SINCE 1844

Cargills

CREATING VALUE SINCE 1928

A MEMBER OF C T HOLDINGS PLC

CARGILLS (CEYLON) PLC

ANNUAL REPORT 2018 | 2019

Contents

At the core of Cargills' over 170 years old story is our passion to be the helping hand the everyday heroes of our nation need to reach their fullest potential. Our relationship with our farmers who help us nourish the nation is strengthened by the various projects, scholarship programmes for farmers' children and environmental initiatives we conduct to assist them in furthering their personal and business growth. Entrepreneurs form a critical part of our supply chain, bringing success to themselves while contributing to the local-economy. We take pride in helping encourage entrepreneurship in the country and improving the quality of life enjoyed by the communities they impact.

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

About this Report

SCOPE AND BOUNDARIES

In a progressive journey towards integrated reporting Cargills (Ceylon) PLC presents its Annual Report for the year ended 31 March 2019 covering the operations of Cargills (Ceylon) PLC (Company) and its subsidiaries as listed out in the inner back cover of the compilation (collectively addressed as the "Group"). All financial and non-financial reviewing is within the scope of sectoral operations and where necessary and material the report details out business units within sectors. The information covered is for the period from 1 April 2018 to 31 March 2019 which is the annual reporting cycle of the Cargills Group.

FINANCIAL REPORTING

The financial information has been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of the Chartered Accountants of Sri Lanka in compliance with the requirements of the Companies Act No. 07 of 2007 and the listing rules of the Colombo Stock Exchange and have been audited by M/s KPMG.

NON-FINANCIAL REPORTING

We present our non-financial information for the financial year 2018/19 with the aim of informing our stakeholders of our role in society related to our Vision of being a "Global Role model in community friendly National Development" the core foundation of our business and sustainability strategy and objectives. We define 'non-financial information' as information pertaining to the non-financial issues emerging from our determination of materiality. The Report is based on the Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) and consolidated set of GRI standards. This is our 4th Report presenting information in accordance with the GRI Guidelines and where applicable we have compared performance with our previous report published as at March 31st 2018. This report has been prepared in accordance with the GRI Standards: Core Option. Assurance on the sustainability reporting was provided by M/s KPMG.

The Report also adheres with the requirements of the Code of Best Practice on Corporate Governance issued jointly by the Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

REPORTING STRUCTURE

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

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

INTEGRATED REPORTING APPROACH

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

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

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

Vision

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

Mission

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

- Reducing the cost of living
- Enhancing youth skills
- Bridging regional disparity

by enhancing local and global markets.

Our Progress

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

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

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

Cargills ventured into the production of processed meats in 1993 when the Company invested in its first manufacturing facility Cargills Quality Foods, in Mattakkuliya.

In 1996 Cargills acquired the franchise license for KFC and innovated on its secret recipe to deliver products that suited the local palate.

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

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

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

In 2011, the Company secured a provisional commercial banking license from the Central Bank of Sri Lanka.

In 2013, Cargills acquired the franchise license for TGIF and opened its first restaurant at Fort in October 2013.

Cargills Bank commenced formal operations in 2014. In the same year the Company commenced operations of Cargills Square mini mall in Jaffna.

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

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

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

Cargills opened its first gourmet specialty supermarket, Cargills Food Hall, at the Colombo City Centre Shopping Mall in December 2018.

In 2019, Cargills established " Cargills Foundation" to undertake social development initiatives of the Group.


CARGILLS
CARGILLS
CARGILLS (CEYLON) LIMITED

Vision to Transform : The Journey

1844

General warehouse, import and wholesale business

1946

Incorporated as a public limited liability Company

1981

Ceylon theatres acquires controlling interest.

1983

Establishment of first supermarket at Staple Street

1993

Entering into FMCG business with the acquisition of Goldi meat processing business

2005

Establishment of Albert A. Page institute of Food Business to develop regional youth skills

2008

Launch of fair-trade concept of investing back into the communities sourced from

2010

Rapid expansion in retail business outside the Western Province, driving regional recruitment and sourcing.

Substantial investments in FMCG business with acquisition of 'Kotmale' brand and entering into confectionaries industry

2011

Receiving Commercial Banking license as part of vision to build inclusive financial services for small farmers, SME's and low to middle income groups

2014

Launch of Cargills Bank

1996

Receiving the Sri Lankan franchise for KFC and establishing first KFC at Majestic City

1999

Developing direct sourcing model with small holder farmers in Hanguranketha addressing access to markets and providing foundation for sustainable sourcing model

2000

Taking super marketing to the masses thereby evolving supermarket model to take quality of life and affordable nutrition to the general consumer

2002

Entering the dairy industry with the acquisition of ice cream plant and sourcing from small dairy farmers, expanding outgrower base.

Expanding small holder network with acquisition of fruit and vegetable processing facility.

2016

Launch of Cargills Sarubima and Farmer Citizens Award.

Integrated banking services to Cargills touch points in a journey towards digitized and inclusive financial services

2017

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

2018

Launch of the 350th super market outlet in Pilimathalawa.

2019

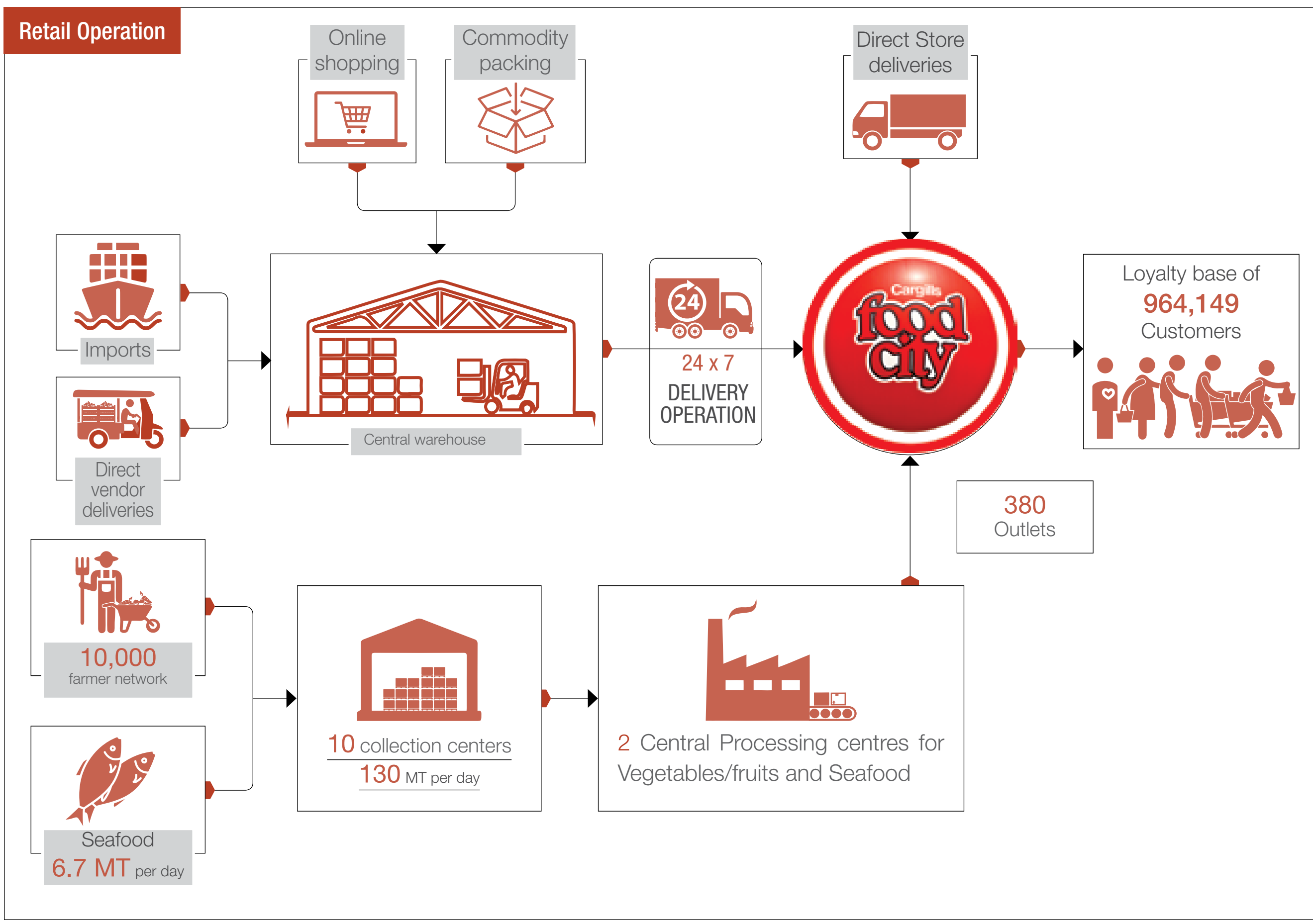
Cargills opened its first gourmet specialty supermarket, Cargills Food Hall, at the Colombo City Centre Shopping Mall.

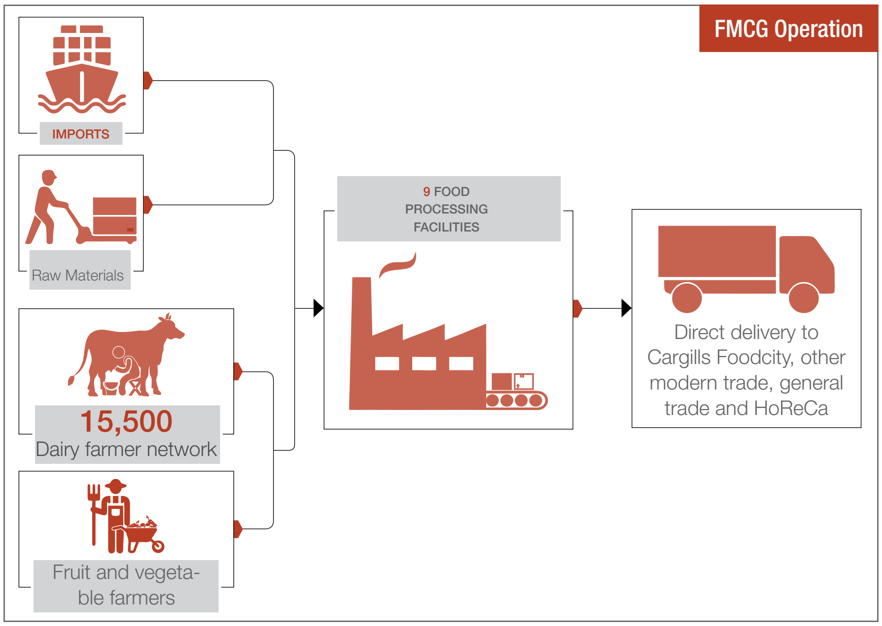
Cargills established "Cargills Foundation" to undertake social development initiatives of the Group.

