) Composition The Audit Committee shall comprise of;</p> <p>(i) a minimum of two independent non-executive directors (in instances where a Entity has only two directors on its board); or</p> <p>(ii) non-executive directors a majority of whom shall be independent, whichever shall be higher.</p> <p>In a situation where both the parent company and the subsidiary are 'Listed Entities', the Audit Committee of the parent company may function as the Audit Committee of the subsidiary.</p> <p>However, if the parent company is not a Listed Entity, then the Audit Committee of the parent company is not permitted to act as the Audit Committee of the subsidiary. The subsidiary should have a separate Audit Committee.</p>	<p>Complied with.</p> <p>Complied with.</p> <p>N/A</p>	<p>The Audit Committee comprises three independent non-executive directors.</p> <p>Kotmale Holdings PLC is a subsidiary of the company and has its own Audit Committee.</p> <p>N/A</p>

Corporate Governance Rule	Compliance Status	Details
<p>(a) Composition Contd. One non-executive director shall be appointed as Chairman of the committee by the board of directors.</p> <p>Unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend Audit Committee meetings.</p> <p>The Chairman or one member of the committee should be a member of a recognized professional accounting body.</p>	<p>Complied with.</p> <p>Complied with.</p> <p>Complied with.</p>	<p>Please refer inner back cover.</p> <p>Please refer Audit committee report on page 50.</p> <p>The Chairman of the committee is a member of ICASL and CIMA (UK).</p>
<p>(b) Functions Shall include,</p> <p>(i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with SLFRS/LKAS.</p> <p>(ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.</p> <p>(iii) Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards.</p> <p>(iv) Assessment of the independence and performance of the Entity's external auditors.</p> <p>(v) To make recommendation to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.</p>	<p>Complied with.</p> <p>Complied with.</p> <p>Complied with.</p> <p>Complied with.</p> <p>Complied with.</p>	<p>Please refer Audit Committee report on page 50.</p>
<p>(c) Disclosures The names of the directors (or persons in the parent company's committee in the Case of a group company) comprising the Audit Committee should be disclosed in the annual report.</p> <p>The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report.</p> <p>The annual report shall contain a report by the Audit Committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.</p>	<p>Complied with.</p> <p>Complied with.</p> <p>Complied with.</p>	<p>Please refer inner back cover.</p> <p>Please refer Audit Committee report on page 50.</p> <p>Please refer Audit Committee report on page 50.</p>

Corporate Governance contd.

Company's adherence to the Provisions of Rule 7.6 as required by the Listing Rules of the Colombo Stock Exchange on disclosure in Annual Reports of Listed Entities:

Corporate Governance Rule	Compliance Status	Details
A Listed Entity must include in its annual reports and accounts, inter alia;		
(i) Names of persons who were Directors of the Entity during the financial year.	Complied with.	Please refer inner back cover for the names of directors of the company.
(ii) Principal activities of the Entity and its subsidiaries during the year and any changes therein.	Complied with.	Please refer Note 1.5 to the financial statements.
(iii) The names and the number of shares held by the 20 largest holders of voting and non voting shares and the percentage of such shares held.	Complied with.	Please refer Investor relations supplement on page 146 and 147.
(iv) The public holding percentage.	Complied with.	Please refer Investor relations supplement on page 147.
(v) A statement of each director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year.	Complied with.	Please refer page 73.
(vi) Information pertaining to material foreseeable risk factors of the Entity.	Complied with.	Please refer report on Risk management on page 44 to 49.
(vii) Details of material issues pertaining to employees and industrial relations of the Entity.	N/A	No material issues pertaining to employees and industrial relations.
(viii) Extents, locations, valuations and the number of buildings of the Entity's land holding and investment properties.	Complied with.	Please refer page 145 for Group real estate portfolio.
(ix) Number of shares representing the Entity's stated capital.	Complied with.	Please refer page 146 for Investor relations supplement.
(x) A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings in the specified categories.	Complied with.	Please refer page 146 for Investor relations supplement.

Corporate Governance Rule	Compliance Status	Details
<p>(xi) The following ratios and market price information.</p> <p>Equity</p> <ol style="list-style-type: none"> 1. Dividend per share 2. Dividend pay out 3. Net asset value per share 4. Market value per share <ul style="list-style-type: none"> • Highest and lowest value recorded • Value as at the end of financial year. <p>Debt (only if listed)</p> <ol style="list-style-type: none"> 1. Interest rate of comparable government security 2. Debt/Equity ratio 3. Interest cover 4. Quick asset ratio 5. The market prices & yield during the year (ex interest) <ul style="list-style-type: none"> • Highest price • Lowest price • Last traded price 6. Any changes in credit rating (for the entity or any other instrument issued by the entity), if applicable. 	<p>Complied with.</p> <p>Complied with.</p> <p>N/A</p>	<p>Please refer page 144 for Five year summary.</p> <p>Please refer page 147 for Investor relations supplement.</p> <p>N/A</p>
<p>(xii) Significant changes in the Entity's or its subsidiaries' fixed asset and the market value of land, if the value differs substantially from the book value.</p>	<p>Complied with.</p>	<p>Investment Properties were revalued as at 31st March 2015. Please refer page 145 for Group real estate portfolio.</p>
<p>(xiii) If during the year the Entity has raised funds either through a public issue, Right issue, and private placement;</p> <ol style="list-style-type: none"> (a) A statement as to the manner in which the proceeds of such issue has been utilized. (b) If any shares or debentures have been issued, the number, class and consideration received and the reason for the issue; and, (c) Any material change in the use of funds raised through an issue of securities. 	<p>N/A</p>	<p>N/A</p>

Corporate Governance contd.

Corporate Governance Rule	Compliance Status	Details
<p>(xiv) a. Employee Share Option Schemes The following information shall be disclosed in the Annual Report of the Listed Entity in respect of each ESOS:</p> <ul style="list-style-type: none"> • The number of options granted to each category of Employees during the financial year. • Total number of options vested but not exercised by each category of Employees during the financial year. • Total number of options exercised by each category of Employees and the total number of shares arising there from during the financial year. • Options cancelled during the financial year and the reasons for such cancellation. • The exercise price. • A Declaration by the directors of the Entity confirming that the Entity or any of its subsidiaries has not, directly or indirectly, provided funds for the ESOS. 	N/A	N/A
<p>b. Employee Share Purchase Schemes The following information shall be disclosed in the Annual Report of the Listed Entity in respect of each ESPS:</p> <ul style="list-style-type: none"> • The total number of shares issued under the ESPS during the financial year. • The number of shares issued to each category of Employees during the financial year. • The price at which the shares were issued to the Employees. • A Declaration by the directors of the Entity confirming that the Entity or any of its subsidiaries has not, directly or indirectly, provided funds for the ESPS. 	N/A	N/A
<p>Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of section 7 of the Rules.</p>	Complied with.	Please refer page 34 to 37 for the disclosures in terms of Section 7.10.

Corporate Governance Rule	Compliance Status	Details
<p>(xiii) Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.</p> <p>Details of investments in a Related Party and/or amounts due from a Related Party to be set out separately.</p> <p>The details shall include, as a minimum:</p> <ul style="list-style-type: none"> • The date of transaction; • The name of the Related Party; • The relationship between the Entity and the Related Party; • The amount of the transaction and terms of the transaction; • The rationale for entering into the transaction. 	Complied with.	Please refer note 37.

Note 01:

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

Mr. A T P Edirisinghe

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

Mr. S E C Gardiner

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

Mr. Sunil Mendis

- who is also a Director of C T Holdings PLC, and

Mr. E A D Perera

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

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



Made from Sri Lankan Fresh Milk



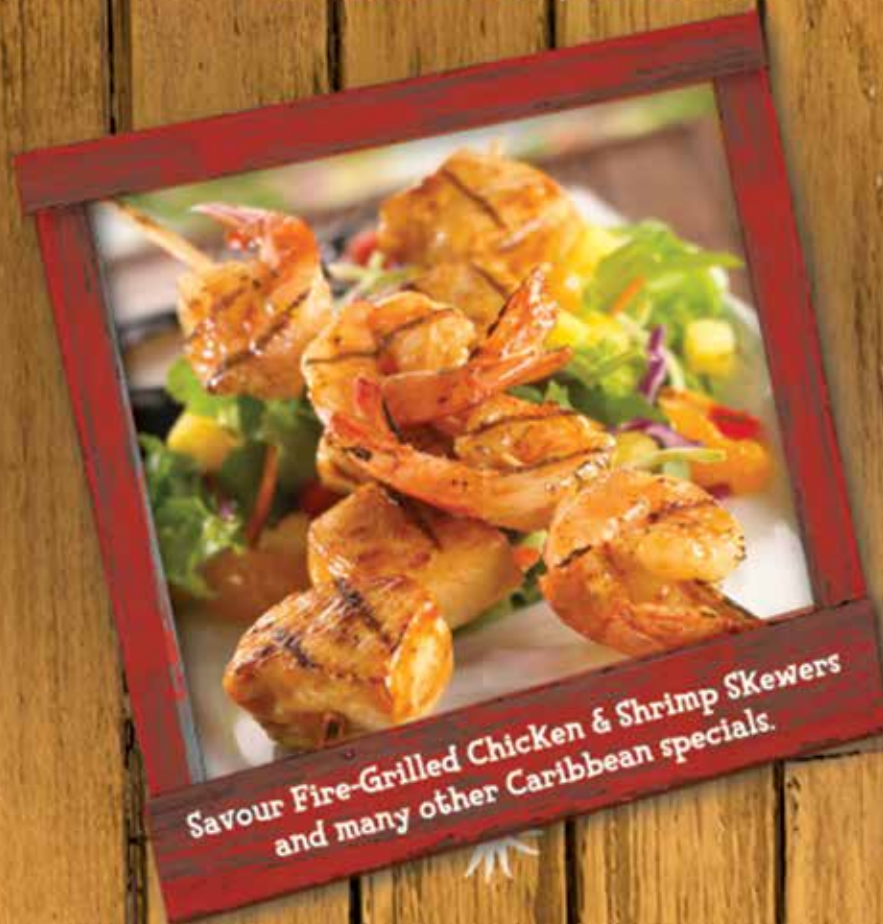
 A QUALITY **Cargills** PRODUCT

Caribbean ISLAND ESCAPE

AT

TGI FRIDAYS

Escape to the Caribbean at TGI FRIDAYS with a sunny tropical ambience, rocking regional music, special offers and fun competitions!



Savour Fire-Grilled Chicken & Shrimp Skewers
and many other Caribbean specials.

Risk Management

Risk Management Overview

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

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

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

In this environment the management considers each risk in the context of the Group's strategy by identifying the potential upside and downside to the Group business. Any identified downside is subject to mitigation and any upside is fully made use of to strengthen the competitive position of the Group.

Risk Management Framework

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

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

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

The Group is seeking an appropriate balance in the business, and continue to build the risk management capabilities that will help the business to deliver the growth plans in a controlled environment.

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

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

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

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

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

Risk Management contd.

Overview of Key Risks affecting the Business

Risk	Risk Mitigation Actions
Competition and Consolidation	
<ul style="list-style-type: none"> Increased competition in the Retail, FMCG and Restaurant sectors compel us to be competitive always in terms of price, product range, quality and service to sustain the market share and leadership. 	<ul style="list-style-type: none"> Our products are priced competitively in the market to maintain the market leadership position while ensuring margins are maintained by controlling input cost. Higher service standards are maintained by recruiting, training and coaching employees with right caliber. To be ahead with our competitors, we focus continuously on innovation through research and development to cater to the changing customer preferences. Our performance in terms of customer satisfaction, perception and experience are benchmarked and measured against key competitors. Clear strategies are implemented in terms of pricing, product range, quality and service according to the target market and the competitive environment.
People Retention and Capabilities	
<ul style="list-style-type: none"> Failure to attract, retain and develop people with right capabilities could seriously impact the long-term growth potential of the business. 	<ul style="list-style-type: none"> Through proper HR planning and recruitment processes we minimise staff shortages. We liaise with relevant authorities and institutions in the regions to recruit employees living close to the business locations. We have a fully-fledged training department with state of art training facilities to train our employees in various disciplines. Processes are also in place to identify talent and actively manage succession planning. We have a transparent mechanism in place to handle employees need and grievances. Our employment policies and rewards schemes are regularly reviewed in order to ensure that we are in par or better than the industry norms.
Reputational Risk	
<ul style="list-style-type: none"> Failure to protect the Group's reputation and brands could lead to a loss of trust and confidence. This could result in an erosion of the customer base and affects the ability to recruit and retain high-caliber people. 	<ul style="list-style-type: none"> We always strive to exceed customer expectation by offering better products and services to the customers. Continuous communication with customers and other stakeholders is maintained to obtain their views and feedback. We maintain continuous dialogue with state and other authorities to obtain their views and concerns. Cargills values and code of conduct are embedded into our customers, suppliers and other stakeholders' engagement processes.

Risk	Risk Mitigation Actions
Business Strategy	
<ul style="list-style-type: none"> • Selection of a wrong business strategy or failure to implement the strategies effectively could impact the business performance. 	<ul style="list-style-type: none"> • High priority is given for the formulation of strategic plan for each business sector under the guidance of the corporate office. • Strategies are scrutinized in detailed by the Board before being approved. • Strategies are communicated clearly to the employees at all levels. • Implementation of strategies is monitored regularly to ensure they are executed as planned. • Outcome of each strategy is critically reviewed against its objectives in order to assess its effectiveness.
Product Quality and Safety	
<ul style="list-style-type: none"> • The safety and quality of our products are critical to maintain customer trust and confidence and to maintain our business performance. 	<ul style="list-style-type: none"> • We have detailed and established procedures to ensure product integrity and safety are maintained throughout our value chain. • Quality and safety aspects are strictly monitored at the time of manufacturing and procuring products from vendors. • Products produced in our manufacturing facilities go through stringent quality and safety checks before being released to the market. • We closely work with the suppliers to ensure products sourced from them meet our quality and safety standards. • Review of compliance of the quality and safety procedures are conducted regularly. • Developments in the areas of health, safety and nutrition are monitored closely in order to respond appropriately to changing customer trends and new legislations.
Inventory and Supply Chain Risk	
<ul style="list-style-type: none"> • Failure to manage supply chains effectively would lead to adverse impacts in smooth and uninterrupted flows of goods and materials. Our manufacturing businesses especially dairy sector is highly dependent on uninterrupted supply of raw materials. • Poor management of inventory would increase the risk of obsolete inventory, stock adjustments and increasing stock holding costs 	<ul style="list-style-type: none"> • The Group's procurement function is centralised to achieve economies of scale and efficiency. • The Group has an effective vendor selection and evaluation process in place. • Strong relationships are built and maintained with suppliers through long term contracts. • Forward bookings are done for commodity procurement to avoid stock outs and to maintain stable buying prices. • Effective category management is in place in the retail sector to ensure efficient replenishment of stocks. • We secure bulk of our dairy and produce requirements through established farmer network. • The Group has a network of suppliers and does not considerably depend on any single supplier or a small group of suppliers. • Our round the clock central warehouse operation is geared to replenish the stocks for retail chain without any delay. • Tight inventory control procedures are implemented in all business sectors to prevent losses. • Our warehouses and retail locations are adequately protected to prevent any loss of inventory and any unforeseen losses are adequately covered by insurance.

Risk Management contd.

Risk	Risk Mitigation Actions
Health and Safety	
<ul style="list-style-type: none"> Provision of adequate safety for our staff and customers is utmost importance to us. The inability to provide such environment would result in injuries or loss of life that cannot be measured in financial terms. 	<ul style="list-style-type: none"> Stringent health and safety processes in line with best practices are in place in all our business premises, which are monitored and audited regularly. Regular review is conducted to ensure the compliance to the health and safety regulations and internal control procedures.
Regulatory and Political Environment	
<ul style="list-style-type: none"> Failure to comply with laws and regulations could lead to legal prosecution and fines or imprisonment. In addition, a breach could lead to reputational damage. Key areas subject to regulation include employment, tax laws, environmental issues, and regulations over the Group's products and services. 	<ul style="list-style-type: none"> Changes in the regulatory and political environment are closely monitored and appropriate strategies are developed to mitigate any adverse impacts due to the changes. We engage with government and non-government institutions to ensure that the interest of our customers and employees are expressed and given due consideration when policies and regulations are enacted.
IT Systems and Infrastructure	
<ul style="list-style-type: none"> The Group is reliant on its IT systems and operational infrastructure in order to conduct the business efficiently. Inappropriate systems or failure of key systems could have a significant impact on our business. 	<ul style="list-style-type: none"> We have adequate controls in place to maintain the integrity and efficiency of our IT infrastructure and to ensure consistency of delivery. Our staff are trained and effectively engaged to mitigate IT related risks. The Group has stringent policies and procedures to ensure higher level of data security. Development and implementation of new IT systems are reviewed and discussed at senior managers' level to ensure proper implementation. Investment in IT and related infrastructure is given priority at the Board level. All third party supplied hardware and software are covered by maintenance agreements
Funding and Liquidity Risk	
<ul style="list-style-type: none"> Business could be impacted badly if we are unable to source adequate funds for ongoing business operations, the expansion projects and also for other investments. 	<ul style="list-style-type: none"> The Group finances its operations by a combination of retained earnings and via long term and short term borrowings. Borrowings are controlled within the authorised capital structure and Weighted Average Cost of Capital is maintained at lowest level as possible. The Group has established banking facilities with all major banks and financial institutions to obtain fund as and when required. The Group owns land and buildings which can be offered as collateral for future funding requirements if necessary.

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

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 comprises three members who are non-executive Directors who are deemed independent. The Chairman of the Audit Committee is a Fellow of the Institute of Chartered Accountants of Sri Lanka. The composition of the members of the Audit Committee satisfies the criteria as specified in the Standards on Corporate Governance for listed companies.

The Members of the Audit Committee:

Name / Independence

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

Mr. Sunil Mendis - Independent

Mr. E A D Perera - Independent

The procedure in place is for the Head of Risk Management & Compliance and Group Financial Controller (GFC) to attend all meetings when scheduled and for the Managing Director to attend Audit Committee meetings as and when requested to do so by the Audit Committee. The Company Secretary acts as the Secretary to the Committee.

Meetings

The Audit Committee met twice during the year, with the Auditors of the Company also in attendance. Both meetings were also attended by the Managing Director of the Company, with the participation of key members of the Risk Management, Finance and IT, divisions. Additional meetings may be called for as required.

Scope

The oversight function of (a) the preparation, presentation and adequacy of disclosures in the quarterly and annual financial statements of the Company, in accordance with Sri Lanka Accounting Standards including the adoption of new Sri Lanka Accounting Standards (SLFRS/LKAS) and (b) the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements, was duly performed and the Audit Committee reviewed the year-end and Quarterly financial statements and recommended their adoption to the Board. In all instances, the Audit Committee obtained a declaration from the GFC stating that the respective financial statements are in conformity with the applicable accounting standards, company law and other statutes including corporate governance rules and that the presentation of such financial statements are consistent with those of the previous quarter or year as the case may be, and further states any departures from financial reporting, statutory requirements and Group policies, (if

any). Quarterly Compliance Certificates are also obtained from the Finance, Legal, and Secretarial divisions of the Company on a standardized exception reporting format perfected by the Audit Committee, stating any instances (where applicable) of, and reasons for, non-compliance.

The oversight function over the processes to ensure that the Company's internal controls and risk management, are adequate, to meet the requirements of the Sri Lanka Auditing Standards was reviewed covering (a) the business risk management processes and procedures adopted by the Company, to manage and mitigate the effects of such risks and measures taken to minimize the impact of such risks, (b) the internal audit plan and monitoring the performance of the internal audit department and adherence to the internal audit plan and (c) the internal audit reports and monitoring follow up action by the management. The Audit Committee assessed the independence and performance of the Company's External Auditors and made recommendations to the Board pertaining to appointment/ re-appointment. The Audit Committee also reviewed the audit fees for the Company and approved the remuneration and terms of engagement of the External Auditors and made recommendations to the Board. When doing so, the Audit Committee reviewed the type and quantum of non-audit services (if any) provided by the External Auditors to the Company to ensure that their independence as Auditors has not been impaired. The Audit Committee obtains an 'Auditor's Statement' from Messrs. KPMG confirming independence as required by Section 163 (3) of the Companies Act No.07 of 2007 on the audit of the statement of financial position and the related statements of profit or loss and other comprehensive income, statements of changes in equity, and statements of 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 2016.

(Signed)

A T P Edirisinghe FCMA, FCA,
Chairman - Audit Committee

7th July 2015

Remuneration Committee Report

The Remuneration Committee of Cargills (Ceylon) PLC consists of two Non – Executive Directors – Messrs. Sunil Mendis (Chairman), and A T P Edirisinghe. The Chairman, Deputy Chairman & CEO, and the Managing Director may also be invited to join in the deliberations as required. Mr. Jayantha Dhanapala was also a member of the Company's Remuneration Committee until his resignation from the Company's Board on 12th January 2015.

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

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

(Signed)

Sunil Mendis

Chairman Remuneration - Committee

7th July 2015

“When you buy more local
fruits and vegetables
you reward
children like me
with scholarships”

Kuhapriyan Sivanatharasa - Alavetti



**Every time you purchase fruits and vegetables at Cargills
you help us strengthen the farming community**

We contribute 50 cents for every kilogram of fruits and vegetables
to the Cargills Saru Bima Fund. On a daily basis we buy 80,000 kg

Grow happiness, nurture smiles



FoodCity and consume Cargills brands,

as well as every litre of milk we purchase from local farmers
kilograms of fruits and vegetables and 90,000 litres of milk.

www.cargillsceylon.com



My Company. My Country.

Sustainability Report

Our Approach to Sustainability

Management Commitment and Approach

From our inception as a wholesale and retail business in 1844 and throughout our evolution to emerge as a strong player in Sri Lanka's Food and Beverage industry we remain grounded in a culture of trust and respect, this remains the standard by which we do business. We operate with integrity and accountability. We are committed to serving consumers in a responsible way; reducing our environmental impact; and improving the communities where we live and work. We are passionate about our goal to be a leader in nourishing people and operating responsibly across the agricultural, food, industrial and financial markets we serve.