The Group Structure

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

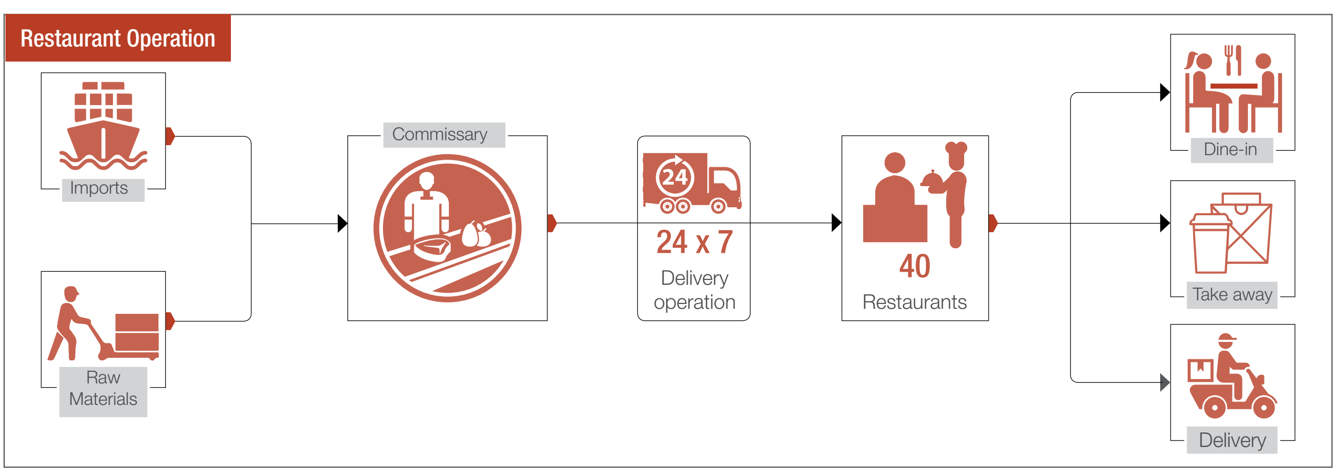
The Retail operations of the Group are executed through Cargills Foods Company (Pvt) Ltd (CFC) wherein IFC holds an equity stake of 8%. The Company has a focused management structure headed by its Chief Executive Officer. The business has a dedicated operation for the sourcing of fresh produce from small holder farmers. The system includes two central processing units and 24 hour distribution operation maintaining cold-chain across the value-chain. The dry goods warehouse is a separate operation while direct store deliveries are also carried out by selected suppliers. As at 31 March 2019, 380 Cargills Food City outlets are operational across all 25 districts of Sri Lanka.





The FMCG segment of the Group led by dedicated Operational Heads holds 8 production units and 1 primary processing facility along with 25 collection centres for the sourcing of fresh milk. The Group's FMCG Brands are largely distributed within Sri Lanka with limited exports to India, Maldives and the Middle East.

The Restaurants business consist of YUM! franchise KFC and the TGI Friday's Restaurants business operating under a dedicated operational heads and focused management structure for the two entities. KFC operates 39 restaurants as at 31 March 2019 with dine-in, take away and delivery channels. A central commissary is in operation to service the preparatory activities of the chain.



The Group Structure

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

BUSINESS OPERATION

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

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

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

The Group sources its requirements for the Dairy Sector from over 15,500 small holders, a majority of whom are organized into farmer societies, being concentrated in the Central, North Western, North Central, Northern and Western province of Sri Lanka. The small holders are integrated into the Group's supply chain through an island-wide network of over 720 collection points, which are directly linked to 25 Cargills Milk Chilling Centers.

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

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

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

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

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

Financial Highlights

	Group			Company		
	2019 Rs.000	2018 Rs.000	Change %	2019 Rs.000	2018 Rs.000	Change %
Opreations						
Continuing Operations						
Revenue	94,662,991	91,293,127	3.69	18,743	30,210	(37.96)
Profit from operations	4,682,326	6,262,937	(25.24)	1,930,826	3,860,096	(49.98)
Profit before taxation	3,402,935	5,245,334	(35.12)	1,617,803	3,300,452	(50.98)
Profit after taxation	2,033,813	3,330,921	(38.94)	1,540,019	3,174,834	(51.49)
Financial Position						
Non-current assets	36,642,556	33,676,707	8.81	14,569,994	14,226,706	2.41
Current assets	21,486,371	19,115,574	12.40	2,962,283	1,577,980	87.73
Current liabilities	34,219,401	30,523,915	(12.11)	4,250,709	3,716,838	(14.36)
Non - current liabilities	5,966,625	5,448,055	(9.52)	639,378	577,470	(10.72)
Capital and reserves,Minority Interest and other equity	17,942,901	16,820,311	6.67	12,642,189	11,510,378	9.83
Per share data (Rs.)						
Earnings per share (Basic)	7.74	12.50	(38.12)	6.02	12.40	(51.46)
Dividends per share	1.90	6.00	(68.33)	1.90	6.00	(68.33)
Net assets per share	68.05	63.78	6.69	49.38	44.96	9.83
Market value per share	200.00	194.90	2.62	200.00	194.90	2.62
Cash Flow						
Net cash generated from/ (used in)						
- Operating activities	4,465,728	3,694,478		(118,490)	(744,220)	
- Investing activities	(5,091,642)	(681,155)		393,979	6,314,262	
- Financing activities	1,634,205	(2,123,113)		(40,647)	(4,849,753)	

LKR. **94,663** MN

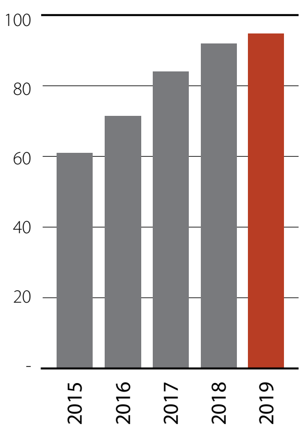
GROUP REVENUE

LKR. **4,682** MN

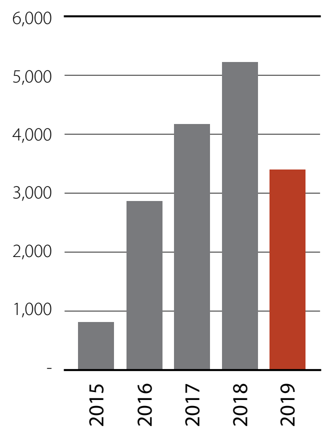
GROUP OPERATING PROFIT

Financial Highlights

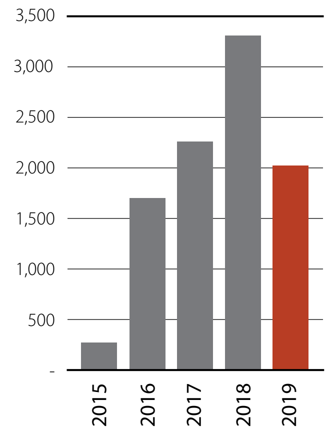
Revenue - Group
(Rs. Bn)



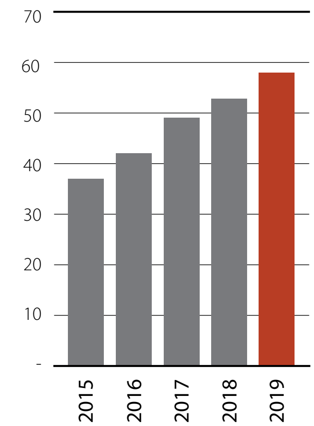
Profit Before Taxation
- Group (Rs. Mn)



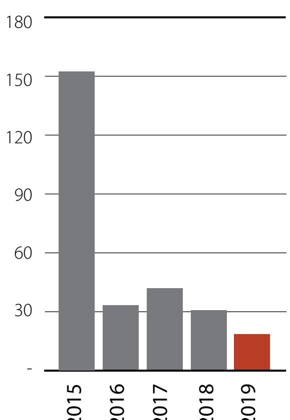
Profit After Taxation -
Group (Rs. Mn)



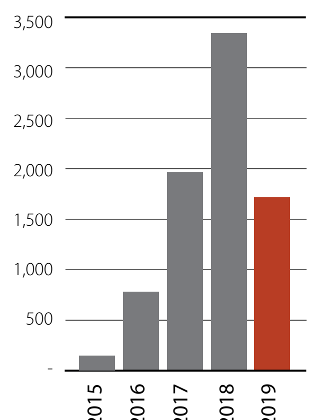
Total Assets - Group
(Rs. Bn)



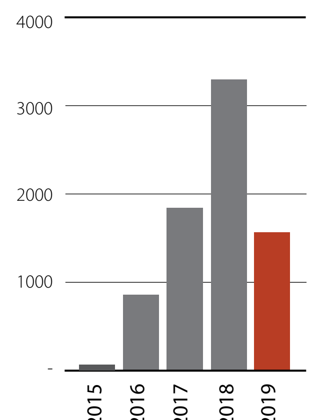
Revenue - Company
(Rs. Mn)



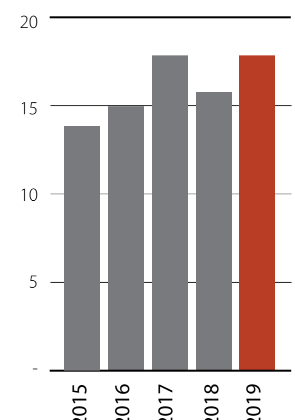
Profit Before Taxation-
Company (In Rs. Mn)



Profit After Taxation -
Company (In Rs. Mn)



Total Assets -
Company (In Rs. Bn)



LKR. **3,403** MN

GROUP PROFIT BEFORE TAX

LKR. **2,034** MN

GROUP PROFIT AFTER TAX

Non-Financial Highlights

HUMAN CAPITAL

New Recruits Compared to Prior Year
5,768

Permanent Employees
8,932

SOCIAL AND RELATIONSHIP CAPITAL

Educational Scholarships
501

Community Development Projects
1

Farmers Recognized for Farmer Citizen Awards
1

Registered Suppliers
587

NATURAL CAPITAL

Energy Consumption: Diesel/Petrol **843,835 L**
Gas **357,995 Kg**

Furnace Oil **2,867,410 L**
Electricity **116,792,022 Kwh**

Water Consumption
842,697,253 L

MANUFACTURED CAPITAL

Food City Outlets
380

Fruit and Vegetable Collection Centres
10

Milk Chilling Centre
25

Litres of Milk Procured Daily
113,150

Food Processing Plants
9

Fruit and Vegetables Purchased Daily
130 MTs

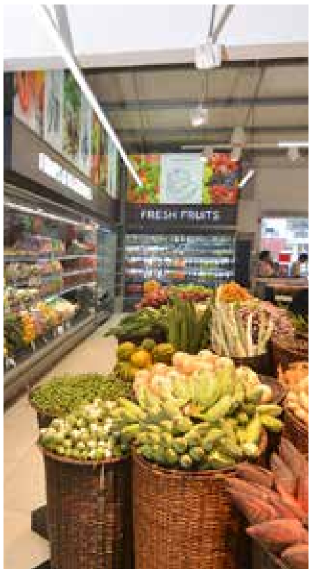
Delivery Operation
24x7

INTELLECTUAL CAPITAL

Experience
over 170 Years

No. of employees with more than 15 years of service
approximately 600 employees

Our Businesses



Retail

Cargills Food City is Sri Lanka's largest modern retailer. Its pioneer venture into modern trade in 1983 was an innovation of the company's trading legacy.

Thereafter Cargills Food City continued to challenge the norm by taking to the masses what was traditionally an affluent focused business and offering 'Higher Value for the Lowest Price'.

Today the Cargills retail operation is spread across the island in two formats as 'Cargills Food City', 'Cargills Food Hall' supermarkets and 'Cargills Food City Express' mini-market stores.
Cargills Foodcity footprint has reached 380 stores covering all districts of Sri Lanka.

Dairy

Magic and Kotmale are Sri Lanka's most widely consumed dairy brands renowned for its quality and freshness. Cargills Quality Dairies & Kotmale Dairy Products produce ice cream, fresh and flavoured milk, yoghurt, yoghurt drinks, curd, cheese and butter. Through its innovation driven focus Magic and Kotmale have expanded market share exponentially. The 'Heavenly' range is the premium segment of the Magic offering. Cargills Quality Dairies is accredited with all three ISO certifications; ISO 9001:2000 Quality Management System certification, ISO 22000:2005 Food Safety Management System certification and ISO 14001:2004 Environment Management System certification.

Beverage and Culinary

Kist is one of the most trusted brand names in Sri Lanka which entered into the Cargills fold in 2002 through the acquisition of an international processing facility. The brand is known by generations for its true Sri Lankan flavours and high standards of quality. Kist which is traditionally renowned for its delectable selection of jams, sauces and cordials has expanded its 100% fruit based product range introducing fruit based nectars and fresh juices to the market. Today the nutritious and delicious Kist nectar range has revolutionised the industry and is popular for its genuine fruity taste. The Brand has made further extensions.