Nourishing people

The breadth and scope of our business gives us an unparalleled view – and with that broad perspective comes responsibility. We are committed to nourishing our growing population while protecting the environment. We continue to find new ways to help farmers produce more food more sustainably and to develop more efficient methods of moving food from times and places of surplus to times and places of deficit. We know that with the talents and conviction of our employees, we can help meet the challenge of ensuring all people have access to safe, nutritious and affordable food.

Operating responsibly

We focus on meeting today's needs without impairing the world's capacity to serve future generations. Our responsibility extends beyond our own operations to the suppliers, partners and other stakeholders in our supply chains. A responsible supply chain respects people and human rights; produces safe and wholesome food; treats animals humanely; promotes the best, most responsible agricultural practices; and reduces environmental impact, including protecting the land and conserving scarce resources. Achieving this will require collaboration with all stakeholders across developed and emerging markets. We strive to demonstrate measurable progress against the supply chain issues that we can control and those we can influence.

Following our Guiding Principles

Adhering to high standards of business conduct has been important to Cargills since our founding. We are governed by a Code of Conduct, which is grounded by a strong set of values and ethics that are passed down through more than a century and a half of business and community engagement.

We know our ability to grow as a company depends on the way we treat people, how we enrich our communities and how well we serve our customers. Through the efforts of our employees, Cargills will grow profitably and grow responsibly to meet the needs of a diverse, expanding and interconnected world.

Impacts, Risks and Opportunities

Sustainability is central to Cargills' business philosophy. The management takes business decisions considering their impact on various stakeholders and the long term perspective of the Company. The Company has put into place robust mechanisms for identifying relevant sustainability issues and addressing them in a logical, structured and institutionalized manner.

Refer Risk Management Report - Page 44 to 49.

Report parameters

Reporting period

The content of this report falls within the period 1st April 2014 to 31st March 2015

Date of previous report

31st March 2014

Reporting cycle

We adopt an annual reporting cycle

Report scope and boundary

Process for defining report content

The Audited Accounts were prepared in accordance with the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards and have been audited by M/s KPMG.

Boundary of the report

The report adopts the Triple Bottom Line format with information and data provided in terms of Economic, Environmental and Social perspectives.

Data measurement techniques and bases of calculations including assumptions

Data on Economic performance is prepared from Group audited accounts, Data on Environmental and Safety Issues has been compiled from actual operating data maintained by the various businesses, factories and units of the Group. Data on Social Responsibility was obtained on-site.

We know our ability to grow as a company depends on the way we treat people, how we enrich our communities and how well we serve our customers.

Commitments to external initiatives & Memberships in Associations

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

Stakeholder Engagement

We recognize internal and external stakeholder engagement can help better define our business strategy; sharpen our decision-making; and enhance our company's economic, environmental, and social performance. Accordingly, we (1) seek to understand the perspectives and needs of our stakeholders, (2) set expectations for areas of mutual concern, (3) act upon these expectations, and (4) ensure our stakeholders remain informed of our progress.

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

- Team members and prospective team members
- Shareholders and potential investors
- The Board of Directors
- Customers and consumers
- Local, state, and federal government agencies
- Non-governmental organizations
- Local community members and leaders
- The media
- Suppliers, independent producers, and other business partners
- Wholly-owned subsidiaries and joint ventures
- Multicultural organizations, academia, and industry associations

Responsible to our Planet

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

Green Business

The primary objectives that drive the Cargills Green Business is to reduce, re-use and recycle energy, plastics, water and all other natural resources that we use in our day to day business practice.

Through the 'Green Business' programme Cargills is committed to minimizing its environmental impacts throughout our entire supply chain, from the farm to the trolley. Cargills is also committed to a role of environmental leadership in all facets of our business.



All manufacturing facilities set annual targets and objectives to reduce the per unit consumption of water and energy as well as to manage the generation of solid and liquid waste towards minimizing environmental pollution and to avoid all possible hazards. The goals and objectives as well as achievement of targets for the year concluded have been outlined in Table 1.

Energy Management

The Group has focused on energy conservation initiatives practiced at business unit level which includes the monitoring of energy, use of energy efficient lighting and equipment and utilization of renewable energy sources.

The Group's primary energy source is the National Grid while the Retail sector is the highest consumer of the same. The Group measures its consumption based on logs maintained at each business unit, bills received from utility providers and ledger entries.

Sustainability Report contd.

Biodiversity

The Group is committed to conserving bio diversity and wherever possible enhancing it through adherence to local and Government laws while also adhering to best practices related to conservation and protection. The Group has identified one location as an area of high biodiversity and large scale development has not been planned for the site in view of its environmental sensitivity.

Emissions, Effluents and Waste

The Group's production plants have comprehensive environment management systems that enable individual plants to monitor emissions, effluents and waste. Reporting systems are now being put in place to streamline data and analyse the overall environmental impact in terms of emissions effluents and waste.

Environment Assessment Summary

Focus Area	Deliverables for year 2014/15	Comment on Progress
Energy Management	Improve the efficiency of refrigeration.	<ul style="list-style-type: none"> Replacement of Infill to increase the cooling tower efficiency. (In progress) Installation of new cooling tower. (done) Repair the blast freezer – (2) high pressure line. (done)
	Efficient use of chillers & freezers.	<ul style="list-style-type: none"> Control the movements through chillers & freezers.(done) Rearrange the storage in freezers in effective manner. (done)
	Reduce energy consumption per production unit.	<ul style="list-style-type: none"> Expand the bank by adding capacitors for power factor correction. (done) LED lighting in cold room. (done) Direct cooling tanks in milk chilling centres.
Water Management	Efficient use of potable water in production.	<ul style="list-style-type: none"> Setting departmental wise water usage targets. (done) Display graphical presentation of water set targets vs. current usage in each departments. (done) Analyze the water usage in each departments. (done) Identifying high water consuming points. (done)
	Introducing high pressure water nozzles.	(done)
	Efficient use of effluent water for gardening using	In progress.
	Reduce the water usage.	<ul style="list-style-type: none"> Conducting training programs to minimize the over water usage. (done) Installation of bath showers having efficient water usage for employees' bath rooms. (done) Install the controlling system for Shower system. (done)
Waste Management	Recycling of wasted packing materials through out sourced company.	In progress.
	Recycling of CFL & fluorescent tube bulbs through out sourced company.	In progress.
	Use of plant residues as mulch around the forestry plants.	Done.
	Implement 5S programme. Better waste management system.	In Progress.
	Waste water management.	Installed water management system at milk collection centers.

Responsibility to our Customers

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

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

Managing Food Safety and Quality

Cargills approach to food safety and quality is comprehensive, preventive, and proactive. We implement controls and measures at every level to make sure our products are second-to-none in food safety and quality. We assess our products for improvement during product research and development, manufacturing and production, marketing and promotion, storage and distribution, and use. We believe this approach helps guarantee the safety and quality of our products from the farm all the way to the point of consumption

At the Farm

Cargills is engaged in every aspect of its supply chain to ensure only the best products of highest nutrition and quality reach our retail outlets and manufacturing units. Our advanced post-harvest technologies ensure that all fresh produce reach customers at optimum levels of freshness with minimal wastage. The waste within our supply chain is as little as 3-4% while national post-harvest losses are as much as 30%. This helps Cargills give customers the best choice in quality, nutrition and affordability.

Systematic Management Approach

In addition to governmental regulatory requirements, we have developed our own highly integrated policies, procedures, controls, and good manufacturing practices designed to ensure the safety and quality of our food products. Our system often extends beyond regulatory requirements to address such issues as facility sanitation, team member training, personal hygiene, product handling, food protection, foreign material

prevention, product quality, storage, and transportation. All our manufacturing plants are accredited with ISO 9001:2000 for Quality Management, ISO 14001:2004 for Environment Management and ISO 22000: 2005 for Food Safety Management as well as SLS standards.

An audit of the Retail sector has been commenced with a view to comply with ISO14001 and OHSAS 18001 standards over a period of one year from the completion of the said audit.

Research, Development and Innovation

Cargills is dedicated to developing a best-in-class, value-added product portfolio that meets the needs of today's changing market. By applying in-depth understanding of consumer and customer needs, analytical skills, and strategic thinking, we are positioned at the forefront of product innovation. We will continue to demonstrate our commitment to research and development by creating new and relevant food solutions for years to come.



Promoting National Nutrition and Wellness

As Sri Lanka's foremost food retailing and fast moving consumer goods business, Cargills is conscious of its role in facilitating affordable nutrition for all Sri Lankans. While our research and development initiatives help us develop more nutritious products our sustainable supply chain ensures these products reach every part of Sri Lanka safely and at an affordable price. Our direct links with farming communities and entrepreneurs provide us the strength to bring essential commodities to consumers minus the intermediary costs. This is why our products at our retail outlets and from our manufacturing facilities are of better quality and are more affordable.

Sustainability Report contd.



Management System Approach

The Group's management approach is to develop and market products and services that meet the highest quality standards which ensure customer health and safety, relevant product and services labelling, ethical marketing and communication. Towards this end the Group adheres to the Food Act No 26 of 1980 and the regulations pertaining to Food (Labelling and Advertising) Regulations of 2005 and the Consumer Affairs Authority Act No 9 of 2003, while our Food manufacturing facilities have obtained ISO 9001, 14001 and 22000 as well as SLS Standards certifications.

Responsibility to Our Team

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

Nurturing an Exceptional Team

Cargills is committed to attracting, developing and retaining a group of talented team members and to creating a workplace that allows each team member to contribute to the collective success of our company. Our programs and initiatives related to employment practices, compensation and benefits, talent management, diversity and inclusion, and team member relations are important to fulfilling this commitment, especially in today's challenging economic climate.

Employment Type – Gender	Number
Male	4409
Female	3417
Total	7826

Our Team Members

Cargills provides employment to 7826 persons at 31st March 2015. We are committed to providing a good working environment and to retaining our Team Members through competitive wages, fair treatment, training, benefits, and safe working conditions. We recognize that the nature of our industry and the changing external environment means that retention of our team is a foremost challenge. This is a challenge that we seek to address by providing inspiration and motivation to our Team Members about their work, their contributions, and their company's role in partnering the development of Sri Lanka and its people.

Service Analysis (Years)	Number
0 - 5	5693
6 - 10	1281
11 - 15	546
16 - 20	192
More than 20	114
Total	7826

Diversity and Opportunity

At the heart of the Cargills culture is the desire to embrace our differences and make connections across business units, at every location in every district across the island - so that each employee can reach their full potential. Our multi-cultural work environment is warm and equitable ensuring that each member of our team is valued for their capabilities and respected for who they are. We strive to create a happy and focused work atmosphere that celebrates the team and encourages innovation.

Our goal is to provide a workplace where all employees can thrive and grow - A workplace where employees feel included, safe and are given the opportunities to make valuable contributions to Cargills and thereby partner the progress of Sri Lanka.

In the year concluded Cargills provided employment to 02 physically challenged persons while employing hundreds of war-affected widows from the Northern region. The widows were recruited by making an exception to the standard recruitment policy of the Company in terms of the age limit. The move was made in view of our responsibility as a leading corporate to create livelihood opportunities where it is needed the most while not compromising on the commercial priorities of the businesses.

Our goal is to provide a workplace where all employees can thrive and grow - A workplace where employees feel included, safe and are given the opportunities to make valuable contributions to Cargills and thereby partner the progress of Sri Lanka.

Company Policy on Recruitment, Selection & Placement

It is the company policy to recruit candidates as per the manpower requirements derived through a focused and organized Human Resources plan. All candidates will be impartially assessed on objective criterion notwithstanding of the race, gender, ethnicity, religion, language, or civil status as an Equal Employment Opportunity provider. Canvassing would be a disqualification, where priority will be given for the talented, qualified applicants with a good track record.

Applicants under the age of 18 years are not deployed in any area of operation.

Health and Safety of Our Team

Management System Approach

All Cargills manufacturing facilities have implemented Environmental, Health, and Safety Management Systems in line with statutory and ISO requirements. The health and safety aspect of this system fulfills the requirements set forth in international occupational health and safety management system specifications. As such, each facility has developed and implemented procedures and controls regarding health and safety. In the year concluded training on Occupational Health & Safety modules was carried out as part of the regular and continuous training curriculum and calendar.

Policy on Health & Safety

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

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

- i. The provision and maintenance of machinery, equipment and work system to be safe and healthy.
- ii. Arrangements for ensuring safety and eliminating risks to safety and health in connection with use, handling, storage and transport of articles and substances.
- iii. The provisions of such information, training and supervision to ensure the health and safety at work of employees and others.
- iv. The control of the place of work maintaining it in a safe condition.
- v. The provision of a safe means of access and egress from the place of work.
- vi. Taking measures in preventing all health and safety hazards at work for all.
- vii. Ensuring health and safety instructions are strictly adhered to by all employees

Training and Development

Our non-profit training arm the Albert A. Page Institute (AAPI) of Food Business provides training and development opportunities for youth in the system as well as from regional parts of Sri Lanka as part of the Group's CSR initiatives. AAPI collaborates with civil society partners to identify and train young men and women who lack the necessary skills-sets to gain employment in the private sector. Many go on to be a part of Team Cargills.



Sustainability Report contd.

Albert A. Page Institute of Food Business

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

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

Independent Grocers Alliance Online Training

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

In the year concluded the following training scopes were covered through internal and external boot camps.

- Comprehensive Retail skills through IGA (International Grocers Alliance)
- Future Leaders development
- Awareness program on Dengue prevention
- Personality development
- GMP Training Program/Workshop on Good Manufacturing practices
- SGSFSSC Lead Auditor Training Program
- Training Seminar on ' Safety in Chemical and Microbiological Laboratories" - Industrial Technology Institute - CAF/CQD
- Food, food labeling regulations
- Energy Efficiency
- HR Team dynamics
- Finance: Reporting, governance, taxation, customs, risk management, Information Systems Security, Control & Audit, Exchange Control Regulations
- Marketing strategy
- Advanced Management

During the year 117 received IGA certification. In addition 19 selected assistant pharmacists who are from challenging financial backgrounds were granted scholarships towards following the external pharmacy exam to become registered pharmacists in Sri Lanka through exams conducted by the Sri Lanka Medical Council.

Policy on Human Resource Development

Cargills' endeavours in developing a talented work force equipped with the modern knowledge and competencies along with a proper mindset to cope up with the emerging business challenges and to gain a competitive advantage.

The company encourages a learning environment, by stimulating integrated thinking, personal mastery, mental models, shared vision and team learning. The company facilitates training opportunities to employees by continuously examining the training needs. Simultaneously, the employees are encouraged and motivated to point out to the areas where they require training to enhance their overall performance.

Employee Voluntarism

Cargills supports our employees to help build vibrant and stable communities where we live and work. We encourage employee volunteerism and leveraging of individual expertise to collaborate with the community towards its development and enhancement.

Our company founders believed a reputation for integrity was a key business differentiator. Cargills has earned and maintained a reputation for ethical business conduct ever since.

All Business Units engage in localized philanthropic activities on a volunteer basis specially targeting the Vesak and Posen periods. Accordingly 'Dansel', blood donation campaigns, giving alms to elderly and children's homes and releasing of cattle from slaughter were initiated by employees at their respective locations of duty.

Responsible to our Community

Our continued success depends on our strong foundation of Values and Ethics.

Responsible Business Practices

Our company founders believed a reputation for integrity was a key business differentiator. Cargills has earned and maintained a reputation for ethical business conduct ever since. Our business conduct is governed by a commitment to transparency and good governance. Cargills being a responsible corporate citizen complies with all governing laws and regulations and requires that every member of its team adheres to the law of the land and to internal rules and regulations.

Non-discrimination

The Group does not tolerate any incidents of discrimination based on gender, age, ethnicity, religion or due to any other social or cultural differences. There have been no incidents of discrimination reported during the year.

Freedom of association and collective bargaining

The Company does not curtail the freedom of association of employees. Management has allowed employees to get membership in trade unions, and the management is committed for discussions and negotiations with the employees who are unionized. Further open door policy is encouraged. There are two unions under which three companies have been unionized.

Human rights and child labour

As part of this ongoing commitment the Group advocates and upholds decent work practices and human rights. Cargills does not engage child labour and does not employ any person under the age of 18 years at our workplaces. This is inbuilt into the policies and procedures of the Group.

Forced and compulsory labour

The Company does not deploy forced or compulsory labour. With regard to training where training costs are substantial, employees are made aware of the importance of serving the organization for a reasonable period in view of the valuable training received. Employees who work beyond their allotted hours are duly compensated by means of overtime and also supported with meals and transport in compliance with applicable laws and industry practices.

Harassment

It is the Cargills policy to maintain a workplace free of sexual harassment, including unwelcome sexual advances, intimidation and other action that create a hostile or offensive environment. Further no employees may condone or take any action which fosters or creates a hostile environment for colleagues.

Anti-Corruption

Cargills upholds the distinction of being among the most respected Corporate Citizens in the country and therefore places the highest value on ethical business and has a zero-tolerance policy towards bribery and corruption.

Cargills is committed to not paying or receiving bribes and not participating in any other unethical, fraudulent or corrupt practice. The Group is dedicated to honoring all business obligations that we undertake with absolute integrity and maintain our business records in a manner that accurately reflects the true nature of our business transactions. All executives are bound by the signed code of conduct to not accept or offer any form of bribe or gift that may be construed as a bribe. Executives are also issued official memorandums in this regard during festive seasons to mitigate any risks and clarify any doubt pertaining to accepting gifts from suppliers.

Sustainability Report contd.

Insider trading

Trading company's shares or other securities by individuals who have access to information which are not publicly available is strictly prohibited as it can potentially affect the Cargills share price and future businesses. Non-compliance may not only entail disciplinary sanctions, but also result in criminal charges.

Governing laws

Employees are individually and collectively obliged to ensure that Cargills business is conducted in full compliance with all applicable laws and regulations of the country.

Responsible to our partners

Working directly with our partners to overcome challenges, providing knowledge and resources to help them succeed
Our focus on rural development involves our direct investment in and engagement with the agriculture sector. Our investments have improved livelihoods for rural Sri Lankans in economically meaningful, environmentally sustainable and socially responsible ways. Today we are a global role model in corporate driven rural development. Each year, Cargills works directly with thousands of farmers and small scale entrepreneurs to help increase their productivity, thereby helping to raise their standard of living and increase our access to quality raw materials.

In 2014/15 Cargills enhanced its vegetable and fruit collection from farmer communities to 30 Mn Kg returning Rs 2.17 Bn. as revenue directly generated to small holder vegetables and fruit farmers connected to our collection centres in Nuwaraeliya, Bandarawela, Boralanda, Alaveddy- Jaffna, Thanamalwila, Thambuththegama, Ruwalwala, Norochchola, Kilinochchi, Hanguranketha and Wattala.

In the year concluded the Group's milk collection reached 29.3 Mn litres sourced from 27 chilling centres that connect to over 15000 dairy farmers who have achieved cumulative revenue of Rs. 2.1 Bn. during the year.

Sustainable Agribusiness

Cargills Sarubima

Cargills through its direct sourcing of fresh produce from agriculture communities is well integrated with agriculture communities. Our team works directly with over 10000 farmers to overcome challenges, providing knowledge and resources to help farmers succeed. Across Sri Lanka thousands of farmers have participated in Cargills productivity and product quality enhancing programs. Through this process we have introduced advanced post-harvest practices to farmers thereby reducing wastage from handling and transport.



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

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

In 2014/15 the 50 cents fund reached a scale of over Rs. 10 Mn. where in over 200 scholarships could be provided to students covering University education, professional qualifications as well as Advanced Level and Grade 5 students.

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



Save Our Soil

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

The project functions under the theme, "Correct use of Agriculture inputs towards a prosperous and healthy nation". The 'Save Our Soil' project aims to contribute towards the protection of Sri Lanka's soil and water resources and enhance agriculture

Today Cargills Sarubima fund, it provides scholarships for needy children from the community, resources for learning and advancement, farmer insurance and meets community infrastructure needs.

productivity through the prudent use of agriculture inputs by educating the farming community. To date more than 300 farmers have been trained and their land tested to determine optimum levels of input usage. In 2015 Cargills will take SOS to 1000 farmers in its network.

Farmer Citizens

Cargills went a step further to recognize Farmer Citizens from among agriculture and dairy farmer communities. Farmers were selected on the basis of their contribution to agriculture, sustainable agriculture practices in line with SOS, contribution to and leadership in the community etc. In addition 500 insurance policies were granted to farmers.



Sustainability Report contd.

The following selection criteria was followed in short listing the winners. The process was initiated by an independent body and invigilated by an international financial body.

	Attribute	Weight	Score on a 1 to 10 scale on these parameters
A	Good Farmer		
A1	Eco Friendly Preparation to be organic. Attempts to eliminate chemical usages. Experiences on traditional seeds.	05	Willingness to minimize chemicals. Whether they have tried any traditional seeds.
A2	Sustainability Duration as a Farmer. Crop diversification. Risk mitigation. Practicing a crop calendar.	05	Minimum 10 years. Crop diversification, Readiness or methods followed to manage environmental hazards (droughts, heavy rains, pests). Knowledge and practice on the appropriate crop calendar.
A3	Resource Optimization Water management. Land usage. Methods of using the excess harvest. Methods of minimizing wastages. Prevention of soil erosion.	10	By products, Making animal food. When plucking, packing, transporting. Land preparation methods.
A4	Innovations Introducing their own methods for pest controlling. Using traditional methods of pest controlling.	05	Innovative techniques.
A5	Cost minimization Cost benefit analysis. Income sustainability.	03	Efforts that have taken to increase the profit. Ratio of Inputs and outputs. Animal husbandry and using excess harvest or by products for animal food.
B	Good Citizen		
B1	Attitudinal	07	The feeling and the approach towards farming (not having negativity and being positive to what s/he is doing.
B2	Role in the community Caring for the villagers. Job opportunities that have created. Memberships in the village Societies/Clubs. Willingness to introduce farming to others.	10	Donations for the religious places, donations for people who need food/vegetables. Seasonal or permanent. Saving/Farming/Sports/Mutual helping. How many have followed him/her? To how many villagers s/he has introduced the farming?
B3	Encouraging community harmony	05	What kind of decisions have taken by talking to adjoining farmers; which have positive impact on the farming community.



The 2014/15 Cargills Sarubima awards ceremony was held under the patronage of H.E. The President Maithreepala Sirisena at the BMICH, Colombo on 19th April 2015.

Sarubima is a word that is closely associated with agriculture. If the soil is not rich and fertile we cannot reap a rich harvest from that soil. Therefore in sustainable agriculture farmers take care of the soil, nurture it and conserve it for future generations. The focus is not simply about today and now but rather about a time beyond that, beyond the lifetime of people who use the soil today.

The association Cargills has with the agriculture community is very similar to the relationship between the good farmer and his land, his soil.

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

We are also working with them to preserve and conserve the soil resource so that the food security of future generations and the farmer livelihoods of the future are both protected.

Cargills is therefore literally and metaphorically nurturing our good earth, our future with a vision that will bear fruit well beyond the lifetime of the present generation. Cargills Sarubima is our good earth where we sow the seeds of our hopes and aspirations for our farmers and their children. The harvest of Sarubima will continue to reap into future and will have a multiplier impact across communities and people.

Economic Performance

Cargills is committed to delivering sustainable economic performance and growth to all its stakeholders. By conducting our businesses in a sustainable and socially responsible manner Cargills provides both financial and non-financial value to our shareholders, business partners, employees, customers and local communities.

The Economic Value statement reported in page 143 depicts the generation of wealth and its distribution among the stakeholders by acting responsibly in all our business activities and social engagements across our value chain. It includes economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. It also indicates the re-investments for the replacement of assets and amounts retained for growth and development of the operation. The direct economic value generated by the Group is Rs. 13.7 Bn.

Sustainability Report contd.

Cargills Sarubima Farmer Citizens Award Winners 2014/15



D M Heenbandara



H A Piyasena



J M Dayarathna



K Basnayaka



K G S Rathnayaka



K M G Abesinghe Banda



K M Sampath Kodikara



K Suneetha



L K Bertu



M G R M Fernando



M M Ananda



M S Wickramasinghe



P Tharamakulasingham



Prasanna Asiri Waduge



S A Sasika Pushpakumara



S Kanagalingam



S Premkumar



W M A U Samarakoon



KIST

Crystal Clear Mountain Water

knuckle

Bottled a

Water

A QUALITY **Cargills** PRODUCT





S

t source



Financial Reports

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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 31st March 2015 which were approved by the Board of Directors on 7th July 2015.

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 except for the disposal of wholly owned subsidiary Millers Brewery Limited completed on 30th October 2014.

The Group:

- a) Operates a chain of supermarkets and convenience stores.
- b) Distributes world renowned brands of beverages and other FMCG products.
- c) Manufactures/produces/processes and markets processed meats, dairy ice cream, yoghurt, cheese, milk, jams, cordials, sauces, biscuits and beverages.
- d) Operates the 'Kentucky Fried Chicken' and 'TGIF' franchise restaurants in Sri Lanka.
- e) Operates a Hotel in the hill-country.
- f) Operated a chain of photo processing outlets and effective from 31st March 2015, Millers Limited discontinued operating Digital Imaging Centres that provide retail photographic printing solutions.

Financial Statements

The audited financial statements comprising the Statements of Profit or Loss and Other Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity, Statements of Cash Flow and Notes to the Financial Statements of the Company and the Group for the financial year ended 31st March 2015 given on pages 77 to 142 form an integral part of the Annual Report of the Board.

Auditors' Report

The auditors' report is set out on page 76.

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

Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on the pages 83 to 98.

Results and Dividends

For the year ended 31st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Profit for the year after taxation amounted to	599,978	649,560	72,343	823,004
After deducting the amount attributable to non controlling interest of	(23,799)	(6,967)	-	-
The profit attributable to shareholders was	576,179	642,593	72,343	823,004
To which profit brought forward from previous year is added	4,548,548	4,388,827	3,066,191	2,746,665
Adjustment resulted in increase of subsidiary share holdings	(63,129)	(84,764)	-	-
Other comprehensive income	(28,563)	49,892	(15,242)	(55,478)
Transfer to general reserve	-	-	-	-
Change in ownership interest that do not result in loss of control	2,216,160	-	-	-
Transfer from revaluation reserve of subsidiary disposed	84,521	-	-	-
Transfer from revaluation reserve	-	-	2,539,559	-
Equity accounted investee share of Goodwill on change	(316)	-	-	-
Leaving an amount available to the Company for appropriation of	7,333,400	4,996,548	5,662,851	3,514,191

From which your directors have made appropriation as follows:

Dividend paid for the year ended 31st March 2014

Final Rs. 1.30 per share applicable to Financial Year 2012/13	-	291,200	-	291,200
Interim 70 Cents per share for Financial Year 2013/14	-	156,800	-	156,800

Dividend paid for the year ended 31st March 2015

Final Rs. 1.30 per share applicable to Financial Year 2013/14	291,200	-	291,200	-
Interim 70 Cents per share for Financial Year 2014/15	156,800	-	156,800	-
Leaving an unappropriated balance to be carried forward of	6,885,400	4,548,548	5,214,851	3,066,191

An interim dividend of 70 cents per share (Rs. 156.80 Mn) was paid on 27th February 2015 for the year ended 31st March 2015. A final dividend of Rs. 1.30 per share (Rs. 291.20 Mn) is proposed for the year ended 31st March 2015. This will be reflected in the subsequent year's financial statements. (refer note 12 to the financial statements on page 107)

Reserves

After the above mentioned appropriations, the total reserves of the Group stands at Rs. 12,412 Mn (2014 – Rs. 12,133 Mn), while the total reserves of the Company stand at Rs. 9,003 Mn. (2014 - Rs. 9,393 Mn).

Stated Capital

Stated Capital of the company as at 31st March 2015 was Rs.131 Mn. The detail of the stated capital is given in note 22 to the financial statements on page 119.

Capital Expenditure

The Group's capital outlay on property, plant and equipment amounted to Rs. 1,788 Mn (2014 - Rs. 3,335 Mn) while the capital outlay of the Company on property, plant and equipment amounted to Rs. 33.3 Mn (2014 - Rs. 794.5 Mn). Details are given in note 13 to the financial statements on pages 107 and 108.

The movement of property, plant and equipment during the year is given in note 13 to the financial statements on pages 107 and 108.

Investment Property

The carrying value of land and building classified as investment property of the Company and the Group as at 31st March 2015 amounted to Rs. 4,856 Mn and Rs. 3,491 Mn respectively. Details of investment property held by the Group and the company are disclosed in note 14 to the Financial Statements.

Market Value of Properties

The land and buildings of the group were revalued as at 31st March 2013. Details are given in note 13 to the financial statements on pages 107 and 108. 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 145 in the financial statements.

Shareholdings

The Company is a subsidiary of C T Holdings PLC and there were 1,901 registered shareholders as at 31st March 2015 (31st March 2014 - 1,945).

An analysis of shareholdings according to the size of holding and the names of the 20 largest shareholders is given on page 146 and 147.

Directorate

The Directors listed on the inner back cover have been directors of the company throughout the year under review, except for Mr. Jayantha Dhanapala who resigned w.e.f. 12th January 2015 following his appointment as senior advisor on foreign relations to the President of Sri Lanka.

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

Mr. Sunil Mendis too is due to retire in terms of Section 210 (2) (b) of the Companies Act No. 7 of 2007 having attained the age of seventy one years, and offers himself for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 7 of 2007.

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

Directors' Remuneration

The remuneration of the directors is given in note 37.1 on page 133 to the consolidated financial statements.

Directors' Interests in Contracts

Directors' interests in transactions of the company are disclosed in note 37.2 to the financial statements on pages 133 to 134 and have been declared at meetings of the directors. The directors have had no direct or indirect interest in any other contracts in relation to the business of the company.

Interests Register

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

Directors' shareholdings

The Directors' shareholdings in the Company were as follows:

As at 31st March	2015	2014
Mr. L R Page	36,760	36,760
Mr. V R Page	14,443,900	14,403,900
Mr. M I Abdul Wahid	4,000	4,000
Mr S V Kodikara	124,000	124,000
Mr. P S Mathavan	500	500
Mr. A T P Edirisinghe	50,000	50,000
Mr. S E C Gardiner	20,000	20,000
Mr. Sunil Mendis	20,000	20,000
Mr. Anthony A Page	276,157	276,157
Mr. J C Page	1,255,000	1,705,500
Mr. E A D Perera	10,000	10,000

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

Donations

During the year donations amounting to Rs. 46,616 were made by the Company.

Auditors

Messrs. KPMG are deemed re-appointed as Auditors at the Annual General Meeting of the company in terms of Section 158 of the Companies Act No. 07 of 2007. The directors have been authorized to determine the remuneration of the Auditors and the fee paid to the Auditors are disclosed in note 8 to the financial statements on page 100. As far as the directors are aware, the auditors do not have any relationship (other than that of an auditor) with the company or any of its subsidiaries other than those disclosed in the above note.

Events after the Reporting period

Events after the Reporting period of the Company are given in note 36 to the financial statements on page 132.

Statutory Payments

All statutory payments due to the Government of Sri Lanka and on behalf of employees have been made or accrued for the reporting date.

Future Developments

The Chairman's message describes the future developments of the group.

Environmental Protection

After making adequate enquiries from the management, the directors are satisfied that the company and its subsidiaries operate in a manner that minimizes the detrimental effect on

the environment and provide products and services that have a beneficial effect on the customers and the communities within which the Group operates.

Going Concern

The directors have adopted the Going Concern Basis in preparing these financial statements. After making enquiries from the management, the directors are satisfied that the group has adequate resources to continue its operations in the foreseeable future.

For and on behalf of the Board

(Signed)
M I Abdul Wahid
(Managing Director/Deputy CEO)

(Signed)
S V Kodikara
Director

(Signed)
S L W Dissanayake
(Company Secretary)

7th July 2015

Statement of Directors' Responsibilities

The Companies Act No. 7 of 2007 places the responsibility on the Directors to prepare and present financial statements for each year comprising a Statement of Financial Position as at year end date and Statements of Profit or Loss and Other Comprehensive Income, Cash Flows Statement and Statement of Changes in Equity for the year together with the accounting policies and explanatory notes. The responsibility of the auditors with regard to these financial statements, which differ from that of the Directors, is set out in the Auditors' report on page 76.

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

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

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

The Directors are responsible for the proper management of the resources of the Company and of the Group. The internal control system has been designed and implemented to obtain reasonable but not absolute assurance that the Company and the Group is protected from undue risks, frauds and other irregularities. The Directors are satisfied that the control procedures operated effectively during the year.

The Directors are required to provide the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary to carry out their responsibilities. The responsibility of the Independent Auditors in relation to the financial statements is set out in the Independent Auditors' Report.

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made up to date or have been provided for in these financial statements.

By order of the Board

(Signed)
S L W Dissanayake
Company Secretary

7th July 2015

Independent Auditors' Report



KPMG
(Chartered Accountants)
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Colombo 00300,
Sri Lanka.

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TO THE SHAREHOLDERS OF CARGILLS (CEYLON) PLC Report on the Financial Statements

We have audited the accompanying financial statements of Cargills (Ceylon) PLC, ("the Company"), and the consolidated financial statements of the Company and its Subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2015, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 77 to 142 of the annual report.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - The financial statements of the Company, give a true and fair view of its financial position as at March 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 7 of 2007.

(Signed)
CHARTERED ACCOUNTANTS
Colombo
7th July 2015

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

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

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Note	Group		Company	
		2015 Rs. '000	2014 Rs. '000 Restated	2015 Rs. '000	2014 Rs. '000
Continuing operations					
Revenue	4	61,631,285	56,145,177	153,075	28,146,131
Cost of sales	5	(55,983,822)	(50,035,149)	(145,038)	(26,710,042)
Gross profit		5,647,463	6,110,028	8,037	1,436,089
Other income	6	1,426,917	1,190,705	2,039,546	1,736,753
Distribution expenses		(2,040,965)	(1,636,915)	(21,892)	(156,758)
Administrative expenses		(2,895,856)	(2,467,733)	(612,228)	(980,397)
Other expenses		(565,771)	(695,416)	(875,292)	(456,979)
Results from operating activities		1,571,788	2,500,669	538,171	1,578,708
Net finance cost	7	(832,127)	(1,198,378)	(491,733)	(1,095,759)
Changes in fair value of investment property	14	65,190	304,906	97,836	421,606
Share of loss of equity accounted investees (net of tax)	16.5	(198)	(33,578)	-	-
Profit before taxation	8	804,653	1,573,619	144,274	904,555
Income tax expense	9	(557,436)	(480,713)	(71,931)	(81,551)
Profit for the year from continuing operations		247,217	1,092,906	72,343	823,004
Discontinued operations					
Profit / (loss) from discontinued operations (net of tax)	10.2.(a)	352,761	(443,346)	-	-
Profit for the year		599,978	649,560	72,343	823,004
Other comprehensive income (OCI)					
Net gain/(loss) on available-for-sale investments	16.4	903	(2,210)	811	(2,190)
Actuarial loss on employee benefits	29.4	(39,517)	(76,176)	(21,169)	(77,053)
Equity accounted investee - share of OCI	16.5	(1,189)	278,540	-	-
OCI of discontinued operation (net of tax)	10.2.(a)	-	95	-	-
Tax on other comprehensive income		10,931	21,466	5,927	21,575
Other comprehensive income for the year, net of tax		(28,872)	221,715	(14,431)	(57,668)
Total comprehensive income for the year		571,106	871,275	57,912	765,336
Profit attributable to:					
Equity shareholders of the parent		576,179	642,593	72,343	823,004
Non-controlling interest		23,799	6,967	-	-
Profit for the year		599,978	649,560	72,343	823,004
Total comprehensive income attributable to:					
Equity shareholders of the parent		548,519	864,418	57,912	765,336
Non-controlling interest		22,587	6,857	-	-
Total comprehensive income for the year		571,106	871,275	57,912	765,336
Earnings per share					
Basic (Rs.)	11	2.57	2.87	0.32	3.67
Diluted (Rs.)	11	2.57	2.87	0.32	3.67
Earnings per share - Continuing operations					
Basic (Rs.)	11	0.99	4.85	0.32	3.67
Diluted (Rs.)	11	0.99	4.85	0.32	3.67

Figures in brackets indicate deductions.

The accounting policies and notes from pages 83 to 142 form an integral part of these financial statements.

Statement of Financial Position

As at 31st March	Note	Group		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	13	18,833,894	22,120,791	2,929,927	3,314,204
Investment property	14	3,490,548	3,350,095	4,855,900	4,633,250
Intangible assets	15	1,035,732	1,707,992	-	-
Investments in subsidiaries	16.1	-	-	1,773,945	3,678,553
Investments in associates	16.2	1,093,699	367,573	1,087,503	216,075
Other long term investments	16.3	-	660,000	-	660,000
Prepayment on leasehold land and building	17	25,374	26,250	-	-
Deferred tax assets	18	74,742	349,202	-	-
Total non-current assets		24,553,989	28,581,903	10,647,275	12,502,082
Current assets					
Inventories	19	6,217,584	6,117,432	29,218	16,143
Trade and other receivables	20	2,839,475	3,348,618	632,628	629,604
Amounts due from related companies	21	957,133	157,449	2,946,040	5,525,064
Other financial assets	16.4	923,828	537,420	34,715	33,904
Cash and cash equivalents	25	1,671,542	602,057	11,313	99,398
Assets held for sale	26	-	-	-	6,380,352
Total current assets		12,609,562	10,762,976	3,653,914	12,684,465
Total assets		37,163,551	39,344,879	14,301,189	25,186,547
EQUITY					
Stated capital	22	130,723	130,723	130,723	130,723
Other equity	23	(1,974,311)	-	-	-
Reserves	24	7,500,727	7,584,345	3,787,875	6,326,623
Retained earnings		6,885,400	4,548,548	5,214,851	3,066,191
Total equity attributable to equity holders of the parent		12,542,539	12,263,616	9,133,449	9,523,537
Non-controlling interest		336,608	45,946	-	-
Total equity		12,879,147	12,309,562	9,133,449	9,523,537
LIABILITIES					
Non-current liabilities					
Borrowings	27	730,922	1,289,319	-	1,201,400
Deferred tax liability	18	569,951	1,129,706	141,711	553,812
Deferred income	28	96,344	106,134	-	-
Employee benefits	29	520,802	416,222	225,571	305,732
Put liability	23	1,974,311	-	-	-
Total non-current liabilities		3,892,330	2,941,381	367,282	2,060,944
Current liabilities					
Trade and other payables	30	7,830,234	8,103,540	433,849	510,026
Current tax liability		915,676	465,706	273,150	-
Amounts due to related companies	21	-	20,429	128,569	979,455
Dividends payable	31	27,773	22,956	27,404	22,587
Borrowings	27	11,618,391	15,481,305	3,937,486	12,089,998
Total current liabilities		20,392,074	24,093,936	4,800,458	13,602,066
Total liabilities		24,284,404	27,035,317	5,167,740	15,663,010
Total equity and liabilities		37,163,551	39,344,879	14,301,189	25,186,547

Figures in brackets indicate deductions.

The accounting policies and notes from pages 83 to 142 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)

D Jayawardhana
Group Financial Controller

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

(Signed)

M I Abdul Wahid
Managing Director / Deputy CEO

(Signed)

S V Kodikara
Director

7th July 2015
Colombo

Statement of Changes in Equity

Group	Attributable to equity holders of parent							Total	Non controlling interest	Total
	Stated capital	Capital reserve	Revaluation reserve	General reserve	Available for sale reserve	Other equity	Retained earnings			
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April 2013	130,723	7,928	6,933,525	485,500	(14,541)	-	4,388,827	11,931,962	107,247	12,039,209
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	642,593	642,593	6,967	649,560
Other comprehensive income	-	-	278,540	-	(2,210)	-	(54,505)	221,825	(110)	221,715
Total comprehensive income	-	-	278,540	-	(2,210)	-	588,088	864,418	6,857	871,275
Transactions with owners of the company, recognised directly in equity										
Adjustment resulted in increase of										
subsidiary shareholding	-	-	-	-	-	-	(84,764)	(84,764)	(68,158)	(152,922)
Transfer on dilution of interest in associate	-	-	(104,397)	-	-	-	104,397	-	-	-
Dividends	-	-	-	-	-	-	(448,000)	(448,000)	-	(448,000)
Balance as at 31st March 2014	130,723	7,928	7,107,668	485,500	(16,751)	-	4,548,548	12,263,616	45,946	12,309,562
Balance as at 1st April 2014	130,723	7,928	7,107,668	485,500	(16,751)	-	4,548,548	12,263,616	45,946	12,309,562
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	576,179	576,179	23,799	599,978
Other comprehensive income	-	-	-	-	903	-	(28,563)	(27,660)	(1,212)	(28,872)
Total comprehensive income	-	-	-	-	903	-	547,616	548,519	22,587	571,106
Transactions with owners of the company, recognised directly in equity										
Put option over non controlling interest (Note. 23)	-	-	-	-	-	(1,974,311)	-	(1,974,311)	-	(1,974,311)
Transfer of revaluation reserve of										
subsidiary disposed	-	-	(84,521)	-	-	-	84,521	-	-	-
Change in ownership interest that do not result in loss of control (Note. 16.1.1)	-	-	-	-	-	-	2,216,160	2,216,160	321,090	2,537,250
Equity accounted investee share of										
Goodwill on change in shareholding	-	-	-	-	-	-	(316)	(316)	-	(316)
Adjustment resulted in increase of										
subsidiary shareholding (Note. 16)	-	-	-	-	-	-	(63,129)	(63,129)	(53,015)	(116,144)
Dividends	-	-	-	-	-	-	(448,000)	(448,000)	-	(448,000)
Balance as at 31st March 2015	130,723	7,928	7,023,147	485,500	(15,848)	(1,974,311)	6,885,400	12,542,539	336,608	12,879,147

The figures in brackets indicate deductions.

The accounting policies and notes from pages 83 to 142 form an integral part of these financial statements.

Statement of Changes in Equity contd.

Company	Stated capital Rs. '000	Revaluation reserve Rs. '000	General reserve Rs. '000	Available for sale reserve Rs. '000	Retained earnings Rs. '000	Total Rs. '000
Balance as at 1st April 2013	130,723	5,857,818	485,500	(14,505)	2,746,665	9,206,201
Total comprehensive income						
Profit for the year	-	-	-	-	823,004	823,004
Other comprehensive income	-	-	-	(2,190)	(55,478)	(57,668)
Total comprehensive income	-	-	-	(2,190)	767,526	765,336
Transactions with owners of the company, recognised directly in equity						
Dividends	-	-	-	-	(448,000)	(448,000)
Balance as at 31st March 2013	130,723	5,857,818	485,500	(16,695)	3,066,191	9,523,537
Balance as at 1st April 2014	130,723	5,857,818	485,500	(16,695)	3,066,191	9,523,537
Total comprehensive income						
Profit for the year	-	-	-	-	72,343	72,343
Other comprehensive income	-	-	-	811	(15,242)	(14,431)
Total comprehensive income	-	-	-	811	57,101	57,912
Transactions with owners of the company, recognised directly in equity						
Transfer of revaluation reserve	-	(2,539,559)	-	-	2,539,559	-
Dividends	-	-	-	-	(448,000)	(448,000)
Balance as at 31st March 2015	130,723	3,318,259	485,500	(15,884)	5,214,851	9,133,449

The figures in brackets indicate deductions.