Processed Meats

Cargills entered into food manufacturing through the acquisition of the 'Goldi' meats facility in 1993. Today the range consists of 'Goldi' and 'Sams' catering to mass market demand and the 'Finest' premium deli range. Cargills is rapidly gaining market share in this category through its product innovation, quality and unique taste. Cargills Quality Foods has secured the ISO 9001: 2000 Quality Management System certification, ISO 22000: 2005 Food Safety Management System certification and ISO 14001: 2004 Environment Management System certification.

Confectionery

Originally a regional biscuit facility, the company was acquired in 2010 and was renamed as Cargills Quality Confectionaries (Private) Limited. The Company is engaged in the manufacturing, distribution and marketing of biscuits and confectionaries under the Brand name 'Kist'. The factory located at the Nalanda Industrial Estate in Matale presently manufactures soft & hard dough biscuits & wafers.

Marketing and Distribution

The Company's marketing and distribution arm Millers is one of the oldest distribution and logistics operations in the country geared with a network spread across the 25 districts of Sri Lanka. Millers is the island wide distributor for international brands such as Kraft, Cadbury, Bonlac, Oreo, Tang, Toblerone, Rauch, Lorenz, Lotte etc., and is also the mass market distributor for its own brands Classic Mackerel and Milca Cheese.

Restaurants

Cargills secured the KFC franchise in 1996 and today KFC Sri Lanka is the largest and most popular international restaurant chain in the country with 39 outlets islanwide. The success of KFC was in the fusion of an international brand with well - loved Sri Lankan recipes.

The locally inspired additions to the KFC menu have now been included into the regional product portfolio.

Cargills secured the 'TGI Fridays' franchise for Sri Lanka in 2012 and opened its flagship Restaurant in October 2013.

Chairman's Message

"There is tremendous potential for growth in modern trade, which is estimated to account for only 15-20% of the grocery trade market.

Our key brands continued to enhance their value and positioning, with expansion into new categories and segments including butter, cheddar cheese, impulse ice-cream bars, chocolate enrobed biscuits and wafers, cookies, seafood products, and carbonated fruit drinks.

Through the Cargills Sarubima fund, we commenced the Cargills Sarubima Agriculture Modernization Program with the objective of improving farmer livelihoods through higher farmer yields and lower input costs.

Within the context of our contribution to the upliftment of society, it gives me great pleasure to inform you of the incorporation of the Cargills Foundation."

Dear Shareholder,

On behalf of the Board of Directors of Cargills (Ceylon) PLC, I am pleased to present the Annual Report and Financial Statements of the Company for the year ended 31st March 2019.

The Sri Lankan economy showed signs of recovery during the year, driven by a recovery in the Agriculture and Services sectors. The Agriculture sector is especially important as over a quarter of the country's workforce depends on this sector, and it has degrown for the past two consecutive years. Economic growth in the 4th quarter of 2018, however, was impacted by increased political uncertainty from end-October 2018.

The performance of the Retail and Restaurants sectors was weak during the period on account of the volatile consumer environment as disposable income remained constrained and political uncertainty impacted consumer confidence. The Retail sector was particularly affected as performance usually benefits from strong seasonal sales; however the key 3rd quarter was spoilt due to the uncertain political climate during the period.

Cargills Food City is the only retail chain with geographic representation across the country through its 380 supermarkets. Our commitment to improving the customer experience by providing quality items at affordable prices in a clean environment has established the brand as a household name in the minds of the consumer. This brand strength has resulted in several unrelated retail stores infringing upon our valued "Food City" trademark. We continue to take action to protect our brand from such unlawful infringement.

There is tremendous potential for growth in modern trade, which is estimated to account for only 15-20% of the grocery trade market. To support our continued growth, the business also commenced construction of a new centralized logistics centre, which is expected to be completed in the 1st half of 2020/21.

The Group's FMCG sector performance was exceptional within the operating environment, with growth sustained across categories for our nutritious and high-quality products. Our key brands continued to enhance their value and positioning, with expansion into new categories and segments including butter, cheddar cheese, impulse ice-cream bars, chocolate enrobed biscuits and wafers, cookies, seafood products, and carbonated fruit drinks.

Cargills Bank consolidated on its performance of the previous year, with after-tax profit for the year growing 20% over the previous year on a recurring basis. A central pillar of the Bank's growth strategy is built out of the substantial retail network of Cargills Food City, and the Bank continues to leverage on this footprint to connect and engage with customers on a scale and format unseen in the arena of Retail Banking in Sri Lanka. Customers could interact with the Bank through its 19 standalone branches, 5 Digi Zones (which provide digital access to an array of banking services available at branches) and over 380 Cargills Food City outlets. Further, Fitch Ratings recently upgraded the National Long-term Rating of Cargills Bank to 'A-(lka)' from 'BB(lka)' with a stable outlook on account of the strong parental support and integration with Group operations.

The Group reported a growth in revenue of 3.7% over the corresponding period to Rs. 94,663 Mn. Operating profit declined 25.2% to Rs.4,682Mn, although when adjusted for one-off items in the previous year, operating profit on a recurring basis has declined 10.9%. Group profit after tax was reported at Rs.2,034Mn for the year, a de-growth of 12.3% over the corresponding period on a recurring basis. The financial performance of the Group is further elaborated in the Management Discussion & Analysis section of this Annual Report.

Sustainability is at the heart of our business. Enhancing our commitment to the environment, Cargills invested in the installation of 2.5MW of Rooftop Solar panels at our FMCG facilities. The solar projects are expected to be commissioned in 2Q 2019/20 and will substantially reduce our energy footprint.

We are taking active measures to reduce our usage of plastics. During the year, KFC moved to non-plastic packaging alternatives, as is planning to become plastic-free during this coming year. Cargills Food City meanwhile continues to engage with its customers to reduce the use of plastic bags and now provides a range of re-usable bags at varying price points in order to encourage customers to reduce plastic usage.

Through the Cargills Sarubima fund, we commenced the Cargills Sarubima Agriculture Modernization Program with the objective of improving farmer livelihoods through higher farmer yields and lower input costs. Produce in Sri Lanka is expensive compared with regional peers, while farmers are also at the mercy of the climate.

We worked with Jain Irrigation Systems of India to introduce proven practices from India that have been successful in reducing manpower and agri-inputs usage. For the 1st Phase of the Program 80 small-scale farmers were selected from three Collection Centres in different ecological zones. In partnership with Jain Irrigation, we provided overseas training and field visits to some of these farmers as seeing is believing. A team comprising experts from Jain Irrigation and Cargills thereafter worked with the farmers to install drip and sprinkler irrigation equipment and supported them with training and monitoring during the cultivation period. The investment cost to install the irrigation systems was shared between the Cargills Sarubima fund and the farmer, with Cargills Bank participating to provide low cost funding to the farmers.

The 1st phase of the Agriculture Modernization Project concluded successfully with farmers experiencing higher yields with lower input requirements in their first cultivation. We are now planning for the 2nd phase of the Project.

We also encouraged our farmers to follow Good Agriculture Practices (GAP), and many are now eligible for certification. For the first time in Sri Lanka, farmers who meet the requirements of GAP certification are now able to market their produce under the Cargills' Good Harvest brand of agricultural produce.

Within the context of our contribution to the upliftment of society, it gives me great pleasure to inform you of the incorporation of the Cargills Foundation. The Foundation will undertake the social development initiatives of Cargills, with a focus to support access to education, health, funding and basic needs, and promote gender equality, entrepreneurship, sustainable resource management, art and culture.

The Company declared a 1st interim dividend of Rs. 1.90 per share in November 2018. A final dividend of Rs. 4.10 per share has been declared, subject to approval at the upcoming Annual General Meeting.

Mr. Sidath Kodikara, the long-standing Chief Executive Officer of our Retail business, will retire from the Group in August 2019. Sidath has been with the group for almost 24 years, having joined Cargills to run the KFC franchise opera-

Chairman's Message contd.

tion in 1996 following a successful stint in the hospitality industry. He thereafter extended his services to Food City operations, and was appointed an Executive Director of the Company in May 2002, which he relinquished 17 years later, in January 2019. I would like to place on record our immense appreciation for his contribution to Cargills and, along with the Board, extend our best wishes for his future endeavours.

I also take this opportunity to welcome Mr. Yudhishtran Kanagasabai and Mr. Asoka Pieris, who were appointed to the Board of Cargills (Ceylon) PLC as Independent Non-Executive Directors with effect from 25th February 2019.

This review would be incomplete if I did not mention the devastating events that took place on the 21st of April 2019. While in the sanctity of prayer and the joy of family time, hundreds of innocent lives were lost, and many others irreparably changed. At Cargills, we remember and reflect on these lives. We commit to bringing this nation together and ensuring that these precious lives are not forgotten. We project this commitment and hope for the future throughout the operations of our businesses and the Foundation.

The coming year will likely see near-term uncertainty in the lead-up to another election cycle, with Provincial, Presidential and General elections expected to take place over the next 12-15 months. Nevertheless, these cycles are temporary and cannot weaken the inherent long-term growth potential of Sri Lanka, a potential we firmly believe in and invest behind.

In the coming year, Cargills will celebrate its 175th year of operations, a milestone I am humble to precede over. During this period, the Company has responded to tremendous change by remaining current, evolving to meet the needs of the customer and community through our unique business model, and serving the population across the country. This culture of creating value for all stakeholders is the foundation upon which the Group will continue to strive forward, and remain our core belief.

On behalf of the Board, I would like to take this opportunity to thank our shareholders for their unstinting belief in our business model and continuing to invest in the future of Cargills, our business partners who continue to provide goods, services and financing to expand our operations, and most importantly, we thank our customers and team, without whose trust and loyalty this journey would not have been possible.

(Signed)
Louis Page
Chairman

1 July 2019

Profile of Directors

LOUIS PAGE

Chairman, Non-Executive Director

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

RANJIT PAGE

Deputy Chairman/CEO, Executive Director

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

Mr. M. Imtiaz Abdul Wahid is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants (UK). He has been involved in the operations of the company in an executive capacity at different intervals progressively at higher levels (appointed Director 1997 and Deputy Managing Director in 2001) spanning a period of over 30 years, leaving the services of the company for employment abroad on two occasions in between whereby he also gained valuable exposure holding a number of senior management positions in overseas companies. He was appointed Managing Director/ Deputy CEO of Cargills (Ceylon) PLC in May 2010, and appointed a Director of the holding company C T Holdings PLC in December 2016.

PRIYA EDIRISINGHE

Independent Non-Executive Director

Mr. A. T. Priya Edirisinghe is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow Member of the Chartered Institute of Management Accountants (UK), and holds a Diploma in Commercial Arbitration. He was the Senior Partner of BAKER TILLY Edirisinghe & Co., Chartered Accountants and currently serves as Consultant/Advisor. He is the Managing Director of PE Management Consultants (Pvt) Ltd. He counts over 50 years' experience in both public practice and in the private sector. He serves on the boards of a number of other listed and non-listed companies where in some companies he also serves as Chairman/Member of the Audit Committee, Related Party Transactions Review Committee, and Member of the Remuneration Committee. Mr. Edirisinghe is the Chairman of the Company's Audit Committee, Related Party Transactions Review Committee, and a member of the company's Remuneration Committee.

Profile of Directors contd.

SANJEEV GARDINER
Independent Non-Executive Director

Mr. Sanjeev Gardiner who has been a Director of Cargills (Ceylon) PLC since 1994 is the Chairman and Chief Executive Officer of the Gardiner Group of Companies 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.

YUDY KANAGASABAI
Independent Non-Executive Director

Mr. Y. Kanagasabai (Yudy Kanagasabai) was appointed a Director of the Company on 25 February 2019.

He was the Senior Partner of PricewaterhouseCoopers, Sri Lanka and the Maldives with a career span of over thirty years including two years with the Singapore Firm. Yudy was also the Chairman of the Board Audit Committee until 31 December 2018.