The accounting policies and notes from pages 83 to 142 form an integral part of these financial statements.

Statement of Cash Flow

For the year ended 31st March	Note	Group		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Cash flows from operating activities					
Profit before taxation					
- Continuing operations		804,653	1,573,619	144,274	904,555
- Discontinuing operations		352,761	(443,409)	-	-
Adjustments for:					
Depreciation	13	1,637,996	1,674,980	45,858	850,294
Employee benefits	29	102,813	77,002	43,706	55,448
Amortisation of intangible assets	15	20,536	15,271	-	-
Amortisation of prepayment on leasehold land and building	17	876	875	-	-
Gain on dilution of investment in associate		-	(32,843)	-	-
Gain on disposal of trademark		(3,330,000)	-	-	-
Amortisation of deferred income	28	(12,181)	(5,434)	-	-
Profit on sale of property, plant and equipment	6	(16,143)	(5,113)	(625,181)	(3,617)
Change in fair value of investment property	14	(65,190)	(304,906)	(97,836)	(421,606)
Impairment of property plant and equipment	13	42,929	3,200	-	-
Change in assets held for sale		-	-	136,158	-
Inventory write-off		99,667	-	-	-
Provision for/(reversal of provision for) inventories	19	(25,087)	(9,613)	-	(1,284)
Provision for/(reversal of provision for) doubtful debtors	20	(17,722)	(30,450)	5,573	(6,754)
Net finance cost	7	965,526	1,351,960	491,733	1,095,759
Dividend income	6	(811)	(672)	(514,478)	(450,131)
Loss on disposal of investment	10.2.(f)	-	-	655,977	-
Loss on disposal of subsidiary		2,113,126	-	-	-
Impairment of investment in associate	16.2	180,909	-	37,310	-
Share of associate results	16.6	198	33,578	-	-
Operating profit before working capital changes		2,854,856	3,898,045	323,094	2,022,664
Changes in working capital					
- (Increase) / decrease in inventories		(174,732)	(1,145,310)	(13,075)	3,486,650
- (Increase) / decrease in trade and other receivables		494,366	(649,497)	(8,597)	390,505
- (Increase) / decrease in related company receivables		(799,684)	680,301	9,704,109	633,837
- Increase / (decrease) in trade and other payables		(248,513)	252,383	(281,131)	(5,640,929)
- Increase / (decrease) in related company payables		(20,429)	(7,556)	(850,886)	733,417
Cash generated from operations		2,105,864	3,028,366	8,873,514	1,626,144
Taxes paid		(381,829)	(252,760)	-	(193,355)
Interest paid	7	(1,179,380)	(1,766,238)	(773,769)	(1,501,873)
Gratuity paid	29	(37,750)	(21,950)	(29,951)	(17,714)
Net cash generated from/(used in) operating activities		506,905	987,418	8,069,794	(86,798)

Statement of Cash Flow contd.

For the year ended 31st March	Notes	Group		Company	
		2015 Rs. '000	2014 Rs. '000 Restated	2015 Rs. '000	2014 Rs. '000
Cash flows from investing activities					
Addition to property, plant and equipment	13	(1,664,190)	(3,111,183)	(33,376)	(269,509)
Addition to investment property	14	(75,263)	(558,689)	(124,814)	(854,097)
Addition to intangible assets	15	(18,276)	(58,581)	-	-
Investment in new share issue of subsidiary	16.1	-	-	(105,392)	-
Finance income received	7.1	213,854	414,278	282,036	406,114
Receipt of grant	28	2,391	53,196	-	-
Acquisition of non-controlling interest in subsidiary		(116,144)	(152,922)	-	-
Addition to investment in associate	16.2	(248,738)	-	(248,738)	-
Dividend received	6	811	672	514,478	672
Proceeds from disposal of property, plant and equipment		49,452	118,892	1,000	3,617
Proceed from disposal of investments		1,131,432	-	-	-
Proceed from disposal of subsidiary		-	-	1,354,022	-
Proceed from disposal of trade mark		4,000,000	-	-	-
Addition to other financial assets		(385,505)	(177,449)	-	-
Net cash generated from/(used in) investing activities		2,889,824	(3,471,786)	1,639,216	(713,203)
Cash flows from financing activities					
Share issued to minority shareholders		2,550,000	-	-	-
Share issue expenses		(12,750)	-	-	-
Net proceeds from/(repayment of) short term borrowings		(5,682,722)	5,499,810	(8,870,000)	3,314,810
Net proceeds from/(repayment of) long term borrowings	27	(558,397)	(402,029)	(1,700,400)	(299,600)
Dividend paid		(443,183)	(445,041)	(443,183)	(445,222)
Net cash generated from/(used in) financing activities		(4,147,052)	4,652,740	(11,013,583)	2,569,988
Increase / (decrease) in cash and cash equivalents		(750,323)	2,168,372	(1,304,573)	1,769,987
Movement in cash and cash equivalents					
At the beginning of the year		(1,588,129)	(3,756,501)	(1,221,600)	(2,991,587)
Movement during the year		(750,323)	2,168,372	(1,304,573)	1,769,987
At the end of the period	25	(2,338,452)	(1,588,129)	(2,526,173)	(1,221,600)

The figures in brackets indicate deductions.

The accounting policies and notes from pages 83 to 142 form an integral part of these financial statements.

Notes to the Financial Statements

1. Corporate Information

1.1 Reporting entity

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

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Group for the year ended 31st March 2015 comprise of Cargills (Ceylon) PLC (Parent Company), its subsidiaries (together referred to as the 'Group') and the Group's interest in its associate companies.

1.3 Parent Entity & Ultimate Parent Entity

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

1.4 Number of Employees

The staff strength of the Company as at 31st March 2015 is 1,729 (As at 31st March 2014 - 5,227).
The staff strength of the Group as at 31st March 2015 is 7,826 (As at 31st March 2014 - 8,325).

1.5 Principal Activities and Nature of Operations

The Group is primarily involved in Operating a Chain of retail outlets.

The principal activities of the group are,

- 1) Operating a chain of retail outlets under the brand names of 'Food City' and 'Food City Express'
- 2) Manufacturing and distributing
 - (a) Ice cream and other dairy products under the brand names of 'Cargills Magic', 'Heavenly' and 'Kotmale'
 - (b) Fruit based products under 'Kist' brand
 - (c) Processed and fresh meat products under the brand names of 'Supremo', 'Finest', 'Goldi' and 'Sams'.
 - (d) Biscuits under the brand name of 'Kist'
- 3) Operating a chain of 'KFC' and 'TGIF' restaurants under franchise agreements
- 4) Distribution of international brands such as 'Kodak', 'Kraft', 'Cadbury', 'Bonlac', 'Nabisco', 'Tang' and 'Toblerone' etc.

Except for the disposal of Millers Brewery Limited, there were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

2. Basis of Preparation

2.1 Basis of Measurement

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

Item	Basis of measurement	Note No.
Property Plant and Equipment	Cost / Revaluation	13
Financial Investments Available-for-sale	Fair Value	16.4.1
Employee Benefits	Liability is recognised as the present value of the defined benefit obligation.	29
Investment Properties	Fair Value	14
Put liability	Present value of exercise price	23

Notes to the Financial Statements contd.

2.2 Statement of Compliance

The Consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31st March 2015 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, and the Listing Rules of the Colombo Stock Exchange.

These financial statements include the following components:

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

2.3 Responsibility for Financial Statements

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

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

2.4 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31st March 2015 (including comparatives) were approved and authorised for issue on 7th July 2015.

2.5 Presentation of Financial Statements

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

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

2.6 Functional and Presentation Currency

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

2.7 Materiality and Aggregation

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

2.8 Rounding

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

2.9 Comparative Information

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

2.10 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRS and LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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

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

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

Note 18 - Deferred taxation

Note 29 - Employee benefits

Note 23 - Put liability

2.11 Going Concern

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

3. Significant Accounting Policies

3.1 Basis of Consolidation

The Consolidated Financial Statements comprise of financial statements of the Company, its subsidiaries and its associate companies for the year ended 31st March 2015 except for the company stated in the note 16.6.(b). The financial statements of the Company's subsidiaries and associates are prepared for the same reporting year using consistent accounting policies.

3.1.1 Business combination and goodwill

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

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

Notes to the Financial Statements contd.

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

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

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

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

3.1.2 Subsidiaries

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

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

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

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

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

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

3.1.3 Acquisition of entities under common control

The purchase method of accounting is used to account for the acquisition of subsidiary by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the Group's share of the identifiable net assets acquired is recorded as Goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Profit or Loss.

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

3.1.4 Associates

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

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

include goodwill recognised on acquisition, net of any accumulated impairment losses.

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

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

Profit and losses resulting from transactions between the Company and the Associate are eliminated to the extent of the interest in the Associate. The Company discontinues the use of the Equity method from the date that it ceases to have significant influence over an Associate and accounts for the investment cost in accordance with the Sri Lanka Accounting Standard- LKAS 39 on 'Financial Instruments: Recognition and measurement'.

3.1.5 Loss of Control

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

3.1.6 Transactions Eliminated on Consolidation

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

3.2 Foreign Currency Transactions and Balances

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

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

3.3 Financial Instruments – Initial Recognition and Subsequent Measurement

3.3.1 Date of Recognition

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

3.3.2 Classification and Initial Measurement of Financial Instruments

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

3.3.3 Classification and Subsequent Measurement of Financial Assets

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

- i) Financial Assets at Fair value through profit or loss (FVTPL);
 - Financial Assets - Held for trading or
 - Financial Assets - Designated at fair value through profit or loss

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- ii) Loans and receivables (L&R);
- iii) Financial Assets - Held to maturity (HTM); or
- iv) Available-for-sale (AFS) financial assets.

The subsequent measurement of Financial Assets depends on their classification.

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

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

Financial Assets - Held for Trading

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

Financial Assets - Designated at Fair Value through Profit or Loss

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

- The assets are managed, evaluated and reported internally at fair value;
- The designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or
- The asset contains an embedded derivative that significantly modifies the cash flows that would otherwise have been required under the contract.

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

3.3.3.2 Available for Sale Financial Assets

Available for sale financial investments include equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

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

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

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

3.3.3.3 Financial Assets Classified as Loans and Receivables

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

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

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

3.3.4 Classification and Subsequent Measurement of Financial Liabilities

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

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

ii) Financial liabilities at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

3.3.4.1 Financial Liabilities at Fair Value through Profit or Loss

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

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

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

3.3.4.2 Financial Liabilities at Amortised Cost

Financial Instruments where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using the EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on

the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are de-recognised as well as through the EIR amortisation process.

3.3.5 Reclassification of Financial Instruments

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

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

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

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

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

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

3.3.6 De-recognition of Financial Assets and Financial Liabilities Financial Assets

Financial Assets

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

- The rights to receive cash flows from the asset which have expired;
- The Group and Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either;
- The Group and Company has transferred substantially all the risks and rewards of the asset; or
- The Group and Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or

modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.3.7 Determination of Fair Value

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

3.3.8 Impairment of Financial Assets

The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

3.3.9.1 Loans and Receivables

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

Reversals of Impairment

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

3.3.9.2 Available for Sale Financial Investments

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

In the case of equity investments classified as available for sale, objective evidence would also include a significant' or 'prolonged' decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. The Group generally treats 'significant' as

20% or more and 'prolonged' as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss is removed from equity and recognised in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; increases in the fair value after impairment are recognised in other comprehensive income.

3.3.10 Offsetting Financial Instruments

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

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

3.4 Property, Plant and Equipment

3.4.1 Basis of Recognition

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

3.4.2 Basis of Measurement

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

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

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent

to the date of the revaluation. Where land and buildings are subsequently revalued, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserves in the statement of changes in equity, any excess and all other decreases are charged to the Profit or Loss. Revaluation of property, plant and equipment are undertaken by professionally qualified independent valuers.

3.4.3 Subsequent Costs

The cost of replacing a part of an item of Property, Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of day today servicing of Property, Plant and Equipment are charged to the Statement of Profit or Loss as incurred.

3.4.4 Repairs & Maintenance

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

3.4.5 Capital Work-in-Progress

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

3.4.6 De-recognition

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

3.4.7 Depreciation

Depreciation is recognised in the Profit or Loss on a straight-line basis over the estimated useful lives of each part of an

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item of property, plant and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives are as follows;

Class of asset	% per annum	Period
Buildings	2	50 years
Improvement of leasehold properties	10 – 25	4 - 10 years
Motor vehicles	25	4 years
IT equipment and software	20 – 33.3	3 - 5 years
Office and other equipment	20	5 years
Air condition and refrigeration	10 – 20	5 - 10 years
Plant & machinery	10 – 20	5 - 10 years
Refundable containers	20	5 years
Furnitures 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 derecognised. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

3.4.8 Returnable containers

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

3.5 Investment Properties

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

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

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

3.5.1 De-recognition

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

3.5.2 Subsequent Transfers to/from Investment Property

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

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

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

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

3.5.3 Determining Fair Value

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

3.5.4 Investment Property Leased within the Group

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

3.6 Intangible Assets

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

3.6.1 Basis of Recognition

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

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

3.6.2 Subsequent Expenditure

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

3.6.3 Useful Economic Lives, Amortisation and Impairment

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

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

expense category consistent with the function of the intangible asset.

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

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

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

3.6.4 Derecognition

Intangible assets are derecognised 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 the profit or loss in the year the asset is derecognised.

3.7 Impairment of Non-financial Assets

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

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may have decreased. If such indication exists the Group estimates the asset's or cash-

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

3.8 Inventories

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

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

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

3.9 Cash and Cash Equivalents

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

Cash and cash equivalents are carried at amortised cost in the statement of Financial Position.

3.10 Assets Held for Sale and Discontinued Operations

3.10.1 Assets Held for Sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale the assets are re measured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification and subsequent gains and losses on re measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

3.10.2 Discontinued Operations

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

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

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

3.11 Stated capital

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

3.12 Equity Reserves

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

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

3.13 Written put options over NCI

3.13.1 Recognition and measurement

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

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

The determination of present value of the exercise price (i.e. fair value) for put options related to non-controlling interests has involved management judgments and estimates of vital factors such as the likelihood of exercise of the option and the timing thereof, adherence to the conditions of the shareholder agreement by both parties, projected cash flows of the underlying operations, the weighted average cost of capital, etc. A change in any of these factors may have a significant impact on future results and cash flows.

3.13.2 Subsequent measurement

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

3.14 Employee Benefits

3.14.1 Defined Benefit Plan - Gratuity

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

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

The assumptions based on which the results of the actuarial valuation was determined, are included in note 29 to the financial statements.

3.14.2 Recognition of Actuarial Gains and Losses

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

3.14.3 Funding Arrangements

The gratuity liability is not externally funded.

3.14.4 Defined contribution plans - Employees' Provident Fund

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

3.15 Dividends Payable

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

3.16 Borrowings

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

3.17 Leases

3.17.1 Finance leases

Assets are classified as acquired by finance leases when by an agreement, the group substantially assumes the risk and rewards incidental to the ownership of an asset.

Assets acquired by the way of finance lease are measured at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception less accumulated depreciation and accumulated impairment losses.

3.17.2 Operating leases

When the lessor effectively retains substantially all the risks and rewards of an asset under the lease agreement, such leases are classified as operating leases. Payments under operating leases are recognised as an expense in the Statement of Profit or Loss over the period of lease on a straight line basis.

3.18 Provisions

Provisions are recognised in the Statement of Financial Position when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard - LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date.

3.19 Commitments and Contingencies

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

Notes to the Financial Statements contd.

not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

Details of the commitments and contingencies are given in Note 33 and 34 to the Financial Statements respectively.

Statement of Profit or Loss and Other Comprehensive Income

3.20 Revenue Recognition

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

3.20.1 Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods.

3.20.2 Other income

Revenue from dividends is recognised when the Group's right to receive the payment is established

Gains or losses of revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the income statement, after deducting from the net sales proceeds on disposal the carrying amount of such assets.

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

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

Rental income is recognised on an accrual basis.

3.20.3 Government grants

Government grants, including non-monetary grants at fair value, are recognised when there is reasonable assurance that the conditions attached to them will be complied by the company and the grants will be received. Grants related to assets, including non-monetary grants at fair value, are presented in the Statement of Financial Position as deferred income and recognised in the income statement on a systematic and rational basis over the useful life of the asset. Grants related to income are presented as a credit in the income statement, under the heading 'other income' against the incurrence of related expenditure.

Expenditure Recognition

3.21 Borrowing Costs

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

3.22 Leases

3.22.1 Operating Leases

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

3.22.2 Finance Lease

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.23 Tax Expenses

3.23.1 Current Tax

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

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

3.23.2 Deferred Tax

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is

probable that the temporary differences will not reverse in the foreseeable future

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

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

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

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

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

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

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

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

Withholding tax on dividends distributed by the Subsidiaries and Associates

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

3.24 Earnings per Share (EPS)

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

3.25 Segment Reporting

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

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

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

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

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

3.26 Related Party Transactions

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

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

3.27 Statement of Cash Flows

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

Notes to the Financial Statements contd.

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

3.28 New Accounting Standards that became Effective during the Year

The following Sri Lanka Accounting Standards were issued by the Institute of Chartered Accountants of Sri Lanka and is effective for the periods commencing on or after of 1st January 2014.

SLFRS 10 - Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 (Consolidated and Separate Financial Statements) that addresses the accounting for Consolidated Financial Statements. It also addresses the issues raised in SIC 12 (Consolidation Special Purpose Entities). SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require the management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent. The impact on the implementation of the above Standard was assessed as at the reporting date and concluded that there is no impact on the Company's Financial Statements.

SLFRS 12 - Disclosure of Interests in Other Entities

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 (Consolidated and Separate Financial Statements) related to Consolidated Financial Statements, as well as all of the disclosures that were previously included in LKAS 31 (Interests in Joint Ventures) and LKAS 28 (Investments in Associates). These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. The impact on the implementation of the above Standard was assessed as at the reporting date and concluded that there is no impact on the Company's Financial Statements.

SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. Use of principles of measurement in this standard is currently encouraged. Pending the completion of full study of this standard, the financial impact is not yet known and reasonably estimable.

3.29 Standards Issued but not yet Effective

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31st March 2015.

SLFRS 9 - Financial Instruments: Classification and Measurement

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

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

SLFRS 14 - Regulatory Deferral Accounts

The scope of this standard is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

SLFRS 14 will become effective on 1st January 2016.

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

SLFRS 15 - Revenue from contracts with customers

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

SLFRS 15 will become effective on 1st January 2018.

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

4 Revenue

	Group		Company	
	2015 Rs. '000	2014 Rs. '000 Restated	2015 Rs. '000	2014 Rs. '000
Gross revenue	67,422,455	61,078,300	168,071	30,258,080
Revenue related taxes	(5,791,170)	(4,933,123)	(14,996)	(2,111,949)
Net revenue	61,631,285	56,145,177	153,075	28,146,131

The Group primarily has three business segments namely, Retail, Fast Moving Consumer Goods (FMCG) and Restaurant, segmental information are disclosed in note 32. Refer note 35 for more details of transfer of operations from Company to its subsidiary, Cargills Foods Company (Private) Limited.

5 Cost of sales

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

6 Other income

	Group		Company	
	2015 Rs. '000	2014 Rs. '000 Restated	2015 Rs. '000	2014 Rs. '000
Dividend income	811	672	514,478	450,131
Rental income	104,178	101,587	332,964	518,834
Profit on sale of property, plant and equipment	17,010	5,113	625,181	3,617
Management fee	-	11,385	564,725	261,857
Merchandising income	1,174,386	996,400	2,198	502,314
Foreign exchange gain	8,040	8,774	-	-
Commission income	2,560	3,333	-	-
Amortisation of deferred income;				
- Capital grant	10,471	3,252	-	-
- Revenue grant	1,709	2,182	-	-
Sundry income	107,752	25,164	-	-
Gain on dilution of investment in associate	-	32,843	-	-
	1,426,917	1,190,705	2,039,546	1,736,753

Notes to the Financial Statements contd.

7 Net finance cost

	Group		Company	
	2015 Rs. '000	2014 Rs. '000 Restated	2015 Rs. '000	2014 Rs. '000
7.1 Finance income				
- Interest income	213,854	414,278	282,036	406,114
	213,854	414,278	282,036	406,114
7.2 Finance cost on;				
- Short term loans	755,364	1,130,162	575,073	979,540
- Bank overdrafts	145,656	352,550	121,072	288,712
- Other loans and bank charges	144,283	124,369	77,624	233,413
- Staff security deposits	678	5,575	-	208
	1,045,981	1,612,656	773,769	1,501,873
Net finance cost	832,127	1,198,378	491,733	1,095,759

Borrowing costs capitalised by the Group and the Company on qualifying assets during the financial year are nil (2014 -Rs. 57.29 Mn) and nil (2014 - Rs. 57.29 Mn) respectively for the continuing operations.

8 Profit before taxation

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

	Group		Company	
	2015 Rs. '000	2014 Rs. '000 Restated	2015 Rs. '000	2014 Rs. '000
Staff costs (note 8.1)	3,841,161	3,229,538	241,103	1,263,183
Auditors' remuneration				
- Audit	6,347	5,320	635	410
- Non audit services	366	1,558	366	1,413
Depreciation on property, plant and equipment (note 13)	1,567,531	1,561,279	45,858	850,294
Amortisation/impairment of intangible assets (note 15)	20,536	15,271	-	-
Foreign exchange gain (note 06)	(8,040)	(8,774)	-	-
(Reversal) / provision for inventories	(25,087)	(6,293)	-	(1,284)
Directors' emoluments	206,525	183,221	103,322	116,784
8.1 Staff costs				
Salaries, wages and other costs	3,411,260	2,875,266	172,220	1,094,665
Pension costs - Employee benefits (note 29.3)	101,921	75,934	43,706	55,448
Defined contribution plan cost - EPF and ETF	327,980	278,338	25,177	113,070
	3,841,161	3,229,538	241,103	1,263,183
Number of employees as at 31st March of continuing operations	7,826	8,070	1,729	5,227

9 Income tax expense

	Group		Company	
	2015 Rs. '000	2014 Rs. '000 Restated	2015 Rs. '000	2014 Rs. '000
Current income tax				
Current tax charge (note 9.1)	704,419	263,233	408,369	-
Dividend tax	57,645	51,346	-	-
(Over) / under provision of current tax of previous years	69,735	(9,311)	69,735	-
Deferred income tax (note 9.2)	(274,363)	175,445	(406,173)	81,551
	557,436	480,713	71,931	81,551

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

Cargills Quality Confectioneries (Private) Limited is exempt from income tax till the year of assessment 2017/18 in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

Till the year of assessment 2013/14 Cargills Foods Processors (Private) Limited was subject to a concessional tax rate of 12% under the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto and with the voluntary withdrawal of registration of Sri Lanka Tourist Board, it is now subject to income tax at standard rate of 28%.

Cargills Quality Dairies (Private) Limited, Cargills Quality Foods Limited, Cargills Agrifoods Limited and Kotmale Dairy Products (Private) Limited are subject to a concessional tax rate of 10% under the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto. However, as the Department of Inland revenue is contesting the income tax exemptions claimed, provisions have been made for income tax at the normal rate for the financial years ended 31st March 2012, 31st March 2013, 31st March 2014 and 31st March 2015 although tax returns continue to be filed based on concessional tax rate.

(b) During the year the Company and the subsidiaries paid Economic Service Charge (ESC) amounting to Rs. 1.04 Mn (2014 - Rs. 1.33 Mn) and Rs. 62.40 Mn (2014 - Rs. 45.10 Mn) respectively.

Notes to the Financial Statements contd.

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

	Group		Company	
	2015 Rs. '000	2014 Rs. '000 Restated	2015 Rs. '000	2014 Rs. '000
Profit before taxation	804,653	1,573,619	144,274	904,555
Aggregate disallowed expenses	5,080,294	1,942,501	2,926,516	986,088
Aggregate allowable expenses	(3,424,523)	(1,344,571)	(160,736)	(1,090,674)
Aggregate other income	(121,748)	(1,463,419)	(1,237,495)	(880,354)
Adjusted business profit	2,338,676	708,130	1,672,559	(80,385)
Tax losses incurred	376,544	365,188	-	80,385
Taxable income from other sources	51,996	53,197	-	-
Adjusted profit (a)	2,767,216	1,126,515	1,672,559	-
Tax losses brought forward	2,655,134	1,828,231	80,385	-
Tax losses added (note: 9.1.1)	1,244,146	986,952	-	80,385
Tax losses of disposed subsidiary	(2,191,652)	-	-	-
Tax losses utilised (b)	(334,762)	(183,809)	(279,861)	-
Adjustment on finalisation of liability	255,714	23,762	199,476	-
Tax losses carried forward	1,628,580	2,655,136	-	80,385
Qualifying payment relief (c)	-	(16,129)	-	-
Taxable income (a+b+c)	2,432,454	926,577	1,392,698	-
Income tax @ 28%	626,646	239,816	346,990	-
Income tax @ 12%	-	1,980	-	-
Income tax @ 40%	77,773	21,437	61,379	-
Current tax charge	704,419	263,233	408,369	-
9.1.1 Tax losses added				
Tax losses incurred by continuing operations	376,544	365,188	-	80,385
Tax losses incurred by discontinued operations	867,602	621,764	-	-
	1,244,146	986,952	-	80,385

	Group		Company	
	2015 Rs. '000	2014 Rs. '000 Restated	2015 Rs. '000	2014 Rs. '000
9.2 Deferred income tax				
Deferred tax expense arising from;				
Operating lease liability	(104,538)	-	-	-
Accelerated depreciation for tax purposes	(166,696)	151,437	(434,545)	76,529
Provisions	(13,015)	24,106	-	-
Employee benefits	(18,696)	(19,026)	28,372	5,022
Benefit arising from tax losses	(36,766)	35,623	-	-
Deferred income	3,219	(13,373)	-	-
Increase / (decrease) in future tax rate	62,129	(3,322)	-	-
Deferred tax charge / (release)	(274,363)	175,445	(406,173)	81,551

Deferred tax has been computed taking into consideration the tax rates effective from 1st April 2014 which is 28% or 40% for all standard rate companies. The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the Parent can control the timing of the reversal of these temporary differences.

9.3 Temporary differences associated with subsidiary companies, Millers Brewery Limited, Kotmale Milk Products Limited, and Kotmale Milk Foods Limited, for which deferred tax assets have not been recognised, are as follows and temporary differences relating to Millers Brewery Limited does not include in figures relating to 31st March 2015.

	2015		2014	
	Temporary difference Rs. '000	Tax effect on temporary difference Rs. '000	Temporary difference Rs. '000	Tax effect on temporary difference Rs. '000
Deductible temporary differences	1,914	536	291,557	81,636
Tax losses	147,983	23,729	783,229	219,304
	149,897	24,265	1,074,786	300,940

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

Notes to the Financial Statements contd.

10 Discontinued operations

10.1 Disposal of Millers Brewery Limited

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

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

The brewery operation was not previously classified as held for sale or discontinued operation. The comparatives of Consolidated Statement of Profit or Loss and Other Comprehensive Income has been represented to show the discontinued operation separately from continuing operations.

10.2 Analysis of profit for the year from discontinued operations

The combined results of the discontinued operation included in the profit for the period are set out below. The comparative profit and cash flows of discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

(a) Profit for the year from discontinued operations

	2015 Rs. '000	2014 Rs. '000
Revenue	557,847	3,107,679
Cost of sales	(515,348)	(2,699,818)
Gross profit	42,499	407,861
Other Income	3,340,793	4,928
Expenses	(784,006)	(702,616)
Finance cost	(133,399)	(153,582)
Profit / (Loss) before taxation	2,465,887	(443,409)
Income tax expense	-	63
Profit for the year	2,465,887	(443,346)
Other comprehensive income		
Actuarial gain on employee benefits	-	158
Tax on other comprehensive income	-	(63)
Other comprehensive income for the year net of tax	-	95
Total comprehensive income for the period	2,465,887	(443,251)
Loss on sale of discontinued operation (note: 10.e)	(2,113,126)	-
	352,761	(443,251)

(a) Profit for the year from discontinued operations contd.

	2015 Rs. '000	2014 Rs. '000
Profit attributable to		
Equity shareholders of the company	352,761	(443,346)
	<u>352,761</u>	<u>(443,346)</u>
Total comprehensive income attributable to		
Equity shareholders of the company	352,761	(443,251)
	<u>352,761</u>	<u>(443,251)</u>

(b) Cash flows of discontinued operations

Net cash generated from / (used in) operating activities	(3,167,639)	461,824
Net cash generated from / (used in) investing activities	3,977,527	(660,307)
Net cash generated from / (used in) financing activities	(701,022)	250,000
Net cash increase / (decrease)	<u>108,866</u>	<u>51,517</u>

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

	30/10/2014 Rs. '000
Non-current assets	
Property, plant and equipment	3,236,853
Deferred tax asset	195,152
	<u>3,432,005</u>
Current-assets	
Trade and other receivables	32,497
Cash and cash equivalents	18,568
	<u>51,065</u>
Non-current liabilities	
Deferred tax liability	195,152
	<u>195,152</u>
Current-liabilities	
Trade and other payables	24,792
	<u>24,792</u>
Net assets disposed off	<u>3,263,126</u>

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(C) Analysis of assets and liabilities over which control was lost contd.

30/10/2014

Rs. '000

(d) Earnings per share of Millers Brewery Limited

Earnings per share of discontinued operations 123

(e) Loss on disposal of subsidiary

Consideration received in cash and cash equivalents	1,150,000
Net assets disposed off	(3,263,126)
Loss on disposal	(2,113,126)

(f) Loss on disposal of investment

Consideration on share repurchase	204,023
Carrying value of shares repurchased	(296,475)
	(92,452)
Consideration received in cash and cash equivalents for disposal of investment	1,150,000
Carrying value of investment as at 31/10/2014	(1,713,525)
	(563,525)
Loss on disposal of investment in Millers Brewery Limited	(655,977)

11 Earnings per share

	Group			Company				
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total		
	2015	2015	2015	2014	2014	2014		
Profit attributable to equity shareholders of the parent (Rs. '000)	223,418	352,761	576,179	1,085,939	(443,346)	642,593	72,343	823,004
Weighted average number of ordinary shares	224,000,000	-	224,000,000	224,000,000	-	224,000,000	224,000,000	224,000,000
Basic earnings per share (Rs.)	0.99	-	2.57	4.85	-	2.87	0.32	3.67

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of Cargills (Ceylon) PLC by the weighted average number of ordinary shares in issue.

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

12 Dividend per share

	Group				Company			
	Rs.	2015 Rs. '000	Rs.	2014 Rs. '000	Rs.	2015 Rs. '000	Rs.	2014 Rs. '000
Dividends for the year								
Interim - paid	0.70	156,800	0.70	156,800	0.70	156,800	0.70	156,800
Final - proposed	1.30	291,200	1.30	291,200	1.30	291,200	1.30	291,200
	2.00	448,000	2.00	448,000	2.00	448,000	2.00	448,000

An interim dividend of 70 Cents per share (Rs. 156.8 Mn) was paid on 27th February 2015 for the year ended 31st March 2015. A final dividend of 1.30 Rupee per share is proposed for the year ended 31st March 2015. The final dividend proposed on 7th July, 2015 has not been recognised as at the reporting date in compliance with LKAS 10 - "Events After the Reporting Period".

13 Property plant and equipment

	Freehold land	Freehold building	Expenditure incurred on leasehold building	Plant, machinery and others	Motor vehicles	Total 2015	Total 2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group							
Cost / revaluation							
As at 1st April	8,351,541	2,104,643	4,363,772	11,969,114	878,432	27,667,502	24,414,735
Additions	121,399	53,746	481,619	1,056,497	74,818	1,788,079	3,335,299
Transfers	-	-	-	-	-	-	164,000
Disposal of subsidiary	(393,000)	(132,093)	-	(1,028,618)	(25,994)	(1,579,705)	-
Disposals	-	-	-	(76,204)	(56,869)	(133,073)	(244,051)
Impairment	-	-	-	-	-	-	(2,481)
As at 31st March	8,079,940	2,026,296	4,845,391	11,920,789	870,387	27,742,803	27,667,502
Depreciation / impairment							
As at 1st April	-	429,038	1,837,636	5,812,874	544,648	8,624,196	7,078,769
Charge for the year	-	70,532	508,375	929,988	129,101	1,637,996	1,674,980
Disposal of subsidiary	-	(11,412)	-	(297,726)	(18,860)	(327,998)	-
Disposals	-	-	-	(71,245)	(28,519)	(99,764)	(130,272)
Impairment	-	-	10,850	32,079	-	42,929	719
As at 31st March	-	488,158	2,356,861	6,405,970	626,370	9,877,359	8,624,196
Carrying value	8,079,940	1,538,138	2,488,530	5,514,819	244,017	17,865,444	19,043,306
Capital work in progress	-	-	-	-	-	2,953,596	3,077,485
Disposal of subsidiary	-	-	-	-	-	(1,985,146)	-
Carrying value as at 31st March	8,079,940	1,538,138	2,488,530	5,514,819	244,017	18,833,894	22,120,791

Notes to the Financial Statements contd.

13 Property plant and equipment contd.

	Freehold land	Freehold building	Expenditure incurred on leasehold building	Plant, machinery and others	Motor vehicles	Total 2015	Total 2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Company							
Cost / revaluation							
As at 1st April	2,484,440	441,662	-	154,489	131,869	3,212,460	13,680,087
Additions	-	-	3,536	18,240	11,600	33,376	794,483
Transfers to investment property	-	-	-	-	-	-	(711,376)
Transfers to assets held for sale	-	-	-	-	-	-	(10,536,512)
Disposals	(68,440)	-	-	-	(4,750)	(73,190)	(14,222)
As at 31st March	2,416,000	441,662	3,536	172,729	138,719	3,172,646	3,212,460
Depreciation / impairment							
As at 1st April	-	26,142	-	104,655	105,859	236,656	3,556,362
Charge for the year	-	8,481	368	16,436	20,573	45,858	850,294
Transfers to investment property	-	-	-	-	-	-	(4,329)
Transfers to assets held for sale	-	-	-	-	-	-	(4,156,160)
Disposals	-	-	-	-	(4,750)	(4,750)	(9,511)
As at 31st March	-	34,623	368	121,091	121,682	277,764	236,656
Carrying value	2,416,000	407,039	3,168	51,638	17,037	2,894,882	2,975,804
Capital work in progress	-	-	-	-	-	35,045	338,400
Carrying value as at 31st March	2,416,000	407,039	3,168	51,638	17,037	2,929,927	3,314,204

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

Freehold lands and buildings owned by the Group are revalued once in three years by an independent professional valuer. The latest revaluation was carried out and accounted for as at 31st March 2013.

Those revaluations had been carried out in conformity with the requirements of LKAS 16 - "Property, Plant and Equipment". The surplus on revaluation was credited to the revaluation reserve account.

The details of assets mortgaged for banking facilities obtained have been given in the note 27.2 to the financial statements.

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

	Land		Building	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Group				
Cost	1,510,761	1,738,444	1,236,740	1,244,805
Accumulated depreciation	-	-	(352,333)	(330,482)
Net book value	1,510,761	1,738,444	884,407	914,323
Company				
Cost	85,081	85,081	24,446	24,446
Accumulated depreciation	-	-	(8,398)	(7,909)
Net book value	85,081	85,081	16,048	16,537

Depreciation to the value of Rs. 1,245.36 Mn (2014 - Rs. 1,248.13 Mn) and Rs. 322.17 Mn (2014 - Rs. 313.15 Mn) has been charged respectively to the cost of goods sold and distribution, administration and other expenses of the Group and depreciation charge of Millers Brewery Limited amounting to Rs. 70.47 Mn (2014 - Rs. 113.70 Mn) is charged in arriving at profit/(loss) of discontinued operation. Depreciation to the value of nil (2014 - Rs. 393.31 Mn) and Rs. 45.86 Mn (2014 - Rs. 456.97 Mn) have been charged respectively to the cost of goods sold and distribution and other expenses of the Company.

Capital work in progress consists of expenditure incurred on projects which are not completed and commenced business operations as at the reporting date.

Fully depreciated assets of the Group as at the year end is Rs. 2,079.15 Mn (2014 - Rs. 3,298.20 Mn) and that of the Company is Rs. 171.28 Mn (2014 - Rs. 1,409.28 Mn).

14 Investment property

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
As at 1st April	3,350,095	2,650,500	4,633,250	2,650,500
Additions	75,263	558,689	124,814	854,097
Reclassification from/to PPE	-	(164,000)	-	707,047
Changes in fair value during the year	65,190	304,906	97,836	421,606
	3,490,548	3,350,095	4,855,900	4,633,250

In accordance with IAS 40 Investment Property, fair value of the above Investment Properties were ascertained as at 31st March 2015 by Mr. T Weeratne (FIV), an independent professional valuer.

Rental income earned from investment properties by the Group and Company amounts to Rs. 39.54 Mn (2014 - Rs. 7.43 Mn) and Rs. 109.25 Mn (2014 - Rs. 40.57 Mn) respectively. Direct operating expenses incurred on investment property by the Group and Company amounts to Rs. 16.56 Mn (2014 - Rs. 3.45 Mn) and Rs. 38.5 Mn (2014 - Rs. 7.74 Mn).

Notes to the Financial Statements contd.

Location	Method of valuation	Effective date of valuation	Property value	Land extent	No of buildings	Significant unobservable inputs	2015 Valuation Rs. '000	2014 Valuation Rs. '000
Canal Row, Colombo 1	Open market value	3/31/2015	Mr. Tissa Weeratne FIVSL	15 Perches	1	Market value per perch	310,000	306,000
Vauxhall Street	Open market value	3/31/2015	Mr. Tissa Weeratne FIVSL	1.5 Acres	2	Market value per perch	2,207,000	2,168,850
Braybrook Place	Open market value	3/31/2015	Mr. Tissa Weeratne FIVSL	78 Perches	2	Market value per perch	616,400	612,800
Nittambuwa	Open market value	3/31/2015	Mr. Tissa Weeratne FIVSL	112 Perches	-	Market value per perch	94,300	88,700
Cargills Square - Jaffna	Income approach	3/31/2015	Mr. Tissa Weeratne FIVSL	Leasehold	1	Rental per square feet	950,000	795,600
Staple Street - Colombo 2	Open market value	3/31/2015	Mr. Tissa Weeratne FIVSL	82 Perches	3	Market value per perch	772,500	750,000

15 Intangible assets

	Goodwill		Franchisee fee		Software		Brand name		Total	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Gross value										
As at 1st April	396,571	396,571	171,106	118,633	32,502	26,394	1,331,865	1,331,865	1,932,044	1,873,463
Additions	-	-	9,565	52,473	8,711	6,108	-	-	18,276	58,581
As at 31st March	396,571	396,571	180,671	171,106	41,213	32,502	1,331,865	1,331,865	1,950,320	1,932,044
Amortisation/Impairment										
As at 1st April	138,978	138,978	65,323	55,634	19,751	14,169	-	-	224,052	208,781
Amortisation for the year	-	-	15,699	9,689	4,837	5,582	-	-	20,536	15,271
Disposal	-	-	-	-	-	-	670,000	-	670,000	-
As at 31st March	138,978	138,978	81,022	65,323	24,588	19,751	670,000	-	914,588	224,052
Carrying value as at 31st March	257,593	257,593	99,649	105,783	16,625	12,751	661,865	1,331,865	1,035,732	1,707,992

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

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

Brand has been tested for impairment and found no impairment as at reporting date. Management is of the view that the brand name has an infinite useful life and accordingly no amortisation is charged. However, in accordance with IAS 38 - 'Intangible Assets', any intangible asset which has infinite useful life is subject to annual impairment test which is to be carried out in accordance with IAS 36 - 'Impairment of Assets'.

Amortisation of intangible assets of Rs. 17.01 Mn (2014 - Rs. 10.71 Mn) have been included in cost of goods sold and Rs. 3.52 Mn (2014 - Rs. 4.56 Mn) in administrative expenses.

16 Investments

	No of Shares	Holding	Group		Company	
			2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
16.1 Investments in subsidiaries						
Cargills Foods Company (Private) Limited	47,500,002	92%	-	-	475,000	475,000
Cargills Quality Foods Limited	4,860,291	100%	-	-	1,193,453	1,193,453
Dawson Office Complex (Private) Limited	1,001	100%	-	-	100	100
Millers Brewery Limited	20,000,002	100%	-	-	-	2,010,000
Kotmale Holdings PLC	1,667,401	5.31%	-	-	105,392	-
			-	-	1,773,945	3,678,553

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

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

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

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

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

The financial statements of Kotmale Dairy Products (Private) Limited, Kotmale Kiri (Private) Limited, Kotmale Marketing (Private) Limited, Kotmale Milk Foods Limited, Kotmale Milk Products Limited and Kotmale Products (Private) Limited have been consolidated with that of Kotmale Holdings PLC as 100% subsidiaries.

Notes to the Financial Statements contd.

During the year, CCP and CQD a wholly owned subsidiary of the Company, acquired 1,860,902 ordinary shares of the subsidiary Kotmale Holdings PLC at a total purchase consideration of Rs. 116.14 Mn and the value of net assets acquired was Rs. 53.015 Mn and resulting excess payment of Rs. 63.129 Mn has been charged to the retained earnings in the statement of changes in equity. With these partial acquisitions, the shareholding in Kotmale Holdings PLC increased to 100% from 94.07%.

16.1.1 Changing ownership without change in control in subsidiary

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

	No of Shares	Holding	Group		Company	
			2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
16.2 Investments in associates						
Unquoted :						
C T Properties Limited	21,500,000	15.63%	177,689	367,573	178,765	216,075
Cargills Bank Limited	88,000,000	20%	916,010	-	908,738	-
			1,093,699	367,573	1,087,503	216,075

16.2.a

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

	No of Shares	Holding	Group		Company	
			2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
16.3 Other long term investments						
Cargills Bank Limited	66,000,000	15%	-	660,000	-	660,000
			-	660,000	-	660,000

16.4 Other financial assets

16.4.1 Available for sale financial instruments

Other Quoted equity investments

Lanka IOC PLC			7,700	4,080	7,700	4,080
Sierra Cables PLC			84	107	16	21
Aitken Spence PLC			26,188	31,993	26,188	31,993
			33,972	36,180	33,904	36,094
Increase/(Decrease) in fair value of investments			903	(2,210)	811	(2,190)
			34,875	33,970	34,715	33,904

16.4.2 Other non equity investments

Call deposits/Fixed deposits			806,594	425,000	-	-
Re-purchase agreements			82,359	78,450	-	-
			888,953	503,450	-	-
			923,828	537,420	34,715	33,904

The market value of quoted short term investments of Group as at 31st March 2015, as quoted by the Colombo Stock Exchange amounted to Rs. 34.88 Mn (2014 - Rs. 33.97 Mn)

	Group	
	2015 Rs. '000	2014 Rs. '000
16.5 Investment in associates		
As at 1st April	367,573	89,768
Acquisition	248,738	-
Transfer from other long term investments	660,000	-
Gain on dilution of investment in associate	-	32,843
Share of loss incurred	(198)	(33,578)
Share of other comprehensive income	(1,189)	278,540
Share of goodwill on change in shareholding	(316)	-
Impairment	(180,909)	-
As at 31st March	1,093,699	367,573

	Group			
	C T Properties Limited		Cargills Bank Limited	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
16.6 Summarised financial information of associates				
Revenue	252,001	110,852	139,443	-
Operating expenses	(251,303)	(109,308)	(209,794)	-
Finance expense	(54,383)	(135,856)	-	-
Income tax expense	(3,859)	-	115,851	-
Share of non-controlling interest	-	-	(1,523)	-
Profit / (loss) for the year	(57,544)	(134,312)	43,977	-
Other comprehensive income	116	1,114,160	(6,036)	-
Total comprehensive income	(57,428)	979,848	37,941	-
Ownership interest	15.63%	25.00%	20.00%	-
Group's share of profit / (loss)	(8,993)	(33,578)	8,795	-
Group's share of other comprehensive income	18	278,540	(1,207)	-
Group's share of total comprehensive income	(8,975)	244,962	7,588	-
Total assets	2,070,207	2,022,055	7,503,029	-
Total liabilities	(1,102,386)	(996,804)	(2,881,778)	-
Minority interest	-	-	(77,597)	-
Net assets	967,821	1,025,251	4,543,654	-
Ownership interest	15.63%	15.63%	20.00%	-
Group's share of net assets	151,255	160,230	908,731	-
Goodwill	207,343	207,343	7,279	-
Impairment	(180,909)	-	-	-
	177,689	367,573	916,010	-

Notes to the Financial Statements contd.