Yudy currently serves as the Chairman of the Board Audit Committee of Ceylon Tobacco Company PLC, a Non-Executive Independent Director of Cargills Food Company Limited, Millenium Information Technologies (Private) Limited, Hunters Limited PLC, Lanka Canneries Limited and Easwaran Brothers Exports (Private) Limited, and as a Commissioner of The Insurance Regulatory Commission of Sri Lanka.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, and serves as a member of the Company's Audit Committee and Related Party Transactions Review Committee. He also serves on the Board of subsidiary company Cargills Foods Company (Private) Limited, and its Audit Committee and Corporate Governance & Nominations Committee.

SUNIL MENDIS
Independent Non-Executive Director

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

JOSEPH PAGE
Non-Executive Director

Mr. Joseph C. Page is the Deputy Chairman/Managing Director of C T Land Development PLC. He is also a Director of C T Holdings PLC, Ceylon Theatres (Pvt.) Ltd. and C T Properties Limited. Prior to joining C T Land Development PLC, he was Executive Director of Millers Limited. He has over 35 years of management experience in the private sector.

ERROL PERERA

Independent Non-Executive Director

Mr. Errol A. D. Perera has held senior management positions overseas and in Sri Lanka. He obtained Board of Investment approvals with Pioneer Status for Directory Publishing, Pay Phones and Paging projects and was instrumental in promoting Venture Capital and Unit Trust 'start-ups' with foreign collaboration. Mr. Perera was the proud winner of the GTE (now Verizon USA) Presidents International Trophy in 1990. In 1995 under his stewardship, the Directory Publishing Team won the first-ever Sri Lanka National Quality Award. He is at present an Independent Director of several other companies in Sri Lanka and was recently appointed a Director of the Insurance Board of Sri Lanka.

ASOKA PIERIS

Non-Executive Director

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

He was also appointed to the Board of subsidiary company Cargills Foods Company (Private) Limited as Director Consultant Advisor and Member of the Audit Committee and Corporate Governance & Nominations Committee.

He is an Associate Member of The Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants, UK and a Certified Global Management Accountant.

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

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

DEVA RODRIGO

Independent Non-Executive Director

Mr. Parakrama Devasiri Rodrigo, a chartered accountant, had a career with the international accounting and consulting firm PwC joining it in east Africa in 1974 and serving in its London offices in 1980. He was a Founder Partner when PwC established its Sri Lankan firm in 1981, and held the position of senior partner from 1992 to 30 June 2006. He was the chairman of the Ceylon Chamber of Commerce from 2004 to 2006. He has previously held public office as a member of the Telecommunication Regulatory Commission and as a member of the Monetary Board of the Central Bank of Sri Lanka. He is a director of Ambeon Capital PLC and has served on the boards of Chevron Lubricants, Cargills Bank, Ceylon Tobacco, Holcim and John Keells Holdings.

Management and Financial Review

Operating Environment

The Sri Lankan economy grew 3.2% in 2018, with growth slightly below the previous year on account of weak performance in the 4th quarter of the year. Growth was led by a recovery of the Agriculture and Services sectors, although the Industries sector growth was constrained during the period. Economic activity in the 4th quarter was impacted by an uncertain consumer and investment environment due to tight monetary conditions, sharp currency depreciation in the 2nd half of the year and a political crisis from October – December 2018.

Overall, the Agriculture sector grew by 4.8% in 2018 (vs. -0.4% in 2017), the Industries sector grew by 0.9% (vs. 4.1% in 2017) and the Services sector grew by 4.7% (vs. 3.6% in 2017). Based on nominal GDP, the Agriculture sector accounted for 7.9% of Sri Lanka's total GDP in 2018, while the Industries sector accounted for 27.0% and the Services sector accounted for 56.8% of GDP.

The Agriculture sector is especially important to the health of the economy as over 25% of the country's workforce is reliant on agriculture. Sector performance was bolstered by a recovery in the sub-sectors rice (up 33.9%, 0.7% of GDP), coconut & palm products (up 6.3%, 0.6% of GDP) and spices (up 5.3%, 0.7% of GDP), while growing of fruits sub-sector continued to be robust (up 11.2%, 0.6% of GDP) as favourable weather conditions prevailed during the period.

The Industries sector recorded its lowest growth in the past decade on account of the decline in the Construction sub-sector (down 2.1%, 6.8% of GDP) due to the tight liquidity conditions which impacted consumer and investor sentiment in the Country. Further, Government capital expenditure contracted during the period as the Government sought to contain the budget deficit. Meanwhile, the Manufacture of Food, Beverages & Tobacco products (5.7% of GDP) grew 5.5% during the year.

Services sector growth was driven by financial services (up 11.8%, 7.0% of GDP), wholesale & retail trade (up 5.0%, 10.8% of GDP), other personal service activities (up 4.8%, 9.9% of GDP) and tourism activities (up 5.5%, 1.6% of GDP). The tourism industry continued to show strong results with tourist arrivals rising 10.3% YoY to 2.3mn tourists, and earnings from tourism growing 11.6% to US$4.3Bn for the year.

The Sri Lankan Rupee faced a volatile 2018, depreciating over 19% against the US Dollar during the year. Inflation nevertheless remained broadly in check during the year, ranging from low to mid-single digit levels due to the tight monetary policy maintained by the Central Bank of Sri Lanka, and improved Agriculture production ensuring price deflation in key basket items during the year. Point-to-point inflation was 2.8% in 2018, with Food inflation recorded at -1.5% and Non-food inflation recorded at 4.8%.

Retail Operations

The Retail sector of Cargills consists of the Group's modern trade retail operation, Cargills Food City, which is Sri Lanka's largest modern retailer, having commenced operations in 1983. The retail operation presently has 380 outlets spread across the country in three formats, 'Cargills Food Hall' and 'Cargills Food City' supermarkets, and 'Cargills Food City Express' minimarkets. The retail operation is supported by distribution centres that handle Fresh and Dry goods.

In keeping with our tradition of bringing new experiences to our customers, Cargills opened the 1st Cargills Food Hall, a gourmet specialty supermarket with over 12,000 sq ft of retail space, at the Colombo City Centre shopping mall in December 2018. In addition to an extensive range of local and imported products, the store also has a pharmacy, bakery and café, salad and juice bars, an ice cream van, and a live action station in which customers can select from an array of fresh meat and seafood and have it prepared by the in-store chefs.

The Company opened a further 27 supermarkets in 2018/19, taking the total number to 380 by the end of the financial year. We are the only supermarket chain with geographical representation across all Districts of Sri Lanka, and are recognized throughout the country for improving standards of retail in all localities. Due to the strength of the 'Food City' brand, we have encountered numerous attempts by unrelated businesses to guise their stores as 'Food City' outlets, thereby misleading the customer. We continue to take action against these outlets that are diluting our brand equity, and will protect the brand from such unlawful practices.

Greater emphasis of the management is being put towards the development of the company's human capital, the most important asset of the organization, encouraging our employees to continue on their career paths to rise within the organization while contributing towards the growth of the brand and the country. We are also taking steps to professionalize the Retail Services profession in Sri Lanka to improve the skills set and make Retail a long term career option as in more developed markets.

Cargills has long championed the adoption of sustainable farming practices by our local farmers. During the year, Cargills Sarubima worked with Jain Irrigation Systems of India to educate and modernize farming practices in Sri Lanka using proper irrigation and fertigation techniques. Through the Cargills Sarubima Agriculture Modernization Program, we selected 80 small-scale farmers from three collection centres to receive technical training, financial assistance, field installation and monitoring throughout the cultivation period to improve their productivity and minimize the use of fertilizer, pesticides and other agriculture inputs. The objective of the Program is to improve farmer livelihoods through higher farmer yields and lower input costs. We also encouraged our farmers to follow Good Agriculture Practices (GAP) by providing higher prices for their vegetables, and many are now eligible for certification. GAP are specific agriculture methods that ensure that produce is safe for consumption, meeting globally recognized standards for food quality.

To provide customers with a safer produce option, which is substantially cheaper than organic produce in Sri Lanka, Cargills launched the ‘Cargills Good Harvest’ brand of Sri Lanka Good Agriculture Practice (SL-GAP) certified agriculture produce, working in conjunction with the Department of Agriculture. Cargills Good Harvest is the first of its kind and produce has traceability up to the point of the farmer, a unique development in the Sri Lankan environment. We are also undertaking initiatives to educate the customer on the benefits of consuming GAP-certified produce.

The modernization program has thus far been a success and we are moving into the second phase in which we will expand the farmer base to encompass a larger ecological zone, including the up-country region.

The retail operation is built on the principles of price, quality and convenience, pillars on which we continually invest to provide the best experience for our customers. During the year, we commenced construction of a state-of-the-art logistics centre that would eventually centralize all logistics operations of the business. The investment for the first phase of the project is estimated at Rs 3 Bn, and operations are scheduled to commence in 1H 2020/21. The location has sufficient space for expansion, and we expect this site to meet our distribution and logistics needs for the foreseeable future.

Financial Review

The Retail sector recorded turnover of Rs.74,004Mn, a growth of 3% over the previous year, as the weak consumer environment continued to impact on topline growth. We recorded low single-digit de-growth in same store sales growth as consumer basket values contracted during the period. The largest impact was in the key third quarter of 2018/19 as political uncertainty further dented consumer confidence resulting in low seasonal sales. The festive April and December months are key periods for all retail businesses in Sri Lanka. Nevertheless, growth momentum recovered marginally in the 4th quarter of the year.

As a result of the lackluster topline growth, the sector reported an operating profit of Rs.1,487Mn, down 41% over the previous year. Retail businesses have relatively high operating leverage, and therefore benefit during periods of sales expansion and vice versa.

Sector net finance costs rose 120% YoY to Rs.622Mn amidst an increase in borrowings for the capex needs of the business, and lending rates tracking upward due to the tight liquidity conditions that prevailed in the market. Due to the above factors, sector profit for the year declined 61% YoY to Rs.621Mn.

Fast Moving Consumer Goods

The Fast Moving Consumer Goods (FMCG) sector of the Group consists of food manufacturing and distribution operations. FMCG comprises of the manufacturing of product categories Dairy, Beverages, Culinary, Confectionaries and Convenience Foods, and the trading and distribution of leading global brands.

The key Dairy segment, which comprises market leading brands ‘Magic’ and ‘Kotmale’, consolidated on its position in the sector, reporting double digit revenue growth despite the continued challenging market conditions. During the year, a number of new product categories were added to the Dairy portfolio, such as the Magic Ice Cream Bar, Kotmale Low Fat Drinking Yoghurt, Butter and Cheddar Cheese. The range of our dairy portfo-

Management and Financial Review contd.

lio is second to none in Sri Lanka, and comprises impulse and take-home ice cream, plain and flavoured pasteurized and UHT liquid milk, set, stirred and drinking yoghurt, cheese and butter.

The growth of Magic and Kotmale has strengthened our commitment to our local farmers as all products are made with locally sourced fresh milk. We collect fresh milk from over 15,000 smallholder dairy farmers and during the year collected over 50Mn litres of milk, generating over Rs.3.7Bn to the rural economy. We are committed to achieve the Government's objective of reaching self-sufficiency in the dairy sector, and work continuously with our farmers, providing technical and material inputs to improve animal husbandry, enhance yields, ensure higher quality of milk and reduce the cost of milk production. Sri Lanka only produces around 40-45% of its total milk requirement, and imports over US$300mn of milk and milk products per year.

Milk is a key component of a balanced nutritional diet. However, per capita consumption of dairy products in Sri Lanka is below globally recommended levels. We are working with the Government and other stakeholders to address this need and fulfil the nutrition requirements of the people, especially children, through consumption of dairy products.

The expansion of our Cheese facility at Kotmale is on-going and expected to be completed by September 2019.

'Kist' comprises a range of beverages, culinary and confectionaries products. The alignment towards three broad categories represents our focus in driving each of these segments to their respective target audience. The segment reported a marginal topline growth during the period largely due to the tight operating environment.