16.6.a. The shareholding of the Company in C T Properties Limited (CTPL) was reduced from 25.00% to 15.6284% (approx) as at 31st March 2014 and remained as it is as at 31st March 2015. Nevertheless, CTPL is accounted as an associate of the Company based on the nature of the controlling interest of the Company in CTPL.

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

17 Prepayment on leasehold land and building

	Group	
	2015 Rs. '000	2014 Rs. '000
Gross value		
As at 31st March	35,000	35,000
Amortisation		
As at 1st April	7,875	7,000
Amortisation for the year	876	875
As at 31st March	8,751	7,875
Balance as at 31st March	26,249	27,125
Current portion of the prepayment	875	875
Non-current portion of the prepayment	25,374	26,250
	26,249	27,125

18 Deferred tax

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
As at 1st April	349,202	251,040	1,129,706	877,565	-	-	553,812	493,836
Transfer between deferred tax assets and liabilities	(10,620)	-	(10,620)	-	-	-	-	-
De recognition on disposal of subsidiaries	(195,152)	-	(195,152)	-	-	-	-	-
Release / (charge) for the year	(68,688)	98,162	(353,983)	252,141	-	-	(412,101)	59,976
As at 31st March	74,742	349,202	569,951	1,129,706	-	-	141,711	553,812

18 Deferred tax contd.

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2015	2014	2015	2014	2015	2014	2015	2014
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Deferred tax assets as at the year end is made up as follows:								
Deferred tax assets arising from								
- Temporary difference of property, plant and equipment	(236,996)	(17,828)	637,697	1,033,153	-	-	88,054	477,055
- Temporary difference of revaluation surplus of building	(28,196)	(11,592)	149,486	214,351	-	-	116,817	162,362
- Temporary difference on provisions	23,418	25,435	(8,982)	(10,783)	-	-	-	-
- Temporary difference of employee benefits	76,276	22,696	(68,558)	(101,018)	-	-	(63,160)	(85,605)
- Temporary difference on deferred income	26,498	29,717	-	-	-	-	-	-
- Temporary difference of carry forward tax losses	304,356	300,774	(6,669)	(5,997)	-	-	-	-
- Temporary difference of operating lease liability	104,538	-	-	-	-	-	-	-
- Temporary difference of increase in future tax rates	-	-	62,129	-	-	-	-	-
	269,894	349,202	765,103	1,129,706	-	-	141,711	553,812
Derecognition on disposal of subsidiary								
- Temporary difference of carry forward tax losses	(195,152)	-	-	-	-	-	-	-
Derecognition on disposal of subsidiary								
- Temporary difference of property plant and equipment	-	-	(168,083)	-	-	-	-	-
Derecognition on disposal of subsidiary								
- Temporary difference of revaluation surplus of building	-	-	(27,069)	-	-	-	-	-
	74,742	349,202	569,951	1,129,706	-	-	141,711	553,812
Release / (charge) for the year								
Continuing operations	10,982	16,103	(274,313)	170,082	-	-	(412,101)	59,976
Discontinuing operations	(79,670)	82,059	(79,670)	82,059	-	-	-	-
	(68,688)	98,162	(353,983)	252,141	-	-	(412,101)	59,976
Reversal/(origination) of deferred tax - Continuing operations								
Total expense released/charged to								
profit or loss	6,217	18,185	(268,147)	193,630	-	-	(406,173)	81,551
Total expense released/charged to OCI	4,765	(2,082)	(6,166)	(23,548)	-	-	(5,927)	(21,575)
	10,982	16,103	(274,313)	170,082	-	-	(412,101)	59,976

Notes to the Financial Statements contd.

18 Deferred tax Contd.

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Reversal/origination of deferred tax - Discontinuing operations								
Total expense released/charged to								
profit or loss	(79,670)	82,059	(79,670)	81,996	-	-	-	-
Total expense Released/charged to OCI	-	-	-	63	-	-	-	-
	(79,670)	82,059	(79,670)	82,059	-	-	-	-

Reversal/origination of deferred tax

Total expense released/charged to								
profit or loss	(73,453)	100,244	(347,817)	275,626	-	-	(406,173)	81,551
Total expense								
Released/charged to OCI	4,765	(2,082)	(6,166)	(23,485)	-	-	(5,927)	(21,575)
	(68,688)	98,162	(353,983)	252,141	-	-	(412,101)	59,976

Deferred tax assets of Rs. 5.37 Mn, Rs. 6.84 Mn, Rs. 33.91 Mn, 6.00 Mn and 22.62 Mn respectively arising from the subsidiaries, Cargills Foods Company (Private) Limited, Cargills Quality Foods Limited, Cargills Agrifoods Limited, Cargills Food Services (Private) Limited and Millers Limited have been recognised.

19 Inventories

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Raw and packing materials	645,997	911,710	-	-
Work in progress	34,039	46,244	-	-
Finished goods	187,661	394,109	-	-
Merchandising stock for sale	5,069,766	4,522,373	29,218	16,143
Food and beverages - restaurant operations	59,987	72,317	-	-
Consumables	123,574	109,599	-	-
	6,121,024	6,056,352	29,218	16,143
Provision for obsolete inventories	(28,756)	(53,843)	-	-
	6,092,268	6,002,509	29,218	16,143
Goods in transit	125,316	114,923	-	-
	6,217,584	6,117,432	29,218	16,143

The details of inventories mortgaged for banking facilities obtained have been given in the note 27.2 to the financial statements.

20 Trade and other receivables

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Trade receivables	1,311,088	1,604,072	10,302	36,180
Impairment of trade receivables	(91,546)	(109,268)	(5,573)	-
	1,219,542	1,494,804	4,729	36,180
Prepayments and deposits	1,187,911	1,222,387	592,893	358,493
Other receivables	222,467	246,271	5,756	34,542
Loans and advances (note 20.1)	13,086	20,047	10,261	19,320
Tax recoverable (note 20.2)	196,469	365,109	18,989	181,069
	2,839,475	3,348,618	632,628	629,604

The details of trade receivable mortgaged for banking facilities obtained have been given in the note 27.2 to the financial statements.

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

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
As at 1st April	20,047	15,134	19,320	14,192
Loans granted	24,776	38,860	14,984	34,498
	44,823	53,994	34,304	48,690
Repayments	(31,737)	(33,947)	(24,043)	(29,370)
As at 31st March	13,086	20,047	10,261	19,320

20.2 Tax recoverable

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

21 Amounts due from/due to related companies

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Amounts due from subsidiaries				
Cargills Foods Company (Private) Limited	-	-	1,543,909	-
Cargills Agrifoods Limited	-	-	7,628	-
Cargills Quality Foods Limited	-	-	152,484	2,039,996
Cargills Quality Dairies (Private) Limited	-	-	2,129	-
Cargills Distributors (Private) Limited	-	-	71	-
Cargills Food Services (Private) Limited	-	-	7,175	-

Notes to the Financial Statements contd.

21 Amounts due from/due to related companies contd.

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Amounts due from subsidiaries				
CPC (Lanka) Limited	-	-	64	-
Dawson Office Complex (Private) Limited	-	-	259,954	259,884
Millers Brewery Limited	-	-	-	3,003,251
Millers Limited	-	-	1,931	18,015
Kotmale Dairy Products Limited	-	-	16,739	47,982
	-	-	1,992,084	5,369,128
Amounts due from holding company				
C T Holdings PLC	18,056	18,199	17,454	17,454
	18,056	18,199	17,454	17,454
Amounts due from other related companies				
Cargills Bank Limited	19,350	29,219	18,823	29,180
Ceylon Hotels Corporation PLC	154	89	-	-
Ceylon Printers PLC	-	1	-	-
Ceylon Theatres (Private) Limited	28,924	9,573	28,756	9,464
C T Land Development PLC	1,071	5,519	1,024	5,519
C T Properties Limited	887,899	85,563	887,899	85,563
CT Real Estate (Private) Limited	-	8,756	-	8,756
Galle Face Hotel Company Limited	67	-	-	-
Kandy Hotels Company (1938) PLC	1,029	530	-	-
United Hotels Company Limited	583	-	-	-
	939,077	139,250	936,502	138,482
Total amount due from related companies	957,133	157,449	2,946,040	5,525,064
Amounts due to subsidiaries				
Cargills Quality Confectioneries (Private) Limited	-	-	74	-
Cargills Foods Company (Private) Limited	-	-	-	929,455
Cargills Food Processors (Private) Limited	-	-	128,495	-
Cargills Frozen Products Limited	-	-	-	50,000
	-	-	128,569	979,455
Amounts due to other related companies				
CT Land Development Limited	-	104	-	-
Dialog Axiata PLC	-	20,325	-	-
Total amount due to related companies	-	20,429	128,569	979,455

22 Stated capital

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Issued and fully paid :				
224,000,000 Ordinary shares	130,723	130,723	130,723	130,723
	130,723	130,723	130,723	130,723

23 Other equity/Put liability

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Put option over Non Controlling Interest (NCI)	1,974,311	-	-	-
	1,974,311	-	-	-

The put option over NCI relates to Put Option agreement between Cargills Foods Company (Private) Limited (CFC), International Finance Corporation (IFC), and Cargills (Ceylon) PLC (CCP)

IFC has subscribed for 4,130,424 shares of CFC (representing 8% shares of the Company) for an aggregate subscription price of Rs. 2,550 Mn on 25th February 2015. Therefore IFC is considered the investor of CFC and non-controlling interest to CCP and CCP acts as the grantor / sponsor to the contract.

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

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

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

- Conditions of the Shareholder Agreement will not be breached by either party until the Put Period arrives.
- In the event of non-listing of the company by CCP, IFC will wait until the end of the Put Period to exercise the Put Option.
- Weighted average cost of capital of CCP is 14%.
- Pricing date as 31st March 2015.
- An year is assumed to have 365 days.

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

Notes to the Financial Statements contd.

24 Reserves

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Capital reserves				
Revaluation reserve	7,023,147	7,107,668	3,318,259	5,857,818
Capital reserve	7,928	7,928	-	-
	7,031,075	7,115,596	3,318,259	5,857,818
Revenue reserves				
General reserve	485,500	485,500	485,500	485,500
Available for sale reserves	(15,848)	(16,751)	(15,884)	(16,695)
	469,652	468,749	469,616	468,805
	7,500,727	7,584,345	3,787,875	6,326,623

- Revaluation reserve consists of net surplus resulting from the revaluation of property, plant and equipment.
- Capital reserve consists of share of capital reserve resulting from consolidation.
- General reserve represents the amount set aside by the directors for general applications.
- Available for sale reserve consists of net gain/(loss) on available for sale financial assets.

25 Cash and cash equivalents

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Cash at bank and in hand	1,671,542	602,057	11,313	99,398

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

Cash and bank balances	1,671,542	602,057	11,313	99,398
Bank overdraft	(4,009,994)	(2,190,186)	(2,537,486)	(1,320,998)
	(2,338,452)	(1,588,129)	(2,526,173)	(1,221,600)

26 Assets held for sale

The Company initiated the restructuring process in 2013/14 to transfer its retail operations to its wholly owned subsidiary, Cargills Foods Company (Private) Limited (CFC). The details pertaining to restructuring is illustrated under note no 35. In accordance with the Sri Lanka Financial Reporting Standard (SLFRS 5 Asset Held for Sale and Discontinued Operations) the property plant and equipment associated with the retail operations which remained with the Company were classified as Assets Held for Sale. These assets except for free hold land and building were transferred to CFC on 31st May 2014 and freehold and buildings were transferred to CFC on 31st August 2014.

	Freehold Land		Freehold Building		Expenditure incurred on leasehold building		Plant, machinery and others		Motor Vehicle		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Company												
Cost / revaluation	-	2,889,000	-	344,691	-	1,937,217	-	5,275,524	-	90,080	-	10,536,512
Accumulated depreciation	-	-	-	(37,706)	-	(1,169,144)	-	(2,870,468)	-	(78,842)	-	(4,156,160)
Carrying value	-	2,889,000	-	306,985	-	768,073	-	2,405,056	-	11,238	-	6,380,352

27 Borrowings

	Group		Company	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current				
Current portion of long term loan	558,397	556,119	-	499,000
Short term loans	7,050,000	12,735,000	1,400,000	10,270,000
Bank overdraft	4,009,994	2,190,186	2,537,486	1,320,998
	11,618,391	15,481,305	3,937,486	12,089,998
Non-current				
Bank borrowings (note 27.1)	730,922	1,289,319	-	1,201,400
	730,922	1,289,319	-	1,201,400
Total borrowings	12,349,313	16,770,624	3,937,486	13,291,398
27.1 Non current				
As at 1st April	1,845,438	2,247,466	1,700,400	2,000,000
Loans received/transferred	-	-	(1,502,300)	-
Repayments	(556,119)	(402,029)	(198,100)	(299,600)
As at 31st March	1,289,319	1,845,438	-	1,700,400
Falling due within one year	(558,397)	(556,119)	-	(499,000)
	730,922	1,289,319	-	1,201,400
Repayment during 1-2 years	532,622	558,397	-	501,700
Repayment during 2-5 years	198,300	730,922	-	699,700
	730,922	1,289,319	-	1,201,400

Notes to the Financial Statements contd.

27.2 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
Cargills (Ceylon) PLC				
<i>Bank overdraft</i>				
Commercial Bank	700,000	637,982	On demand, Based on monthly AWPLR, Average interest rate of 7.24%	Corporate guarantee from C T Holdings PLC for Rs.50 Mn.
Seylan Bank	100,000	91,450	On demand, Based on weekly AWPLR+1% p.a., Average interest rate of 7.04%	Clean Basis
Bank of Ceylon	94,000	3	On demand, Based on weekly AWPLR+2.5%, Average interest rate of 10.00%	Trading Stock mortgage of 15 locations.
Nations Trust Bank	750,000	687,401	On demand, Based on weekly AWPLR, Average interest rate of 6.78%	Clean Basis
HSBC	200,000	-	On demand, Based on Overnight SLIBOR+1.5, Average interest rate of 8.56%	Clean Basis
Deutsche Bank	500,000	346,875	On demand, Based on market rate, Average interest rate of 6.87%	Clean Basis
MCB	675,000	673,956	Through own funds, Based on market rate, Average interest rate of 6.93%	Clean Basis
Sampath Bank	100,000	92,485	On demand, Based on monthly AWPLR, Average interest rate of 6.88%	Clean Basis
Cargills Bank	-	7,334		No securities, balance consist of unrepresented/unrealised cheques, Bank balance is credit.
<i>Short term loans</i>				
Commercial Bank	1,000,000	1,000,000	1 month, commencing from 16.03.15 to 16.04.15 (maximum 12 months), Based on market rate, Average interest rate of 6.75%	Corporate guarantee from C T Holdings PLC for Rs.50 Mn.
Seylan Bank	1,000,000	-	3 months AWPLR (re priced monthly)	Clean Basis
HSBC	100,000	-	Tenor Linked SLIBOR+1.5%	Clean Basis
Hatton National Bank	1,000,000	400,000	Based on money market rate, 1 week, commencing from 30.03.15 to 07.04.15 (maximum 90 days), Average interest rate of 6.88%	Clean Basis
Sampath Bank	1,800,000	-	Based on money market rate	Clean Basis
		<u>3,937,486</u>		
Cargills Agrifoods Limited				
<i>Bank overdraft</i>				
Commercial Bank	100,000	189,562	Average interest rate of 7.24%	
Cargills Bank	-	13,590		No Security. Balance consist of unrepresented cheques bank balance is credit.
<i>Short term loans</i>				
Sampath Bank	250,000	-	Average interest rate of 7.5%	Short term loan agreement for Rs. 250,000,000/- Letter of Comfort from Cargills (Ceylon) PLC for Rs. 250 Mn.
		<u>203,152</u>		
Cargills Distributors (Private) Limited				
<i>Bank overdraft</i>				
Cargills Bank	-	297		No Security. Balance consist of unrepresented cheques and the bank balance is credit.
		<u>297</u>		

Institution and facility	Principal amount Rs. '000	Amount outstanding Rs. '000	Repayment terms & interest rate	Security offered
Cargills Food Processors (Private) Limited				
Bank overdraft				
Commercial Bank	250,000	433,433	Average interest rate of 7.24%	No Security. Balance consist of unrepresented cheques and the bank balance is credit
Cargills Bank	-	24,398		No Security. Balance consist of unrepresented cheques and the bank balance is credit
		<u>457,831</u>		
Cargills Food Services (Private) Limited				
Bank overdraft				
Commercial Bank	250,000	120,567	Temporary OD Facility offered subject to settle in 7 days time	Temporary OD Facility
Cargills Bank	-	6,373		No Security. Balance consist of unrepresented cheques and the bank balance is credit
		<u>126,940</u>		
Cargills Foods Company (Private) Limited				
Bank overdraft				
Cargills Bank	-	202,977		No Security. Balance consist of unrepresented cheques and the bank balance is credit
Commercial Bank	-	20,247		No Security. Balance consist of unrepresented cheques and the bank balance is credit
Deutsche Bank	-	7,307		No Security. Balance consist of unrepresented cheques and the bank balance is credit
Short term loans				
Standard Chartered Bank	500,000	500,000	1 month commencing from 30.03.2015 to 30.04.2015 (maximum 120 days), Based on money market rate, average interest rate of 6.01%	Clean Basis
Standard Chartered Bank	1,000,000	900,000	1 month commencing from 30.03.2015 to 30.04.2015 (maximum 12 months), Based on money market rate, average interest rate of 6.01%	Clean Basis
Standard Chartered Bank	400,000	400,000	3 months commencing from 23.01.2015 to 27.04.2015 (maximum 180 days), Based on money market rate, average interest rate of 6.01%	Clean Basis
Hatton National Bank	1,250,000	-	Based on money market rate	Clean Basis
Sampath Bank	1,000,000	-	Based on money market rate	Short term loan agreement for Rs. 1,000,000,000/-, Corporate Guarantee of Cargills (Ceylon) PLC for Rs. 1,000,000,000/-
Long term loans				
Commercial Bank	728,900	589,000	5 years, The loan is repayable in 48 monthly instalments commencing from 13th Month of disbursement to 60th month. (as per term sheet)	Deed of Assignment No. 496 dated 30.09.2014
Habib Bank	386,700	306,200		
State Bank of India	386,700	306,200	Based on weekly AWPLR +0.8%, Average interest rate of 9.14%	Additional Mortgage Bond No. 497 dated 30.09.2014 for Rs. 1,502,300,000/- over credit and debit card receivables and ESCROW Account.
		<u>3,231,931</u>		
C P C (Lanka) Limited				
Bank overdraft				
Cargills Bank	-	526		No Security. Balance consist of unrepresented cheques and the bank balance is credit
		<u>526</u>		

Notes to the Financial Statements contd.

27.2 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
Cargills Quality Confectioneries (Private) Limited				
Bank Overdraft				
Bank of Ceylon	176,450	-	Average interest rate of 9.5%	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 176.45 Mn.
Bank of Ceylon	47,540	-	Average interest rate of 9.5%	Corporate guarantee from Cargills (Ceylon) PLC Mortgage over leasehold rights of the land & buildings and Plant & Machin. Fixed in the premises.
Cargills Bank		15,214		
Commercial Bank	25,000	44,297	Average interest rate of 7.24%	No Security. Balance consist of unrepresented cheques and the bank balance is credit.
Hatton National Bank	-	124	Average interest rate of 7.25%	
Short term loans				
Hatton National Bank	200,000	150,000	Average interest rate of 7.25%	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 200 Mn.
Sampath Bank	750,000	-	Average interest rate of 7.5%	Short term loan agreement for Rs. 750,000,000/-, Letter of Comfort from Cargills (Ceylon) PLC for Rs. 750 Mn.
Long term loans				
Bank of Ceylon	11,115	2,182	54 monthly installments of Rs. 205,835 per month , commencing from July 2011 , at average interest rate of 6% for the year. Grace period of 6 months available	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 11.12 Mn.
Bank of Ceylon	282,560	83,885	64 monthly installments of Rs. 4.42 Mn per month , commencing from July 2011 , at average interest rate of 7.67% for the year. Grace period of 6 months available	Mortgage over leasehold rights of the land & buildings and Plant & Machin. Fixed in the premises.
Bank of Ceylon	7,482	1,852	72 monthly installments of Rs. 103,920 per month , commencing from January 2011 , at average interest rate of 6.5% for the year.	Corporate guarantee from Cargills (Ceylon) PLC for Rs. 282.56 Mn. Corporate guarantee from Cargills (Ceylon) PLC for Rs. 7.48 Mn.
		<u>297,554</u>		
Cargills Quality Dairies (Private) Limited				
Bank overdraft				
Commercial Bank	50,000	18,480	Average interest rate of 7.24%	
Seylan Bank	200,000	383	Average interest rate of 7.04%	
Cargills Bank	-	61,378		No Security. Balance consist of unrepresented cheques and the bank balance is credit.
Short term loans				
Standard Chartered Bank	500,000	500,000	Average interest rate of 6.95%	Clean Basis
Hatton National Bank	750,000	2	Average interest rate of 7.25%	Board Resolution
		<u>580,243</u>		
Cargills Quality Foods Limited				
Bank overdraft				
Commercial Bank	75,000	67,010	Average interest rate of 7.24%	
Cargills Bank	-	31,052		No Security. Balance consist of unrepresented cheques and the bank balance is credit.