Consumer preferences are shifting towards dairy and fruit-based beverages, and the fruit beverage product range reported growth during the period. Kist has looked to differentiate itself from other nectars in the market and cement its identity through the sub-branding 'Fun Fruit'. Although the company is a pioneer in the category, the generic name of 'nectar' has been used by all other entrants in the market. Kist expanded the nectar range with the launch of a reduced sugar "Lite" range of nectars to provide consumers a low-sugar alternative which does not have added sweeteners. Further, the business launched the 'Kizz' range of sparkling fruit drinks with five flavor options, and uptake of the product has been above expectations. Meanwhile, the Confectionaries segment moved into the chocolate-enrobed and cookies ranges during the year, marking an entry into the more premium biscuit ranges.

The Government introduced a maximum retail price for bottled water during the period, impacting the performance of the Kist Knuckles business. Kist Knuckles bottled water is a premium product, sourced directly from a facility at the foot of the Knuckles range, and commanded a premium to other bottled water brands in the market. Unfortunately, quality is not a consideration, and a price ceiling starting from Rs.35/- for a 500ml bottle of water was set; the comparative bottle of Kist Knuckles was priced at Rs.50/- prior to the introduction of the price ceiling.

The Convenience Foods segment consists of the 'Goldi', 'Sam's', 'Finest' and 'Island's Finest' ranges of products. 'Island's Finest', the newest addition to the portfolio, comprises a range of seafood products.

The segment reported high single digit growth during the year, although raw material procurement constraints remained a challenge for the sector. The sausages and meatballs categories reported double digit growth during the year. The sector has focused on providing consumers with a healthier product, reducing the salt content and removing Monosodium glutamate from the product range. The introduction of Island's Finest marks our move into the seafood category, and the business will continue to enhance its product portfolio during the coming year.

The Trading and Distribution operation of Millers performed commendably in the market environment, with product costs impacted by the sharp currency depreciation during the year. Growth in key brands 'Kraft' and 'Cadbury's' products was supplemented by new introductions in 'Loaker' and 'Lotte', resulting in improved performance of the business. We continue to pursue opportunities to introduce leading global brands into the local market.

Financial Review

The FMCG sector recorded turnover of Rs.16,786Mn, a growth of 7% over the previous year.

Operating Profit increased 21% YoY to Rs.2,632Mn on account of an improvement in sector margins due to improved efficiency and focus. Further, our focus on locally sourced raw materials for our manufacturing facilities has mitigated some of the impact of the currency depreciation during the year.

Sector net finance costs rose 13% YoY largely due to the increasing interest rate environment. Capital expenditure during the period was recorded at Rs.749Mn.

Due to the above, the sector profit after tax rose 38% YoY to Rs.1,235Mn.

Restaurants Operations

The Restaurants sector comprises globally recognized QSR franchises KFC and TGI Friday's. Cargills secured the KFC franchise in 1996, and today KFC is among the largest and most popular international restaurant chains in the country with 39 outlets islandwide. Cargills secured the TGI Friday's franchise in 2012, and opened its flagship restaurant in Colombo Fort in October 2013.

During the year, we opened a further 8 KFC outlets, and KFC is now present in 13 districts across Sri Lanka. However, the weak consumer environment impacted discretionary spend in the market, especially impacting established stores. There nevertheless remains significant potential to expand the chain as popularity for its core product of freshly prepared chicken has seen strong growth in new markets.

Meanwhile, we continue to focus on growth of our delivery channel. The delivery space had grown rapidly during the year under review with the entrance of local and global online food order and delivery platforms. Both KFC and TGIF have embraced this change, and are present on these platforms.

Financial Review

The Restaurants sector reported turnover of Rs.3,873Mn, a growth of 7% YoY, largely driven by new store openings. Same store sales growth of the KFC franchise was negative during the period largely due to the tight consumer environment.

The sector recorded an operating profit of Rs.319Mn, down 16% YoY as a result of the low turnover growth. Net finance cost meanwhile rose to Rs.14Mn in the year, (vs. Rs.10Mn in 2017/18) due to increased capex during the year. Capex for the year was Rs.461Mn (vs. Rs.81Mn in 2017/18).

Sector profit after tax declined 8% YoY to Rs.222Mn.

Group Financial Review and Outlook

Financial Review

The Cargills Group recorded turnover of Rs.94,663Mn for the financial year, up 4% over the corresponding period. Gross profit however declined marginally to Rs.10,449 Mn.

Other income declined 28% YoY to Rs.2,180Mn, largely on account of a one-off gain on disposal of investment property of Rs.1,010Mn in 2017/18. Group operating expenses rose by 8% over the corresponding period, resulting in a group operating profit of Rs.4,682Mn, down 25% YoY. However, adjusted for the non-recurring gain, group operating profit declined by 11% for the period.

Net finance costs rose 9% YoY Rs.1,425Mn as the disposal of investment properties in the previous financial year had a positive impact to offset gearing undertaken for expansion of group businesses. Group capex for the year was recorded at Rs.4,251Mn.

Share of Associate Results declined over the previous year to Rs.54Mn due to a consolidated non-recurring gain of Rs.190Mn on account of the disposal of listed finance company subsidiary Colombo Trust Finance PLC in 2017/18. Adjusted for the disposal, Share of Associate results grew 152% YoY. The results include contributions from associates Cargills Bank Limited and CT Properties Limited. Cargills Bank consolidated on its position of the previous year, with loans increasing 15% YoY to Rs.23,917Mn, and deposits increasing 6% YoY to Rs.19,903Mn. Total operating income rose 37% YoY on an adjusted basis to Rs.2,358Mn.

Reported Profit before tax declined 35% YoY to Rs.3,403Mn, while adjusted for non-recurring items, profit before tax declined by 16%. Profit after tax was reported at Rs. 2,034Mn for the year.

Outlook

While the near-term economic growth prospects of the country have been impacted by the Easter Sunday terror attacks, we expect the economy to recover during the course of the financial year on the back of improved macroeconomic fundamentals following consecutive years of monetary tightening. The situation in the country is also gradually returning to a sense of normalcy, and business activity is picking up.

The speed of recovery of the tourism sector will likely be a key determinant in the recovery of consumer spending. The industry is estimated to employ or benefit over one million people, i.e. approximate-

Management and Financial Review contd.

ly 5% of the population of the country. Many countries have now revised down or removed the travel advisories which were issued following the attacks. Further, the tourism development authorities have recommenced marketing activities to promote the destination.

In a move to improve market liquidity and encourage investment and consumption, the Central Bank of Sri Lanka (CBSL) has adopted an expansionary monetary policy, and most recently reduced its key policy rates by 50 basis points in May 2019. With inflation expected to remain within limits, and the currency appreciating vis-à-vis the US Dollar, there is further room for Central Bank intervention to spur economic growth. Although political uncertainty may weigh on consumer confidence as we enter an election cycle, the consumer environment is expected to continue to improve as the year goes on.

The growth of modern retail is expected to gather pace amidst greater access to supermarkets and consumer preference shifting to the modern trade format due to better quality products, pricing, promotions, and shopping environment. At present, the sector is thought to account for only around 15-20% of the total grocery spend in the country, indicating substantial potential for growth.

To cater to this expected demand, we are investing in improved back-end infrastructure to drive efficiency and process improvement. The planned state-of-the-art logistics centre will allow us to meet the requirements of the Cargills Food City channel for the foreseeable future, and allow us to continue our expansion throughout the country. The Retail operation expects to open its 400th outlet during the coming year, and sees tremendous growth potential to continue expansion.

Our focus to build strong FMCG brands by providing consumers with quality nutritious products at affordable prices has paid dividend and most of our brands are in market leadership positions in high growth categories.

We see significant growth potential in the dairy and beverage categories through our brands ‘Magic’, ‘Kotmale’ and ‘Kist’, and will continue to expand the product range in these categories. Our latest beverage product, ‘Kizz’, has seen very strong customer acceptance thus far, and further expansion of the Beverage range will take place during the financial year. Meanwhile, the new cheese plant will allow ‘Kotmale’ to expand production and target new channels, including the HORECA channel which is presently served through imported products. We have also strengthened our mass market distribution channel, extending reach across categories. We are focused on building the most sought-after brands in all categories we operate in.

Cargills is exploring avenues to further consolidate the position of the Restaurants sector through new models that would allow for faster expansion while reducing per store capex. The core freshly prepared chicken offering of KFC has acceptance throughout Sri Lanka, especially as consumers increasingly prefer clean and hygienic eating environments. We are also exploring other offerings to enhance the consumer offering in Sri Lanka.

The 2019/20 financial year will mark 175 years in operation for Cargills, one of the oldest corporate entities in Sri Lanka. While we expect near term market conditions to remain challenging, we see considerable upside potential in all our areas of operation. The Board has given management the mandate to invest behind our businesses to realize this potential and build on our ecosystem throughout the country to create value for all stakeholders across our value chain.

Corporate Governance

1. EXECUTIVE SUMMARY

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

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

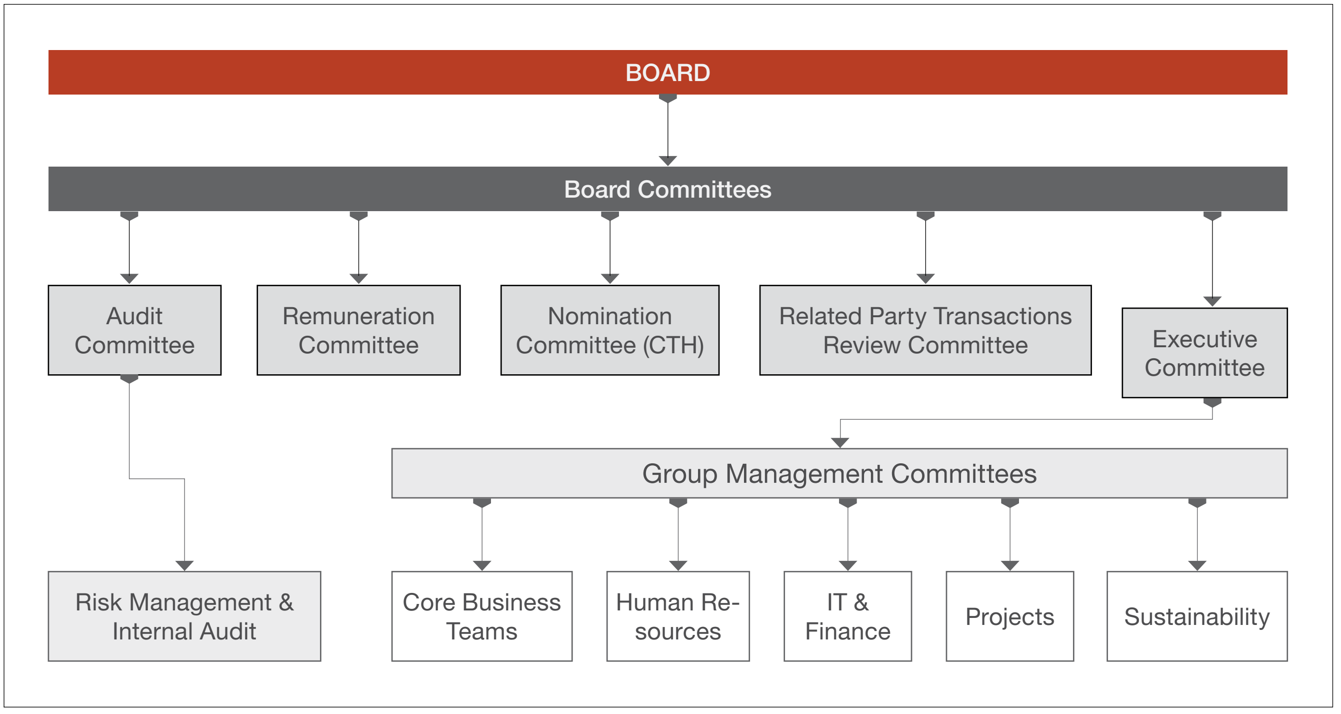
2. THE CORPORATE GOVERNANCE SYSTEM

Our Corporate Governance system as illustrated in the diagram below consists of eight main pillars which are supported by standard principles, policies, structures, and practices that are cascaded down to all our operating subsidiaries.

Corporate Governance contd.

3. INTERNAL GOVERNANCE STRUCTURE

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



3.1 The Board of Directors

The Company currently has eleven Directors in the Board comprising nine Non-Executive Directors (of whom six are independent) and two Executive Directors.

3.1.1 Board Size and Composition

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

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

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

3.1.2 Board Independence and Conflict of Interest

The Group considers that Board independence is a key feature of good Corporate Governance. Our Board is well represented by the Independent Directors who support the Executive Directors in governance and strategic management. Independence of the Directors has been determined in accordance with the criteria of the CSE Listing Rules and present composition of Non-Executive Independent Directors is in line with the requirements of the CSE Listing Rules. The six Independent Non-Executive Directors have submitted signed confirmations of their independence.

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

3.1.3 Appointment of Directors

The Nomination Committee of the Parent Company (CT Holdings PLC) recommends any person to be a Director either to fill a casual vacancy or as an additional Director, subject to the provisions in the Articles of Association of the Company. Any Director so appointed shall hold office until the next Annual General Meeting and shall then be eligible for election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. In considering candidates for Directorship, the Board will take into account all factors it considers appropriate, including, among other things, breadth of experience, understanding of business and financial issues, ability to exercise sound judgment, diversity, leadership, achievements and experience in matters affecting business and industry. The Nomination Committee considers the entirety of each candidate's credentials and believes that at a minimum each nominee should satisfy the following criteria: highest character and integrity, experience and understanding of strategy and policy setting, sufficient time to devote to Board matters, and no conflict of interest that would interfere with performance as a Director.

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

3.1.4 Board Tenure, Retirement and Re-election of Directors

The Executive Directors are appointed and recommended for re-election subject to their prescribed retirement age whilst Non-Executive Directors are appointed and recommended for re-election subject to the age limit as per statutory provisions at the time of re-appointment. At each Annual General Meeting one third of the Directors, retire by rotation on the basis prescribed in the Articles of Association of the Company and are eligible for re-election. The Directors who retire are those who have been longest in office since their appointment /reappointment. In addition, any new Director appointed to the Board during the year is required to stand for re-election at the next Annual General Meeting.

3.1.5 Other Board Memberships

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

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

3.1.6 Directors' Remuneration Policy

The Remuneration Committee studies and recommends the remuneration and perquisites applicable to the Executive Directors of the Company and makes appropriate recommendations to the Board of Directors of the Company for approval. Executive Directors' Remuneration is reviewed periodically against market comparators. Remuneration of Non-Executive Directors' is determined in reference to fees paid by the comparable companies and is adjusted where necessary. The fees received by Non-Executive Directors are determined by the Board and reviewed annually.

3.2 Board Committees

The Group has the following Board Committees;

1) Audit Committee
2) Nomination Committee
3) Remuneration Committee
4) Related Party Transactions Review Committee (RPTRC)

Corporate Governance contd.

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

3.2.1 Audit Committee Report

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

Policy Framework

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

Composition

The Members of the Audit Committee:

Name	Independence
Mr. A.T.P. Edirisinghe (Chairman)	- Independent
Mr. Sunil Mendis	- Independent
Mr. E. A. D Perera	- Independent
Mr. P. D. Rodrigo	- Independent
Mr. Y. Kanagasabai	- Independent (w. e. f. 25th February 2019)

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

Procedure

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

Meetings

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

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

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

Name	Meetings Held	Meetings Attended
Mr. A.T. Priya Edirisinghe, Chairman	4	4
Mr. Sunil Mendis	4	3
Mr. Errol A. D. Perera	4	3
Mr. P. Deva Rodrigo	4	4
Mr. Y. Kanagasabai	Appointed on 25th February 2019	

Scope

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

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

Financial Reporting

The Audit Committee reviewed the quarterly and annual Financial Statements of the Group prior to publication to assure that the published Financial Statements fairly present the state of affairs of the Group. The Audit Committee had discussions with the management and the External Auditors on the annual Financial Statements. In all instances, the Audit Committee obtained a declaration from the GCFO stating that the respective Financial Statements are in conformity with the applicable accounting standards, company law and other statues including Corporate Governance rules and that the presentation of such Financial Statements are consistent with those of the previous quarter or year as the case may be, and further states any departures from financial reporting, statutory requirements and Group policies, (if any).

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

Internal Audit, Controls and Risk Management

The Audit Committee reviewed the Internal Audit Reports containing details of the audit coverage, compliance to the laws, regulations, established policies and procedures. The Risk Management report containing detailed risk assessments and risk mitigation actions pertaining to different business units were reviewed by the Audit Committee to give assurance that risk management process is carried out in an effective manner. The Committee also reviewed and approved the annual Internal Audit and Risk Management plan for the financial year 2019/20.

Corporate Governance contd.

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

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

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

The Audit Committee has recommended to the Board that Messrs KPMG, Chartered Accountants, be continued as External Auditors of the Company for the financial year ending 31 March 2020.

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

1 July 2019

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

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

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

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

Meetings
The Committee meets once each year or as required.

3.2.3 Remuneration Committee
The Remuneration Committee of Cargills (Ceylon) PLC consists of three Non - Executive Directors - Messrs. Sunil Mendis (Chairman), A .T. P. Edirisinghe and Deva Rodrigo. The Chairman, Deputy Chairman &/ CEO, and the Managing Director may also be invited to join in the deliberations as required. The Committee studies and recommends the remuneration and perquisites applicable to the Executive Directors of the Company and makes appropriate recommendations to the Board of Directors of the Company for approval. The Committee also carries out periodic reviews to ensure that the remunerations are in line with market conditions.

The Committee also oversees the administration aspects of the Employee Share Option Scheme (ESOS) which was initiated in the Financial Year 2017/18.

Meeting
The Committee met once during the year under review.

(Signed)
Sunil Mendis
Chairman – Remuneration Committee

1 July 2019

3.2.4 Related Party Transactions Review Committee Report

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

Policy Framework

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

Composition

The Members of the RPTRC:

Name / Independence	
Mr. A.T.P. Edirisinghe (Chairman)	- Independent
Mr. Sunil Mendis	- Independent
Mr. E. A. D Perera	- Independent
Mr. P. D. Rodrigo	- Independent
Mr. Y. Kanagasabai	- Independent (w. e. f. 25th February 2019)

The RPTR Committee comprise five members who are Non-Executive Directors who are independent or deemed independent. The Chairman of the RPTRC is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of Chartered Institute of Management Accountants. The composition of the members of the RPTRC satisfies the criteria as specified in the standards on Corporate Governance for listed companies. The Company Secretary acts as the Secretary to the Committee.

Scope

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

The functions of the RPTR Committee include the following:

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

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

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

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

Corporate Governance contd.

Related Party Transactions

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

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

Meetings

The Related Party Transactions Review Committee (RPTRC) met four times during the year. The meetings were also attended by the Managing Director of the Company, with the participation of Group Chief Financial Officer (GCFO) and Chief Risk Officer (CRO), as well as the CFOs of the significant clusters.

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

Name	Meetings Held	Meetings Attended
Mr. A.T. Priya Edirisinghe, Chairman	4	4
Mr. Sunil Mendis	4	3
Mr. Errol A. D. Perera	4	3
Mr. P. Deva Rodrigo	4	4
Mr. Y. Kanagasabai	Appointed on 25th February 2019	

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

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

Conclusion

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

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

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

1 July 2018

4. LEADERSHIP

4.1 Board Leadership

The role of our Board of Directors includes setting the strategic direction of the Group, providing strong leadership and reporting to the shareholders on its stewardship of the Group. The Board has a clear governance framework with defined responsibilities and accountabilities. Our governance framework ensures that policies and procedures set at Board level are effectively communicated across the whole business. These are designed to safeguard long-term shareholder value, through strategic execution and business performance delivery. Our governance framework supports integrated decision making and risk management. We believe that an enlightened Board consciously creates a culture of leadership to provide a long-term vision and policy approach to improve the quality of governance. The Board's actions and decisions are aligned with the Company's best interests and focused towards creating sustainable value for all stakeholders. The Group is conscious of the need to maintain an appropriate mix of skills and experience in the Board. Our Board at present comprises Directors with diverse skills and vast experience in the field of business who are capable of steering the business towards achieving the company goals and good governance. While the Board plays an oversight role over the Group, the Group CEO and his executive management are empowered to manage and lead the business on a day-to-day basis, guided by an approved delegation of authority.

4.1.1 Role of Group Chairman and Group CEO

Whilst the Group Chairman and Group Chief Executive Officer are collectively responsible for the leadership of the Group and for promoting the highest standards of integrity, transparency and accountability, there is a clear and effective division of accountability and responsibility between the Chairman and the Group Chief Executive Officer. Each plays distinctive role but complementing each other to ensure that there is a balance of power and authority and no individual has unfettered powers of decision and control. The Chairman is responsible for providing leadership to the Board and ensuring that proper order and effective discharge of Board functions are carried out at all times by the Board members. Group CEO is responsible for developing, implementing strategies and the performance management of the business units. He is entrusted with leading the management in the day-to-day running of the business in order to achieve Group's long term goals.

4.1.2 Board Responsibilities

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

	Roles and Responsibilities
Strategy	• Providing direction, guidelines, and approval of, the Group's strategic direction and business plans as developed by Management • Directing, monitoring and assessing the Group's performance against strategic and business plans • Approving and monitoring capital management including major capital expenditure, acquisitions and divestments • Review and approve the annual operating plans and financial budgets.
Risk Management	• Ensuring a process is in place to identify the principal risks of the Group's business • Reviewing, ratifying and assessing the integrity of the Group's systems of risk management, internal controls and compliance

Corporate Governance contd.

	Roles and Responsibilities
Management	• Appointment and terms of engagement of the Group Chief Executive Officer ensuring that a process is in place such that the remuneration and conditions of service of Executives are appropriate; • Ensuring that a process is in place for Executive succession planning, and monitoring that process delegating authority to the Group CEO.
Performance	• Evaluate the performance of the Board Committees and individual Directors. • Establishing and reviewing succession plans for Board membership. • To review the performance of the Senior Management and the compensation framework for the Board, Executive Directors and Senior Management; • Monitor corporate performance and evaluate results compared to the strategic and annual plans.
Corporate Governance	• Monitoring the Company's compliance with Corporate Governance standards. • To oversee the process and framework for evaluating the adequacy of internal controls, risk management, financial reporting and compliance. • Establishing appropriate standards and encouraging ethical behaviour and compliance with the Group's policies.
Reporting and disclosure	• Approving and monitoring financial and other reporting, including reporting to shareholders and other stakeholders • Establishing procedures to ensure adherence to the Company's continuous reporting policy.

4.1.3 Board meetings

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

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

Name	Position	Meetings Held	Meetings Attended
Mr. L. R. Page	Chairman/ Non-Executive Director	5	5
Mr. V. R. Page	Deputy Chairman/ CEO	5	5
Mr. M. I. Abdul Wahid	Managing Director	5	5
Mr. A. T. P. Edirisinghe	Non-Executive Director	5	5
Mr. S. E. C. Gardiner	Non-Executive Director	5	3
Mr. Y. Kanagasabai	Non-Executive Director	w. e .f. 25 Feb 2019	-
Mr. S. V. Kodikara	Non-Executive Director	Exit 31 Jan 2019	4
Mr. P. S. Mathavan	Non-Executive Director	Exit 31 Jan 2019	3
Mr. Sunil Mendis	Non-Executive Director	5	5
Mr. J. C. Page	Non-Executive Director	5	2
Mr. Anthony A. Page	Non-Executive Director	Exit 27 Aug 2018	-

Name	Position	Meetings Held	Meetings Attended
Mr. E. A. D. Perera	Non-Executive Director	5	3
Mr. H. A. Pieris	Non-Executive Director	w. e. f. 25 Feb 2019	-
Mr. P. D. Rodrigo	Non-Executive Director	5	5

5. BUSINESS PRACTICES AND ETHICS

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

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

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

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

6. STRATEGIC AND PERFORMANCE MANAGEMENT

The Corporate Governance plays an important role in strategic and performance management of the Group. The primary role of Corporate Governance is to provide entrepreneurial leadership, to set and implement strategy within a framework of effective internal controls, and to ensure the best performance of resources for stakeholders

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

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

6.1 Strategic Management

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

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

Corporate Governance contd.