Institution and facility	Principal amount Rs. '000	Amount outstanding Rs. '000	Repayment terms & interest rate	Security offered
Cargills Quality Foods Limited contd.				
<i>Bank overdraft</i>				
Hatton National Bank	-	504	Average interest rate of 7.25% (AWPLR +0.5%)	
<i>Short term loans</i>				
Sampath Bank	1,500,000	1,250,000	Average interest rate of 7.5%	Short term loan agreement for Rs. 1,500,000,000/-; Letter of Comfort from Cargills (Ceylon) PLC for Rs. 1,500 Mn.
Standard Chartered Bank	250,000	250,000	Average interest rate of 6.95%	Clean Basis
National Development Bank	650,000	650,000	Average interest rate of 6.25%	Clean Basis
Hatton National Bank	750,000	700,000	Average interest rate of 7.25% (AWPLR +0.5%)	Board Resolution
		<u>2,948,566</u>		
Kotmale Dairy Products (Private) Limited				
<i>Bank overdraft</i>				
Seylan Bank	-	2,363	-	No Security. Balance consist of unrepresented cheques and the bank balance is credit
Bank of Ceylon	10,000	-	Average interest rate of 9.47% P .a	Corporate Guarantee from Kotmale Holdings PLC (KHP). Mortgage over stocks and book debtors.
		<u>2,363</u>		
<i>Import Loan Facility</i>				
Bank of Ceylon	40,000	-	Average interest rate of 9.47% P .a	Corporate Guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors
<i>Series of Loan on Import</i>				
Bank of Ceylon	40,000	-	Average interest rate of 9.47% P .a	Corporate Guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
Kotmale Milk Products Limited				
<i>Bank overdraft</i>				
Pan Asia Bank	5,000	-	Average interest rate of 9.59 % P .a	Corporate Guarantee from Kotmale Holdings PLC.
<i>Import Loan Facility</i>				
Pan Asia Bank	20,000	-	Average interest rate of 9.59 % P .a	Corporate Guarantee from Kotmale Holdings PLC.
Millers Limited				
<i>Bank overdraft / Short term loan</i>				
HSBC	200,000	-		Corporate Guarantee from Cargills (Ceylon) PLC for Rs. 200 Mn
MCB	25,000	-		Corporate Guarantee from Cargills (Ceylon) PLC for Rs. 75 Mn
Standard Chartered Bank	250,000	250,000	Average interest rate of 6.95%	Corporate Guarantee from Cargills (Ceylon) PLC for Rs. 250 Mn
Commercial Bank	165,000	121,859	Average interest rate of 7.24%	Corporate Guarantee from Cargills (Ceylon) PLC for Rs. 215 Mn
Hatton National Bank	175,000	175,100	Average interest rate of 8.61%	Corporate Guarantee from Cargills (Ceylon) PLC for Rs. 335 Mn
Cargills Bank		15,465		No Security. Balance consist of unrepresented cheques and the bank balance is credit
		<u>562,424</u>		

Notes to the Financial Statements contd.

28 Deferred income

	Group	
	2015 Rs. '000	2014 Rs. '000
Capital grant		
As at 1st April	106,134	58,372
Receipt during the year	682	51,014
Amortisation	(10,472)	(3,252)
As at 31st March	96,344	106,134
Revenue grant		
Receipt during the year	1,709	2,182
Amortisation	(1,709)	(2,182)
As at 31st March	-	-

The above grants include the grants received in respect of two USAID supported projects undertaken by the subsidiary company Cargills Agrifoods Limited. The two projects were completed and commenced their operation during the financial year 2013/14.

Cargills Agrifoods Limited received Rs. 0.682 Mn (2014 - Rs. 51.01 Mn) as a capital grant in respect of a project undertaken at Kilinochchi during financial year ended 31st March 2015.

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

29 Employee benefits

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
29.1 Movement in present value of defined benefit obligations				
As at 1st April	416,222	285,152	305,732	246,615
Transferred to subsidiary	-	-	(115,085)	(55,669)
Interest cost	43,476	31,367	20,019	21,006
Current service cost	59,337	45,635	23,687	34,442
Actuarial (gain) / loss	39,517	76,018	21,169	77,053
Benefits paid	(37,750)	(21,950)	(29,951)	(17,714)
As at 31st March	520,802	416,222	225,571	305,732
29.2 Liability recognised in the Statement of Financial Position				
Present value of defined benefit obligation	520,802	416,222	225,571	305,732
Fair value of plan asset	-	-	-	-
Net liability of defined benefit obligation	520,802	416,222	225,571	305,732

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
29.3 Amount recognised in the profit / loss				
Continuing operations				
Current service cost	58,445	44,722	23,687	34,442
Interest cost	43,476	31,212	20,019	21,006
	101,921	75,934	43,706	55,448
Discontinued operations				
Current service cost	892	913	-	-
Interest cost	-	155	-	-
	892	1,068	-	-
	102,813	77,002	43,706	55,448

29.4 Amount recognised in Other Comprehensive Income

Continuing operations				
Actuarial (gain) / loss	39,517	76,176	21,169	77,053
	39,517	76,176	21,169	77,053
Discontinued operations				
Actuarial (gain) / loss	-	(158)	-	-
	-	(158)	-	-
	39,517	76,018	21,169	77,053

This obligation is not externally funded.

The gratuity liability is based on the actuarial valuation carried out by Mr. M Poopalanathan, AIA, Messrs Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries, as at 31st March 2015. The principal assumptions, used in the actuarial valuation were as follows:

	2015 %	2014 %
Discount rate	10	10.5
Future salary increase		
- Executive	8	7
- Staff	8	7

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

Notes to the Financial Statements contd.

29.5 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.

	2015		2014	
	Increase Rs. '000	Decrease Rs. '000	Increase Rs. '000	Decrease Rs. '000
Group				
Discount rate (1% movement)	(30,458)	34,831	(21,974)	24,955
Salary increment rate (1% movement)	37,201	(33,036)	27,257	(24,337)
Company				
Discount rate (1% movement)	(9,467)	10,626	(15,263)	17,362
Salary increment rate (1% movement)	11,547	(10,457)	18,983	(16,929)

30 Trade and other payables

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Trade payables	5,448,993	5,821,648	86,851	113,185
Other payables	1,288,396	1,075,083	288,402	379,867
Accrued expenses	1,092,845	1,206,809	58,596	16,974
	7,830,234	8,103,540	433,849	510,026

Other payables of the Group and Company includes NBT payable, ESC payable and SRL payable

31 Dividends payable

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Unclaimed dividends	27,773	22,956	27,404	22,587
	27,773	22,956	27,404	22,587

32 Segmental information

	Retail		Fast moving consumer goods		Restaurant		Group	
	2015 Rs. '000	2014 Rs. '000 Restated	2015 Rs. '000	2014 Rs. '000 Restated	2015 Rs. '000	2014 Rs. '000 Restated	2015 Rs. '000	2014 Rs. '000 Restated
Revenue	49,609,588	49,204,233	14,269,865	12,752,418	2,301,252	2,156,555	66,180,705	64,113,206
Intra segment revenue	(151,627)	(3,901,369)	(297,070)	(344,358)	-	-	(448,697)	(4,245,727)
Inter segment revenue	(106,822)	(10,168)	(3,993,901)	(3,712,134)	-	-	(4,100,723)	(3,722,302)
	49,351,139	45,292,696	9,978,894	8,695,926	2,301,252	2,156,555	61,631,285	56,145,177
Segment operating profit	933,920	1,926,999	707,152	531,761	(69,284)	41,909	1,571,788	2,500,669
Net finance cost	(703,406)	(1,101,748)	(126,485)	(93,385)	(2,236)	(3,245)	(832,127)	(1,198,378)
Change in fair value of investment property	59,590	286,206	5,600	18,700	-	-	65,190	304,906
Share of associate results	(198)	(33,578)	-	-	-	-	(198)	(33,578)
Profit before taxation	289,906	1,077,879	586,267	457,076	(71,520)	38,664	804,653	1,573,619
Income tax expense								
Current income tax	(631,535)	(206,586)	(200,264)	(96,702)	-	(1,980)	(831,799)	(305,268)
Deferred income tax	387,438	(61,669)	(56,379)	(100,574)	(56,696)	(13,202)	274,363	(175,445)
Profit for the year from continuing operations	45,809	809,624	329,624	259,800	(128,216)	23,482	247,217	1,092,906
Attributable to :								
Equity shareholders of the parent	30,665	809,624	322,555	252,833	(128,216)	23,482	225,004	1,085,939
Non controlling interest	15,144	-	7,069	6,967	-	-	22,213	6,967
	45,809	809,624	329,624	259,800	(128,216)	23,482	247,217	1,092,906
Segment assets								
Non current assets								
Property plant and equipment	13,310,610	13,111,652	4,553,084	8,022,243	970,200	986,896	18,833,894	22,120,791
Investment property	3,396,248	3,261,395	94,300	88,700	-	-	3,490,548	3,350,095
Intangible assets	257,593	257,593	670,426	1,335,238	107,713	115,161	1,035,732	1,707,992
Prepayments of leasehold buildings	-	-	25,374	26,250	-	-	25,374	26,250
Other long term investments	-	660,000	-	-	-	-	-	660,000
Investment in associates	1,093,699	367,573	-	-	-	-	1,093,699	367,573
Deferred tax assets	5,374	18,219	63,372	328,101	5,996	2,882	74,742	349,202
	18,063,524	17,676,432	5,406,556	9,800,532	1,083,909	1,104,939	24,553,989	28,581,903
Current assets								
Inventories	4,876,288	4,171,494	1,283,347	1,875,761	57,949	70,177	6,217,584	6,117,432
Trade and other receivables	1,327,571	1,561,058	1,384,506	1,666,835	127,398	120,725	2,839,475	3,348,618
Amount due from related companies	953,956	157,449	3,177	-	-	-	957,133	157,449
Short term investments	198,007	33,900	725,741	503,486	80	34	923,828	537,420
Cash and cash equivalents	613,265	462,139	1,034,030	116,530	24,247	23,388	1,671,542	602,057
	7,969,087	6,386,040	4,430,801	4,162,612	209,674	214,324	12,609,562	10,762,976
Total segmental assets	26,032,611	24,062,472	9,837,357	13,963,144	1,293,583	1,319,263	37,163,551	39,344,879

Notes to the Financial Statements contd.

32 Segmental information contd.

	Retail		Fast moving consumer goods		Restaurant		Group	
	2015 Rs. '000	2014 Rs. '000 Restated	2015 Rs. '000	2014 Rs. '000 Restated	2015 Rs. '000	2014 Rs. '000 Restated	2015 Rs. '000	2014 Rs. '000 Restated
Segment liabilities								
Non current liabilities								
Borrowings	699,700	1,201,400	31,222	87,919	-	-	730,922	1,289,319
Deferred tax liability	141,711	553,813	320,188	527,652	108,052	48,241	569,951	1,129,706
Deferred income	-	-	96,344	106,134	-	-	96,344	106,134
Employee benefits	471,729	367,882	49,073	48,340	-	-	520,802	416,222
Put liability	1,974,311	-	-	-	-	-	1,974,311	-
	3,287,451	2,123,095	496,827	770,045	108,052	48,241	3,892,330	2,941,381
Current liabilities								
Trade and other payables	6,195,950	6,321,445	1,230,718	1,375,648	403,566	406,447	7,830,234	8,103,540
Current tax liability	479,950	152,165	414,377	285,176	21,349	28,365	915,676	465,706
Amount due to related companies	-	20,429	-	-	-	-	-	20,429
Dividends payable	27,404	22,587	369	369	-	-	27,773	22,956
Borrowings	6,469,717	12,342,135	4,563,903	3,090,730	584,771	48,440	11,618,391	15,481,305
	13,173,021	18,858,761	6,209,367	4,751,923	1,009,686	483,252	20,392,074	24,093,936
Total segmental liabilities	16,460,472	20,981,856	6,706,194	5,521,968	1,117,738	531,493	24,284,404	27,035,317
Other information								
Capital expenditure	1,318,797	2,438,113	399,256	910,118	139,708	436,980	1,857,761	3,785,211
Depreciation	876,091	939,041	529,320	493,881	162,120	128,357	1,567,531	1,561,279

Segmental information - the secondary segments (geographical segments)

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

33 Commitments

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Capital commitments				
Approved and contracted	641,668	425,670	-	-
Financial commitments				
(a) Future payments of operating lease rentals				
- within 1 year	735,664	634,953	45,870	37,900
- between 1-5 years	3,636,978	3,090,695	246,990	233,858
- more than 5 years	4,131,670	4,961,916	366,700	425,702
	8,504,312	8,687,565	659,560	697,460

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
(b) Settlement of letter of credits and import bills	205,898	91,406	-	-

34 Contingent liabilities

Income tax

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

Cargills Agrifoods Limited - Rs. 97.3 Mn, Cargills Quality Dairies (Private) Limited - Rs. 322.4 Mn, Cargills Quality Foods Limited - Rs. 132.4 Mn and Kotmale Dairy Products (Private) Limited Rs. 34.74 Mn.

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

Letter of guarantee to Commercial Banks

The Company has given letters of guarantee to Commercial Banks on behalf of the subsidiary companies amounting to Rs. 5.25 Bn. Kotmale Holdings PLC a subsidiary of the company has given letters of guarantee to Commercial Banks on behalf of its subsidiary companies Kotmale Dairy Products (Private) Limited Rs. 50 Mn and Kotmale Milk Products Limited 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.

Litigation against the Group

Kotmale Dairy Products (Private) Limited

DC Hatton case no. 1805/2013/M

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

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

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

Notes to the Financial Statements contd.

35 Transfer of operation within the Group

The Board of Directors of the Company received shareholder approval at an Extraordinary General Meeting held on 20th September 2013, to restructure the business operations of the Company by transferring the retail operations to one of its wholly owned subsidiary, Cargills Foods Company (Private) Limited (CFC).

Accordingly, the retail operations and the associated assets and liabilities, excluding property plant and equipment, were transferred to CFC during the Financial Year 2013/14. The Company received rental income from CFC for the use of such property, plant and equipment during the intervening period. These assets except for free hold land and building were transferred to CFC on 31st May 2014 and freehold lands and buildings were transferred to CFC on 31st August 2014.

In accordance with the Sri Lanka Accounting Standard SLFRS 5 the Property, Plant and Equipment associated with the Retail operations which remained with the Company have been disclosed as Assets held for sale in note 26.

36 Events after the reporting date

The Board of Directors have proposed a final dividend of 1.30 Rupee per share on 07th July 2015 (on the 224,000,000 shares now in issue) for the year ended 31st March 2015 which is to be approved by the shareholders at the Annual General Meeting.

As required by the Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors has confirmed the Company satisfies the 'Solvency Test', and has obtained a certificate from auditors.

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

Liability to Super Gains Tax

The imposition of a Super Gains Tax was proposed through the budget proposals in January 2015. A bill dated 27th March 2015 has been presented to Parliament for the said provisions to be legislated. Pending the approval of the same, the Company and Group have not made any provisions for the potential liability to Super Gains Tax in these Financial Statements.

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

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

37 Transactions with group companies

The Company has provided corporate guarantees for the term loans and banking facilities obtained by its subsidiary companies, the details of which has been disclosed under note 27 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.

37.1 Transactions with key management personnel (KMP)

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

The company has provided accommodation at its property at Colombo 2 to the Deputy Chairman / Chief Executive Officer for the due performance of his office.

The Group and the Company has paid Rs. 206.53 Mn (2014 - Rs. 183.22 Mn) and Rs. 103.32 Mn (2014 - Rs. 116.78 Mn) respectively to the directors as emoluments and nil (2014 - nil) and nil (2014 - nil) respectively as post employment benefits during the year. There are no other payments made to key management personnel apart from the disclosed amount.

37.2 The directorates of Directors of the group companies

The directors of the company are also directors of the following companies with which the Company had regular business transactions as disclosed below;

	Mr. L.R. Page	Mr. V.R. Page	Mr. M.I. Abdul Wahid	Mr. S.V. Kodikara	Mr. P.S. Mathavan	Mr. Jayantha Dhanapala	Mr. A.T.P. Edirisinghe	Mr. S.E.C. Gardiner	Mr. Sunil Mendis	Mr. Antony A. Page	Mr. J.C. Page	Mr. E.A.D. Perera
Group Companies												
Cargills (Ceylon) PLC	✓	✓	✓	✓	✓	✓ *	✓	✓	✓	✓	✓	✓
Cargills Agrifoods Limited			✓	✓	✓							
Cargills Distributors (Private) Limited			✓	✓								
Cargills Food Processors (Private) Limited			✓	✓	✓							
Cargills Food Services (Private) Limited			✓	✓	✓							
Cargills Frozen Product (Private) Limited			✓	✓								
Cargills Quality Confectioneries (Private) Limited			✓	✓								
Cargills Quality Dairies (Private) Limited			✓	✓	✓							
Cargills Quality Foods Limited		✓	✓	✓	✓							
Cargills Foods Company (Private) Limited		✓	✓	✓								
CPC (Lanka) Limited			✓	✓								
Dawson Office Complex (Private) Limited			✓									
Kotmale Dairy Products (Private) Limited			✓									
Kotmale Holdings PLC		✓	✓		✓		✓		✓		✓	
Kotmale Kiri (Private) Limited			✓									
Kotmale Marketing (Private) Limited			✓									
Kotmale Milk Products Limited			✓									

Notes to the Financial Statements contd.

	Mr. L.R. Page	Mr. V.R. Page	Mr. M.I. Abdul Wahid	Mr. S.V. Kodikara	Mr. P.S. Mathavan	Mr. Jayantha Dhanapala	Mr. A.T.P. Edirisinghe	Mr. S.E.C. Gardiner	Mr. Sunil Mendis	Mr. Antony A. Page	Mr. J.C. Page	Mr. E.A.D. Perera
Kotmale Milk Foods Limited			✓									
Kotmale Products (Private) Limited			✓									
Millers Limited			✓		✓							
Other Companies												
Ceylon Printers PLC										✓		
Cargills Bank Limited	✓	✓			✓							
Ceylon Hotels Corporation PLC								✓				
Ceylon Printers PLC										✓		
Ceylon Theatres (Private) Limited		✓									✓	
C T Capital Limited	✓											
C T Holdings PLC	✓	✓					✓		✓	✓	✓	
C T Properties Limited	✓	✓									✓	✓
Dialog Axiata PLC						✓ **						
Kandy Hotels Co. (1938) PLC								✓				

Directors have no direct or indirect interest in any other contracts with the Company. The above interest in contracts have been declared at Board Meetings by the Directors concerned.

* Mr. Jayantha Dhanapala - resigned w.e.f. 12th January 2015

** Mr. Jayantha Dhanapala - resigned w.e.f. September 2014

37.3 Transactions with related companies

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Transaction with related parties				
Subsidiaries				
Sale / (Purchase)	-	-	151,627	1,741,853
Other Income / (Expense)	-	-	943,731	642,855
Fund Transfer / (Settlement)	-	-	(3,621,516)	(2,248,677)
Holding company				
Sale / (Purchase)	-	782	-	-
Other Income / (Expense)	(21,243)	(25,016)	-	-
Fund Transfer / (Settlement)	21,101	24,295	-	(11)

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Other related companies				
Sale / (Purchase)	9,964	6,423	-	58
Other Income / (Expense)	64,690	24,398	97,361	25,767
Fund Transfer / (Settlement)	745,601	(703,627)	700,659	(681,805)

The other expense relating to Company includes employee benefit cost transfer to subsidiaries amounting to Rs. 30.3 Mn (2014 - nil) for the year ended 31st March 2015.

Net dividends received from subsidiary companies

	2015 Rs. '000	2014 Rs. '000
Cargills Quality Foods Limited	21,191	448,605
Cargills Foods Company (Private) Limited	270,180	855
Millers Brewery Limited	222,300	-

Double Yummm (Private) Limited

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

Mrs. R Page, wife of the Deputy Chairman/CEO is a Director of the above company with which the Company and Group had the following transaction during the year and the amount outstanding as at 31st March 2015 was Rs. 4.51 Mn (2014 - Rs. 4.36 Mn).

Purchases for re-sale in the ordinary course of business of Rs. 45.81 Mn (2014 - Rs. 31.77 Mn)

Rental income of Rs. 1.08 Mn (2014 - Rs. 1.56 Mn)

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

37.4 Amounts due from / due to related companies

Amounts due from and due to related companies as at the year end have been disclosed under note 21 to these financial statements.

Notes to the Financial Statements contd.

38 Comparative information

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

39 Financial instruments

39.1 Financial assets and liabilities by categories

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

Group Financial assets by categories	Loans and receivables (L&R)		Held to maturity (HTM)		Available- for- sale Financial Assets (AFS)	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
As at 31st March						
Financial assets measured at fair value						
Other financial instruments	-	-	-	-	34,875	33,970
Financial assets not measured at fair value						
Trade and other receivables	2,839,475	3,348,618	-	-	-	-
Amounts due from related companies	957,133	157,449	-	-	-	-
Other financial assets	888,953	503,450	-	-	-	-
Cash at bank and in hand	1,671,542	602,057	-	-	-	-
Total	6,357,103	4,611,574	-	-	34,875	33,970

Financial liabilities by categories financial liabilities measured at amortised cost

As at 31st March	Other financial liabilities (39.1.(a))	
	2015 Rs. '000	2014 Rs. '000
Financial liabilities not re-measured at fair value		
Borrowings	12,349,313	16,770,624
Trade and other payables	7,830,234	8,103,540
Amounts due to related companies	-	20,429
Total	20,179,547	24,894,593

Company Financial assets by categories	Loans and receivables (L&R)		Held to maturity (HTM)		Available- for- sale Financial Assets (AFS)	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
As at 31st March						
Financial assets measured at fair value						
Other financial instruments	-	-	-	-	34,715	33,904
Financial assets not measured at fair value						
Trade and other receivables	632,628	629,604	-	-	-	-
Amounts due from related companies	2,946,040	5,525,064	-	-	-	-
Cash at bank and in hand	11,313	99,398	-	-	-	-
Total	3,589,981	6,254,066	-	-	34,715	33,904

Financial liabilities by categories financial liabilities measured at amortised cost

As at 31st March	Other financial liabilities (39.1.(a))	
	2015 Rs. '000	2014 Rs. '000
Financial liabilities not re-measured at fair value		
Trade and other payables	433,849	510,026
Amounts due to related companies	128,569	979,455
Borrowings	3,937,486	13,291,398
Total	4,499,904	14,780,879

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

39.2 Fair value hierarchy

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

The different levels have been defined as follows:

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

Level 2: Input a 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).

Notes to the Financial Statements contd.

Group	Level 1		Level 2		Level 3		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31st March								
AFS	34,875	33,970	-	-	-	-	34,875	33,970
Held for trading	-	-	-	-	-	-	-	-
FVTPL	-	-	-	-	-	-	-	-
Company								
AFS	34,715	33,904	-	-	-	-	34,715	33,904
Held for trading	-	-	-	-	-	-	-	-
FVTPL	-	-	-	-	-	-	-	-

40 Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

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

40.1 Credit risk

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

Carrying amount of financial assets represents the maximum credit exposure.

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

	Group		Company	
	2015	2014	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade receivables	1,219,542	1,494,804	4,729	36,180
Loans and advances	13,086	20,047	10,261	19,320
Amount due from related companies	957,133	157,449	2,946,040	5,525,064
Cash and cash equivalents	1,671,542	602,057	11,313	99,398
Total credit risk exposure	3,861,303	2,274,357	2,972,343	5,679,962
Available for sale investments	34,875	33,970	34,715	33,904
Total equity risk exposure	34,875	33,970	34,715	33,904

40.1.1 Trade receivables

Past due 1 - 30 days	822,542	843,210	3,027	30,770
Past due 31 - 60 days	200,251	377,258	1,198	2,776
Past due 61 - 90 days	98,739	93,896	504	544
> 91 days	98,010	180,440	-	2,090
	1,219,542	1,494,804	4,729	36,180

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

40.1.2 Loans and advances

The loans and advances represents loans given to permanent employees.

40.1.3 Amount due from related companies

The Group's amounts due from related companies mainly consist of receivables from other related companies and parent company. The Company's amount due from related companies consist of receivables from affiliate companies.

40.1.4 Cash and cash equivalents

The Group and the Company held cash and cash equivalents of Rs. 1,671.54 Mn and Rs. 11.31 Mn at 31st March 2015 (2014 - Rs. 602.1 Mn and Rs. 99.4 Mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks, which are rated AAA (Ika) to A (Ika), based on Fitch Ratings.

40.1.5 Guarantees

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

Notes to the Financial Statements contd.

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

Group	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Financial instruments in non-current liabilities							
Borrowings	-	532,622	198,300	-	-	-	730,922
Financial instruments in current liabilities							
Trade and other payables	7,830,234	-	-	-	-	-	7,830,234
Current portion of long term loan	558,397	-	-	-	-	-	558,397
Short term loans	7,050,000	-	-	-	-	-	7,050,000
Bank overdraft	4,009,994	-	-	-	-	-	4,009,994
	19,448,625	532,622	198,300	-	-	-	20,179,547

The following are the contractual maturities of financial liabilities as at 31st March 2014

Group	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Financial instruments in non-current liabilities							
Borrowings	-	558,397	532,622	198,300	-	-	1,289,319
Financial instruments in current liabilities							
Trade and other payables	8,103,540	-	-	-	-	-	8,103,540
Amounts due to related companies	20,429	-	-	-	-	-	20,429
Current portion of long term loan	556,119	-	-	-	-	-	556,119
Short term loans	12,735,000	-	-	-	-	-	12,735,000
Bank overdraft	2,190,186	-	-	-	-	-	2,190,186
	23,605,274	558,397	532,622	198,300	-	-	24,894,593

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

Company	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Financial instruments in non-current liabilities							
Borrowings	-	-	-	-	-	-	-
Financial instruments in current liabilities							
Trade and other payables	433,849	-	-	-	-	-	433,849
Amounts due to related companies	128,569	-	-	-	-	-	128,569
Current portion of long term loan	-	-	-	-	-	-	-
Short term loans	1,400,000	-	-	-	-	-	1,400,000
Bank overdraft	2,537,486	-	-	-	-	-	2,537,486
	4,499,904	-	-	-	-	-	4,499,904

The following are the contractual maturities of financial liabilities as at 31st March 2014

Company	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Financial instruments in non-current liabilities							
Borrowings	-	501,700	501,400	198,300	-	-	1,201,400
Financial instruments in current liabilities							
Trade and other payables	510,026	-	-	-	-	-	510,026
Amounts due to related companies	979,455	-	-	-	-	-	979,455
Current portion of long term loan	499,000	-	-	-	-	-	499,000
Short term loans	10,270,000	-	-	-	-	-	10,270,000
Bank overdraft	1,320,998	-	-	-	-	-	1,320,998
	13,579,479	501,700	501,400	198,300	-	-	14,780,879

Notes to the Financial Statements contd.

40.3 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.

40.3.1 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.

40.3.2 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 adopts a policy of ensuring borrowings are maintained at manageable level while optimizing return. Interest rates are negotiated leveraging on the strength of the Cargills Group and thereby ensuring the availability of cost-effective funds at all time, while minimizing the negative effect of market fluctuations. Further, the Company has considerable banking facilities with several reputed banks which has enabled the Company to negotiate competitive rates.

40.4 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.

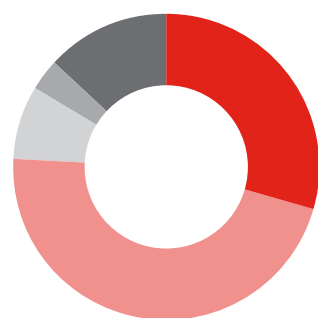
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Total liabilities	24,284,404	27,035,317	5,167,740	15,663,010
Less: Cash and cash equivalents	1,671,542	602,057	11,313	99,398
Net debt	22,612,862	26,433,260	5,156,427	15,563,612
Total equity	12,879,147	12,309,562	9,133,449	9,523,537
Net debt to equity ratio	1.76	2.15	0.56	1.63

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

Statement of Value Added

	%	2015 Rs.'000	%	2014 Rs.'000
Creation of Value added				
Gross revenue		67,422,455		63,699,931
Cost of good and service		(55,169,125)		(51,316,493)
Value added from operation		12,253,330		12,383,438
Dividend received		811		672
Other income		1,426,106		1,183,576
Total value added		13,680,247		13,567,686
Distribution of value added				
To associates				
Salaries, wages and other related costs	28.08	3,841,161	25.33	3,435,960
Directors' fees and remuneration	1.51	206,525	1.35	183,221
	29.59	4,047,686	26.68	3,619,181
To government				
Government levies	42.33	5,791,170	39.63	5,377,077
Corporate taxes	4.08	557,436	3.54	480,650
	46.41	6,348,606	43.17	5,857,727
To lenders of capital				
Interest	7.65	1,045,981	13.02	1,766,238
Non controlling interest	0.17	23,799	0.05	6,967
	7.82	1,069,780	13.07	1,773,205
To shareholders				
Dividends	3.27	448,000	3.30	448,000
Retained for growth				
Depreciation	11.97	1,637,996	12.35	1,674,980
Retained earnings	0.94	128,179	1.43	194,593
	12.91	1,766,175	13.78	1,869,573
	100.00	13,680,247	100.00	13,567,686

Value Addition for 2015



● To associates	29.59%
● To government	46.41%
● To lenders of capital	7.82%
● To shareholders	3.27%
● Retained for growth	12.91%

Value Addition for 2014



● To associates	26.68%
● To government	43.17%
● To lenders of capital	13.07%
● To shareholders	3.30%
● Retained for growth	13.78%

Five Year Financial Summary

Group	2011 Rs.'000	2012 Rs.'000	2013 Rs.'000	2014 Rs.'000	2015 Rs.'000
Financial results					
Continuing operations					
Revenue	37,128,661	48,256,413	55,378,917	58,322,854	61,631,285
Profit from operation	1,825,442	2,241,084	2,261,880	2,210,842	1,571,788
Profit before taxation	1,406,703	1,558,317	2,142,834	1,130,210	804,653
Profit after taxation	1,094,173	1,063,610	1,629,756	649,560	247,217
Discontinued operations					
Profit/loss from discontinued operation, net of tax	-	-	-	-	352,761
Profit for the year	1,094,173	1,063,610	1,629,756	649,560	599,978
Attributable to					
Owners of the company	1,088,550	1,049,347	1,612,518	642,593	576,179
Non controlling interest	5,623	14,263	17,238	6,967	23,799
	1,094,173	1,063,610	1,629,756	649,560	599,978
Financial position					
Stated capital	130,723	130,723	130,723	130,723	130,723
Reserves	6,621,750	7,251,680	11,801,239	12,132,893	12,411,816
Non controlling interest	89,723	85,914	107,247	45,946	336,608
Capital and reserves	6,842,196	7,468,317	12,039,209	12,309,562	12,879,147
Current assets	5,741,704	8,675,827	9,590,178	10,762,976	12,609,562
Current liabilities	(11,560,611)	(16,451,143)	(20,460,399)	(24,093,936)	(20,392,074)
Working capital	(5,818,907)	(7,775,316)	(10,870,221)	(13,330,960)	(7,782,512)
Non current assets	13,568,878	16,261,058	25,980,682	28,581,903	24,553,989
Non current liabilities	(907,775)	(1,017,425)	(3,071,252)	(2,941,381)	(3,892,330)
Non controlling interest	(89,723)	(85,914)	(107,247)	(45,946)	(336,608)
Net assets	6,752,473	7,382,403	11,931,962	12,263,616	12,542,539
Key Indicators					
Growth in turnover (%)	20.26	29.97	14.76	5.32	5.67
Growth in earnings (%)	52.80	(3.60)	53.67	(46.39)	(7.63)
Operating profit to turnover (%)	4.92	4.64	4.08	3.79	2.55
Earnings to turnover (%)	2.93	2.17	2.91	1.48	0.97
Return on total assets (%)	5.67	4.27	4.58	1.65	1.61
Growth in total assets (%)	38.44	29.14	42.64	10.61	(5.54)
Growth in capital and reserves (%)	11.42	9.15	61.20	2.25	4.63
Return on capital and reserves (%)	15.99	14.24	13.54	5.28	4.66
Return on investment (%)	16.86	14.86	16.71	5.34	4.76
Earnings per share (Rs.)	4.86	4.68	7.20	2.87	2.57
Dividends per share (Rs.)	1.50	2.00	2.00	2.00	2.00
Net assets per share (Rs.)	30.14	32.96	53.27	54.75	55.99
Dividends paid per share (Rs.)	1.30	1.70	2.00	2.00	2.00
Dividend pay out (%)	26.75	36.29	27.78	69.72	77.75
Dividends paid	291,200	380,800	448,000	448,000	448,000
Debt equity ratio (times)	1.82	2.34	1.95	2.20	1.89
Interest cover (times)	5.02	3.59	1.84	1.64	1.89
Current ratio (times)	0.50	0.53	0.47	0.45	0.62
Quick assets ratio (times)	0.19	0.23	0.23	0.19	0.31
Capital additions	1,408,938	2,510,633	3,540,035	3,335,299	1,788,079
Market capitalisation	51,139,200	38,976,000	34,003,200	30,576,000	30,688,000
Comparative figures have not been restated					

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

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

(c) Above ratios have been computed based on 224,000,000 shares in issue as at 31st March 2015.

Group Real Estate Portfolio

Location	Land extent	Building area (Sq ft)	Valuation/cost Rs '000	Year of valuation
Cargills (Ceylon) PLC				
Colombo 1	141 Perches	124,215	2,550,000	2013
Boralasgamuwa	2.5 Acres	23,168	290,000	2013
Staple Street - Colombo 2	82 Perches	20,970	772,500	2015
Vauxhall Street	1.5 Acres	21,070	2,207,000	2015
Braybrook Place	78 Perches	5,146	616,400	2015
Canal Raw, Colombo 1	15 Perches	12,300	310,000	2015
Cargills Square - Jaffna	Leasehold	98,525	950,000	2015
Cargills Foods Company (Private) Limited				
Kandy	94 Perches	25,174	1,299,874	2014
Maharagama	145 Perches	15,827	517,628	2014
Nuwara Eliya	57 Perches	9,617	155,965	2014
Mattakuliya (1111)	330 Perches	80,967	748,459	2014
Park Road	-	4,610	34,883	2014
Kohuwala	29 Perches	6,225	95,125	2014
Mattakuliya (141)	1.8 Acres	44,469	475,920	2014
Gampaha	82.6 Perches	-	68,440	2014
Cargills Quality Foods Limited				
Mattakuliya	1.3 Acres	16,409	316,000	2013
Ja - Ela	5.1 Acres	38,381	365,000	2013
Ja - Ela	4 Acres	29,246	90,000	2013
Cargills Agrifoods Limited				
Katana	11.3 Acres	66,184	366,000	2013
Millers Limited				
Bandarawela	85 Perches	6,345	292,000	2013
Kelaniya	1.5 Acres	55,770	263,000	2013
Nittambuwa	112 Perches	-	94,300	2015
CPC Lanka Limited				
Katoolaya estate, Thawalantenne	4 Acres	695	5,000	2013
Cargills Quality Dairies (Private) Limited				
Mirigama, Baduragoda	100 Perches	-	5,845	2014
Dawson Office Complex (Private) Limited				
Colombo 2	94 Perches	-	655,000	2013
Kotmale Dairy Products (Private) Limited				
Mulleriyawa	1.7 Acres	29,615	100,000	2013
Bogahawatta	1.7 Acres	17,442	22,900	2013

Investor Relations Supplement

1. General

Stated capital	Rs.
Issued shares	224,000,000
Class of shares	Ordinary shares
Voting rights	One vote per ordinary share

2. Stock exchange listing

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

3. Distribution of shareholders

Size of	31st March 2015				31st March 2014			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 - 1,000	1,147	60.34	293,174	0.13	1,174	60.36	302,683	0.14
1,001 - 10,000	501	26.35	1,801,367	0.80	506	26.02	1,835,660	0.82
10,001 - 100,000	192	10.10	5,453,415	2.44	207	10.64	6,061,412	2.70
100,001 - 1,000,000	46	2.42	13,533,826	6.04	44	2.26	14,161,442	6.32
1,000,001 and over	15	0.79	202,918,218	90.59	14	0.72	201,638,803	90.02
	1,901	100.00	224,000,000	100.00	1,945	100.00	224,000,000	100.00

4. Analysis of shareholders

Group of	31st March 2015				31st March 2014			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Institutions	120	6.31	194,152,243	86.68	123	6.32	193,270,881	86.28
Individuals	1,781	93.69	29,847,757	13.32	1,822	93.68	30,729,119	13.72
Total	1,901	100.00	224,000,000	100.00	1,945	100.00	224,000,000	100.00
Residents	1,805	94.95	207,291,150	92.54	1,844	94.81	207,106,737	92.46
Non residents	96	5.05	16,708,850	7.46	101	5.19	16,893,263	7.54
Total	1,901	100.00	224,000,000	100.00	1,945	100.00	224,000,000	100.00

5. Group companies

During the year, Cargills Foods Company (Private) Limited issued 4,130,424 ordinary shares to the value of Rs. 2,550 Mn and International Finance Corporation acquired the total shares issued.

During the year, Cargills Quality Diaries (Private) Limited, a subsidiary within the Cargills Group of the Company and the Company acquired 193,501 and 1,667,401 ordinary shares of the subsidiary Kotmale Holdings PLC respectively at a total purchase consideration of 116.14 Mn.

6. Share valuation

The market price per share recorded during the year ended 31st March	2015 Rs.	2014 Rs.
Highest	168.50	184.90
Lowest	136.00	125.00
Last traded price	137.00	136.50

7. Top 20 shareholders

The holdings of the top 20 shareholders

	31st March 2015		31st March 2014	
	Number of Shares	%	Number of Shares	%
C T Holdings PLC	156,799,240	70.00	156,799,240	70.00
Mr. V R Page	14,443,900	6.45	14,403,900	6.43
Employees Provident Fund	7,566,966	3.38	7,304,276	3.26
Odeon Holdings (Ceylon) Limited	4,622,920	2.06	4,622,920	2.06
Ceylon Guardian Investment Trust - A/C No.1	4,275,700	1.91	4,525,700	2.02
HSBC Intl Nom Ltd - SSBT-National Westminster Bank PLC	3,927,600	1.75	3,398,100	1.52
Ms. M M Page	3,597,920	1.61	3,359,603	1.50
BNY-CF Ruffer Investment Fund : CF Ruffer Pacific Fund	2,912,056	1.30	2,912,056	1.30
HSBC Intl Nom Ltd - SSBT-Wasatch Frontier Emerging Small Countries Fund	1,500,000	0.67	1,500,000	0.67
Mellon Bank N.A. - Florida Retirement System	1,301,800	0.58	918,600	0.41
HINL - JPMCB Butterfield Trust (Bermuda) Limited	1,297,500	0.58	1,297,500	0.58
Mr. J C Page	1,255,000	0.56	1,705,500	0.76
Bank of Ceylon No.1 Account	1,095,930	0.49	809,600	0.36
GF Capital Global Limited	864,000	0.39	864,000	0.39
The Associated Newspapers of Ceylon Limited	799,840	0.36	799,840	0.36
HSBC Intl Nom Ltd - SSBT-Russell Institutional Funds Public Limited Company	791,300	0.35	560,000	0.25
National Savings Bank	783,568	0.35	543,800	0.24
Sir Chittampalam A Gardiner Trust	563,040	0.25	563,040	0.25
HSBC Intl Nom Ltd-State Street Munich C/o SSBT-Universal Investment	531,200	0.24	-	-
Mr. P E Muttukumar	411,000	0.18	-	-
Total	209,340,480	93.46	206,887,675	92.36

8. Public holding

The percentage of shares held by the public and number of public shareholders as at 31st March 2015 is 20.98% (2014 - 20.48%) and 1,882 respectively.

Notice of Annual General Meeting

Notice is hereby given that the sixty ninth Annual General Meeting of the Company will be held on Wednesday 29th July 2015, at 9.30 a.m. at The Auditorium, the Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha (Longdon Place), Colombo 07, and the business to be brought before the meeting will be:

1. To consider and adopt the Annual Report of the Board and the Statements of Accounts for the year ended 31st March 2015, with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Directors
 - (a) P. S. Mathavan, and
 - (b) E. A. D. Perera, who retire by rotation and offer themselves for re-election, and
 - (c) Sunil Mendis, who retires in terms of Section 210 (2) (b) of the Companies Act No. 07 of 2007 having attained the age of seventy one years and offers himself for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 07 of 2007

Ordinary Resolution

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

4. To authorise the Directors to determine contributions to charities for the financial year 2015/16.
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

By Order of the Board
Cargills (Ceylon) PLC

(Signed)
S L W Dissanayake
Company Secretary

7th July 2015

Notes:

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

Form of Proxy

For use at the sixty ninth Annual General Meeting

*I/We.....of.....being a
 * member/members of Cargills (Ceylon) PLC hereby appoint.....of
whom failingof
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 sixty ninth Annual General Meeting of the Company to be held on
 Wednesday, 29th July 2015 and at any adjournment thereof and at every Poll which may be taken in consequent thereof in the
 manner indicated below:

Ordinary resolutions							
Resolution number	1	2	3(a)	3(b)	3(c)	4	5
For							
Against							

.....
 Date

.....
 Signature of member(s)

Notes:

- (a) *Strikeout which ever 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

Form of Proxy contd.

Instructions for Completion of the Proxy Form

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

Corporate Information

Name of Company

Cargills (Ceylon) PLC

Company Registration No.

PQ 130

Legal Form

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

Board of Directors

L R Page (Chairman)
V R Page (Deputy Chairman/CEO)
M I Abdul Wahid (Managing Director/Deputy CEO)
S V Kodikara
P S Mathavan
Jayantha Dhanapala (Up to 12th January 2015)
A T P Edirisinghe
S E C Gardiner
Sunil Mendis
Anthony A Page
J C Page
E A D Perera

Company Secretary

S L W Dissanayake

Remuneration Committee

Sunil Mendis (Chairman)
A T P Edirisinghe

Audit Committee

A T P Edirisinghe (Chairman)
Sunil Mendis
E A D Perera

Stock Exchange Listing

Colombo Stock Exchange

Registered Office

40, York Street, Colombo 1, Sri Lanka
Telephone: +94 (0) 11 242 7777 / +94 (0) 11 242 7500
Facsimile : +94 (0) 11 233 8704
E-mail : ccl@cargillsceylon.com

Postal Address

P.O. Box 23, Colombo 1

Auditors

KPMG
Chartered Accountants

Legal Consultants

Dissanayake Amaratunga Associates

Bankers

Bank of Ceylon
Cargills Bank
Commercial Bank
Deutsche Bank
DFCC Bank
Habib Bank
Hatton National Bank
HSBC Bank
MCB Bank
NDB Bank
Nation Trust Bank
Pan Asia Bank
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank
State Bank of India

Subsidiary Companies

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

Associate Companies

C T Properties Limited
Cargills Bank Limited

www.cargillsceylon.com