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

6.2 Performance Management

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

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

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

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

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

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

7. CONTROLS, ASSURANCE AND RISK MANAGEMENT

7.1 Systems of Internal Control and Internal Compliance

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

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

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

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

- A quarterly self-certification programme requiring the Group Chief Financial Officer, Group Chief Risk Officer, Internal Audit Manager and the Legal Officer to confirm compliance with financial standards and regulations;
- The Group engages professional firms to carry out non-audit services such as fixed assets verification, stock verification and process documentation periodically.

7.2 Internal Audit

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

Group IA adopts a risk-based audit approach in developing its annual work plan ensuring that all risks, mapped to processes are captured in the audit universe. The Audit Committee reviews and approves the annual work plan prepared by the IA and ensures that IA examinations cover the evaluation of adequacy and effectiveness of risk management and control processes encompassing the Company's governance, operations, information systems, reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules and regulations. The Audit Committee also ensures that audit resources are adequately allocated to and focused on the high-risk areas.

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

7.3 External Audit

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

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

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

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

7.4 Risk Management

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

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

Corporate Governance contd.

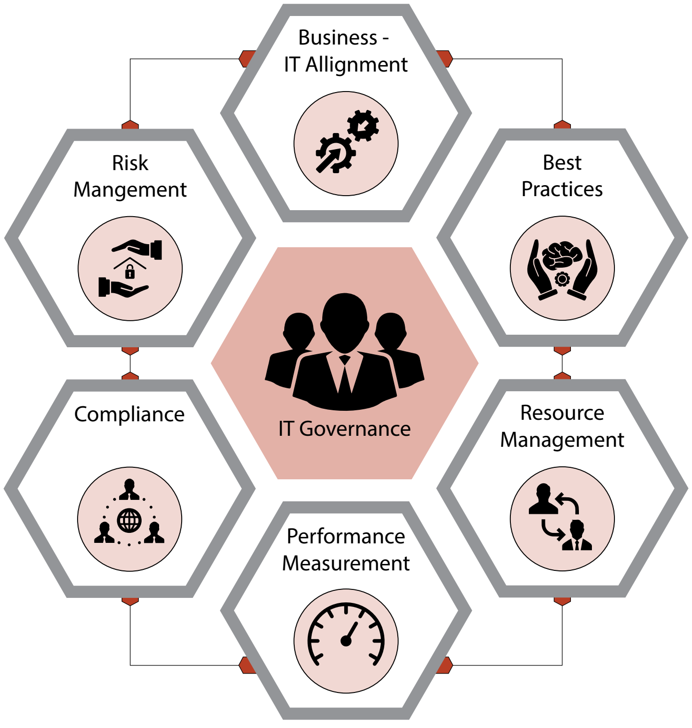
7.5 Information Technology Governance

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

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

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

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



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

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

Performance measurement as a key component of IT Governance, reviews the achievement of strategic IT objectives against Key Performance Indicators.

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

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

7.6 Sustainability Governance

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

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

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

8. LEGAL AND REGULATORY COMPLIANCE

The Group is fully compliant with all the mandatory provisions of the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange (CSE) and rules of the Securities and Exchange Commission of Sri Lanka (SEC). The Group practices are in line with the Code of Best Practices on Corporate Governance jointly issued by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

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

9. DISCLOSURE AND TRANSPARENCY

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

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

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

Corporate Governance contd.

10. STAKEHOLDERS ENGAGEMENT

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

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

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

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

	CSE Rule	Status of Compliance	Details/Reference
7.10.1	Non-Executive Director (NED)		
a./ b./c.	At least 2 members or one third of the Board, whichever is higher should be NEDs. Any change to this ratio should be rectified within 90 days.	Compliant	Nine out of eleven Directors are NEDs
7.10.2	Independent Directors		
a.	At least 2 or one third of the NEDs, whichever is higher shall be independent.	Compliant	Six out of nine Non-Executive directors are determined to be independent
b.	Each NED should submit annually a signed and dated declaration of his/her independence or non-independence.	Compliant	All NEDs have submitted their confirmations on independence as per the criteria laid down in the listing rules

	CSE Rule	Status of Compliance	Details/Reference
7.10.3	Disclosures Relating to Directors		
a./b.	The Board should determine the independence or otherwise of the NEDs and disclose in the Annual Report the names of the NEDs determined to be 'independent"	Compliant	Profile of Directors on page 19 and Note 01 on page 44
c.	A brief resume of each Director with information on his/her area of expertise should be included in the Annual Report	Compliant	
d.	Upon appointment to the Board, a brief resume of the new director should be provided to the exchange for dissemination to the public.	Compliant	
7.10.5	Remuneration Committee		
a.1	Remuneration Committee should comprise of at least 2 independent NEDs or more than 2 NEDs majority of whom shall be independent.	Compliant	Remuneration Committee Report on page 32. The aggregate remuneration paid to the Directors is given in the Note 34.1 to the financial statements.
a.2	One NED shall be appointed as chairman of the Committee by the Board of Directors	Compliant	
b.	Remuneration Committee shall recommend the remuneration of the CEO and Executive Directors to the Board	Compliant	
c.	The Annual Report should include the names of the Remuneration Committee members, a statement of remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	
7.10.6	Audit Committee		
a.1	Audit Committee should comprise at least 2 independent NEDs or more than 2 NEDs majority of whom shall be independent.	Compliant	Audit Committee Report on page 30.
a.2	One NED shall be appointed as Chairman of the Committee by the Board of Directors	Compliant	
a.3	CFO shall attend the AC meetings, and CEO when requested to attend	Compliant	
a.4	The Chairman of the AC or one member should be a member of a recognized professional accounting body	Compliant	

Corporate Governance contd.

	CSE Rule	Status of Compliance	Details/Reference
B.	**Functions of the Audit Committee**		
b.1	Overseeing the preparation, presentation of the financial statements and adequacy of disclosures in accordance with SLFRS/LKAS	Compliant	Audit Committee Report on page 30.
b.2	Overseeing the compliance with financial reporting requirements and information requirements as per laws and regulations	Compliant	
b.3	Overseeing the processes to ensure internal controls and risk management functions are adequate to meet the requirements of Sri Lanka Auditing Standards	Compliant	
b.4	Assessing the independence and performance of the External Auditors	Compliant	
b.5	Making recommendations to the Board pertaining to appointment or reappointment or removal of External Auditors and to approve their remuneration and terms of engagement.	Compliant	
C	The Annual Report should include the names of the Audit Committee members, the basis for the determination of the independence of the External Auditors and a report of the AC setting out the manner of compliance with the above requirements during the specified period	Compliant	

Note 01:
Based on the declarations provided by the Non-Executive Directors, the Board has decided the following Directors as independent:

Messrs. P. D. Rodrigo and Y. Kanagasabai, and

Messrs. A. T. P. Edirisinghe and Sunil Mendis

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

Messrs. S. E. C. Gardiner and E. A. D. Perera

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

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

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

	Principle	Status	Details/Reference
A. Directors			
A.1 The Board			
A.1.1	Regular Board meetings, at least once in every quarter and supply of information	In place	Corporate Governance Report – Section 4.1.3
A.1.2	The Board is to provide entrepreneurial leadership by undertaking responsibilities for • Strategy formulation & implementation • Skills and succession of the key management personnel • Approving budgets and major capital expenditure • Integrity of information, internal controls, business continuity and risk management • Compliance with laws, regulations and ethical standards • Consideration of all stakeholder interests in decision making • Sustainable business development • Adopting appropriate accounting policies and compliance with financial regulations • Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks • Ensuring that process is established for corporate reporting on annual and quarterly basis or more as relevant to the company.	In place	Corporate Governance Report – Section 4.1.3
A.1.3	The Board collectively and the Directors individually must act in accordance with the laws of the country and obtain independent professional advice where necessary	In place	
A.1.4	All Directors should have access to the advice and services of the Company Secretary	In place	
A.1.5	All Directors should bring independent judgement to bear on issues of strategy, performance, resources and business conduct	In place	
A.1.6	Every Director should dedicate adequate time and effort to matters of the Board and the Company	In place	
A.1.7	One third of directors can call for a resolution to be presented to the Board where they feel it is in best interest of the company to do so.	In place	
A.1.8	Every Director should receive appropriate training when first appointed to the Board and subsequently necessary. The Board should regularly review and agree on the training and development needs of the Directors.	In place	

Corporate Governance contd.

	Principle	Status	Details/Reference
A.2 Chairman and Chief Executive Officer			
A.2.1	Justification for combining the posts of Chairman and CEO in one person	N/A	
A.3 Chairman's Role			
A.3.1	The Chairman should conduct board proceedings in a proper manner and ensure, • The agenda for board meeting is developed taking in to consideration matters relating to strategy, performance, resource allocation, risk management and compliance. • Sufficiently detailed information of matters included in the agenda should be provided to Directors in a timely manner. • All directors are made aware of their duties and responsibilities and committee structures through which it will operate in discharging its responsibilities. • The effective participation and contribution of the Directors is secured • All directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusion of matters of corporate concern on the agenda. • A balance of power between Executive and Non-Executive Directors is maintained. • The views of Directors on issues under consideration are ascertained • The Board is in complete control of the Company's affairs and alerts to its obligations to all stakeholders	In place	
A.4 Financial Acumen			
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance	In place	
A.5 Board Balance			
A.5.1	At least 3 members or one third of the Board, whichever is higher should be NEDs. Any change to this ratio should be rectified within 90 days.	In place	Corporate Governance Report – Section 3.1
A.5.2	Where the constitution of the Board of Directors includes only three NEDs, all three such NEDs should be independent	N/A	
A.5.3	Definition of independent Directors For a director to be deemed 'independent' such director should be independent of management and free of any business or other relationship that could materially interfere.	In place	Corporate Governance Report – Section 3.1.2
A.5.4	Each NED should submit annually a signed and dated declaration of his/her independence or non-independence.	In place	Corporate Governance Report – Section 3.1.2

	Principle	Status	Details/Reference
A.5.5	The Board should determine the independence or otherwise of the NEDs based on the guidelines provided	In place	Corporate Governance Report – Section 3.1.2
A.5.6	If an alternate Director is appointed by a NED such Director should not be an Executive of the company. If an alternate Director is appointed by an independent Director such Director also should meet the criteria of independence	N/A	
A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint one of the Independent NEDs to be the "Senior Independent Director" (SID)	N/A	
A.5.8	The SID should make himself available for confidential discussions with other Directors who may have concerns	N/A	
A.5.9	The Chairman should hold meetings only with NEDs as necessary and at least once in each year	In place	
A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes	In place	
A.6 Supply of information			
A.6.1	The management should provide the Board with appropriate and timely information	In place	
A.6.2	The agenda, Minutes of previous meeting and papers required for a meeting should be provided to the Directors at least seven days before the meeting.	In place	
A.7 Appointments to the Board			
A.7.1	A Nominations Committee should be established and its Chairman and members should be disclosed in the Annual Report	In Place	Corporate Governance Report – Section 3.2.2
A.7.2	The Nominations Committee should annually assess the combined knowledge and experience of the Board.	In Place	
A.7.3	Upon the appointment of a new Director, a brief resume, the nature of expertise, details of directorship in other companies, independence/non-independence in the Board of the new Director should be disclosed to shareholders	In place	

Corporate Governance contd.

	Principle	Status	Details/Reference
A.8 Re – Election			
A.8.1	NEDs should be appointed for specified terms subject to re-election/removal and their re-appointment should not be automatic	In place	Corporate Governance Report – Section 3.1.4
A.8.2	All Directors including Chairman should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years	In place	Corporate Governance Report – Section 3.1.4
A.8.3	In the event of resignation of director prior to completion of his/her appointed term, the director should provide a written communication to be provided to the board of his/her reasons for resignation.	N/A	
A.10 Disclosure of Information in respect of Directors			
A.10.1	The Annual Report should disclose details of each Director such as qualifications, expertise, immediate family/material business relationship with other Directors, status of independence, directorship in other companies, membership in Board Committees and details of attendance to Board meetings and committee meetings if relevant.	In place	Profile of Directors on page 19
A.11 Appraisal of Chief Executive Officer (CEO)			
A.11.1	At the commencement of every fiscal year, the Board in consultation with the CEO should set financial and non-financial targets for the year.	In place	
A.11.2	The performance of the CEO in meeting the set targets should be evaluated by the Board at the end of each fiscal year.	In place	
B. Directors' Remuneration			
B.1 Remuneration Procedure			
B.1.1	The Board Should set up a Remuneration Committee.	In place	Corporate Governance Report – Section 3.2.3
B.1.2	The Remuneration Committee should consist exclusively of NEDs of whom the majority should be independent. The Chairman should be an Independent Non-Executive Director and should be appointed by the Board.	In place	Corporate Governance Report – Section 3.2.3
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report.	In place	Corporate Governance Report – Section 3.2.3
B.1.4	The Board as a whole should determine the remuneration of NEDs	In place	
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other EDs.	In place	

	Principle	Status	Details/Reference
B.2 The level and make up of Remuneration			
B.2.1	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors and should avoid paying more than necessary.	In place	Corporate Governance Report – Section 3.2.3
B.2.2	Executive Directors' remuneration should be designed to promote the long-term success of the company.	In place	
B.2.3	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies.	In place	Corporate Governance Report – Section 3.2.3
B.2.4	The Remuneration Committee should be sensitive to remuneration and employment conditions elsewhere in the Company or Group of which it is a part, especially when determining annual salary increases.	In place	
B.2.5	The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels.	In place	
B.2.6	Executive share option should not be offered at a discount	N/A	
B.2.7	The Remuneration Committee should follow the given guidelines in designing schemes of performance related remuneration	In place	
B.2.8	The Remuneration Committee should appropriately decide on compensation commitments of Directors.	In place	
B.2.10	The Remuneration of NEDs should reflect the time commitment, responsibilities and market practices.	In place	
B.3 Disclosure of Remuneration			
B.3.1	The Annual Report should include the names of the Remuneration Committee members, a statement of remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	In place	Remuneration committee Report on page 32. The aggregate remuneration paid to the Directors is given in the Note 34.1 to the financial statements.

Corporate Governance contd.

	Principle	Status	Details/Reference
C. Relations with shareholders			
C.1 Constructive use of Annual General Meeting (AGM) and conduct of general meetings			
C.1.1	The Notice for AGM and related papers should be sent to the shareholders before the meeting as per the relevant statute.	In place	
C.1.2	The Company should propose a separate resolution at the AGM on each substantially separate issue.	In place	
C.1.3	The Company should count all proxy votes with respect to each resolution	In place	
C.1.4	Chair persons of Board Committees should be available at the AGM to answer questions.	In place	
C.1.5	A summary of proceedings governing voting should be circulated with every Notice of General Meeting.	In place	
C.2 Communication with shareholders			
C.2.1	There should be a channel to reach all shareholders in order to disseminate timely information.	In place	
C.2.2/ C.2.3/ C.2.4	The Company should disclose • Policy and methodology for communication with shareholders • How the above policy and methodology will be implemented • The contact person for such communication	In place	
C.2.5	A process to make all Directors aware of major issues and concerns of shareholders should be in place and disclosed.	In place	
C.2.6	The Company should decide the person to contact in relation to shareholders' matters.	In place	
C.2.7	The process for responding to shareholder matters should be formulated by the Board and disclosed.	In place	
C.3 Major and Material Transactions			
C.3.1	Directors should disclose to shareholders all proposed material transactions including related party transactions.	In place	
C.3.2	Public listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the SEC and by the CSE.	In place	

	Principle	Status	Details/Reference
D. Accountability and Audit			
D.1 Financial and Business Reporting			
D.1.1	The Board should present an annual report including financial statements that is true and fair, balanced and understandable and prepared accordance with the relevant laws and regulations and any deviation being clearly explained.	In place	
D.1.2	The Board should present the interim, other price sensitive reports and reports to regulators.	In place	
D.1.3	The Board should, before it approves the Company's financial statements obtain from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give true and fair view of the financial position and performance.	In place	Corporate Governance Report – Section 3.2.1
D.1.4	The Annual Report should contain a Report from Directors declaring, • The Company has not engaged in any unlawful activities • All material interests of Directors in contracts involving the Company • The equitable treatment of shareholders • The Directors have compiled with best practices of Corporate Governance. • Property, plant and equipment is reflected at fair value, where it is different from fair value adequate disclosures are made • The Review of internal controls and risk management • The business is a going concern	In place	Annual Report of the Directors' on the affairs of the Company on page 103.
D.1.5	The Annual Report Should contain a statement of Directors' responsibility.	In place	Statement of Directors' responsibilities on page 107.
D.1.6	The Annual Report should contain a "Management Discussion and Analysis".	In place	Management discussion and analysis on page 22.
D.1.7	In the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting to notify shareholders of the position and of remedial action being taken.	In place	
D.1.8	The Board should adequately and accurately disclose the related party transactions in the Annual Report.	In place	Note 34 to the financial statements

Corporate Governance contd.

	Principle	Status	Details/Reference
D.2 Risk Management and Internal Control			
D.2.1	The Directors should, at least annually, conduct a review of the risks facing the Company and the effectiveness of the system of internal controls.	In place	Corporate Governance Report – Section 7 & Enterprise Risk Management Report on page 55.
D.2.2	The directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency, or liquidity.	In place	Corporate Governance Report – Section 7 & Enterprise Risk Management Report on page 55.
D.2.3	Companies should have an internal audit function.	In place	Corporate Governance Report – Section 7
D.2.4	The Board should maintain a sound system of internal controls and require Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls.	In place	Corporate Governance Report – Section 7 & Enterprise Risk Management Report on page 55.
D.3 Audit Committee			
D.3.1	The Audit Committee comprise of exclusively of Non-executive directors with a minimum of three Non-executive directors of whom at least two should be independent. If there are more non- executive directors, the majority should be independent. The committee should be shared by an independent non-executive director.	In place	Corporate Governance Report – Section 3.2.1
D.3.2	The Audit Committee should have a written term of reference, dealing clearly with its authority and duties.	In place	Corporate Governance Report – Section 3.2.1
D.3.3	The annual report should include the names of the Audit Committee members, the basis for the determination of the independence of the External Auditors and a report of the AC setting out the manner of compliance with the above requirements during the specified period.	In place	Corporate Governance Report – Section 3.2.1

	Principle	Status	Details/Reference
D.4 Related Party Transactions Review committee			
D.4.1	A related party and related party transactions will be as defined in LKAS 24.	In place	
D.4.2	The board should establish a Related Party Transactions (RPT) Review Committee consisting exclusively of Non-Executive Directors with a minimum Three Non-Executive Directors of whom the majority should be independent. The Chairman should be an Independent Non-Executive Director appointed by the Board.	In place	Corporate Governance Report – Section 3.2.1
D.4.3	RPT Review Committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board of Directors.	In place	
D.5 Code of Business Conduct and Ethics			
D.5.1	The company should disclose whether the code of business conduct and ethics for Directors and key management personnel is in place and whether all Directors and key management personnel have declared their compliance with such codes.	In place	
D.5.2	The Company should have a process in place to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	In place	
D.6 Corporate Governance Disclosures			
D.6.1	The Directors should include in the Company's Annual Report, a Corporate Governance Report setting out the manner and extent to which the company has complied with the principles and provisions of such code.	In place	Corporate Governance Report – Section 3.2.1
E. Institutional Investors			
E.1 Shareholder Voting			
E.1.1	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the views of shareholders are communicated to the Board as a whole.	In place	Corporate Governance Report – Section 10
E. 2 Evaluation of Governance Disclosures			
E.2.1	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	In place	

Corporate Governance contd.

	Principle	Status	Details/Reference
F. Other Investors			
F.1 Investing/Divesting Decisions			
F.1.	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	In place	
F.2 Shareholder Voting			
F.2	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	In place	
G. Internet of Things and Cybersecurity			
G.1	The Board should have a process to identify how in the organization's business model, IT devices within and outside the organization can connect to the organization's network to send and receive information and the consequent cybersecurity risks that may affect the business.	In place	Corporate Governance Report – Section 10
G.3	The Board should allocate regular and adequate time on the board meeting agenda for discussions about cyber- risk management.	In place	
G.4	The Board should ensure the effectiveness of the cybersecurity risk management through independent periodic review and assurance.	In place	
H.	Environment, Society and Government (ESG)		
H.1 to H.1.5	Adherence to ESG principles are disclosed in the sustainability section of the Annual Report.	In place	Sustainability report on page 64.-

Enterprise Risk Management

Enterprise Risk Management (ERM) process at Cargills encompasses practices relating to the identification, analysis, evaluation, mitigation and monitoring of the strategic, financial, external and operational risks. ERM helps to minimize the adverse impact of these risks, thus enabling the Group to leverage market opportunities effectively and enhance its long-term competitive advantage.

At Cargills we believe that, in the current volatile and complex business environment where businesses are exposed to numerous risks, a robust ERM process is vital to achieve a sustainable growth in the business.

Risk Management Framework

The Group's risk management framework is governed by the risk governance structure and the risk management policy, which are developed based on triple bottom line perspective to address sustainability, the strategic priority in the current business environment. ERM framework covers risks emerged through socio economic activities as well as the risks emerged through the operational activities of the business units.

The Group has an integrated risk management framework, through which it manages enterprise-wide risks, with the objective of maximising risk adjusted returns while remaining within risk appetite. The Board of Directors, Audit Committee, Risk Management team and the Internal Audit Department lead the Risk Management process by guiding and supporting the managers and the employees in the Group.

The 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 Board Committees.

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

ROLES & RESPONSIBILITIES

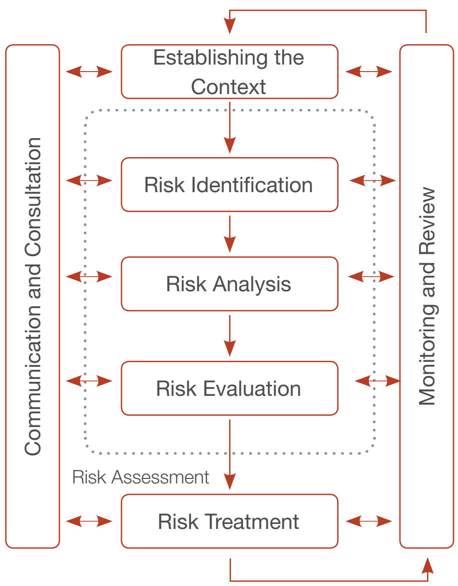
Board of Directors	• Oversight role of monitoring entire Risk Management process with the support of the Audit Committee
Audit Committee	• Oversight of Risk Management Policy and Framework. • Determining risk appetite and risk tolerance levels. • Reviewing the effectiveness of the Risk Management and Internal Control mechanism. • Reviewing controls and systems weaknesses highlighted by the External Auditors • Reviewing risk profile of major investment proposals against the risk appetite
Internal Audit Team	• Developing and implementing effective systems of internal controls. • Assuaring controls are in place as required • Reporting internal controls weaknesses identified, to the Audit Committee and Board of Directors. • Monitoring and reporting on compliance related to company policies, procedures and code of conduct.
Risk Management & Compliance Team	• Developing Risk Management Policies and Framework. • Carrying out comprehensive risk assessment across the organization. • Reporting on key risk exposures, impact, and mitigation strategies. • Reviewing the effectiveness of the mitigation strategies and improve them wherever necessary.

Enterprise Risk Management contd.

Risk Management Process

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

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



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

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

Risk Identification, Analysis and Evaluation

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

Risks are identified through clear understanding of the market conditions in which business operates, legal, social, political and cultural and the strategic and operational objectives of the business units.

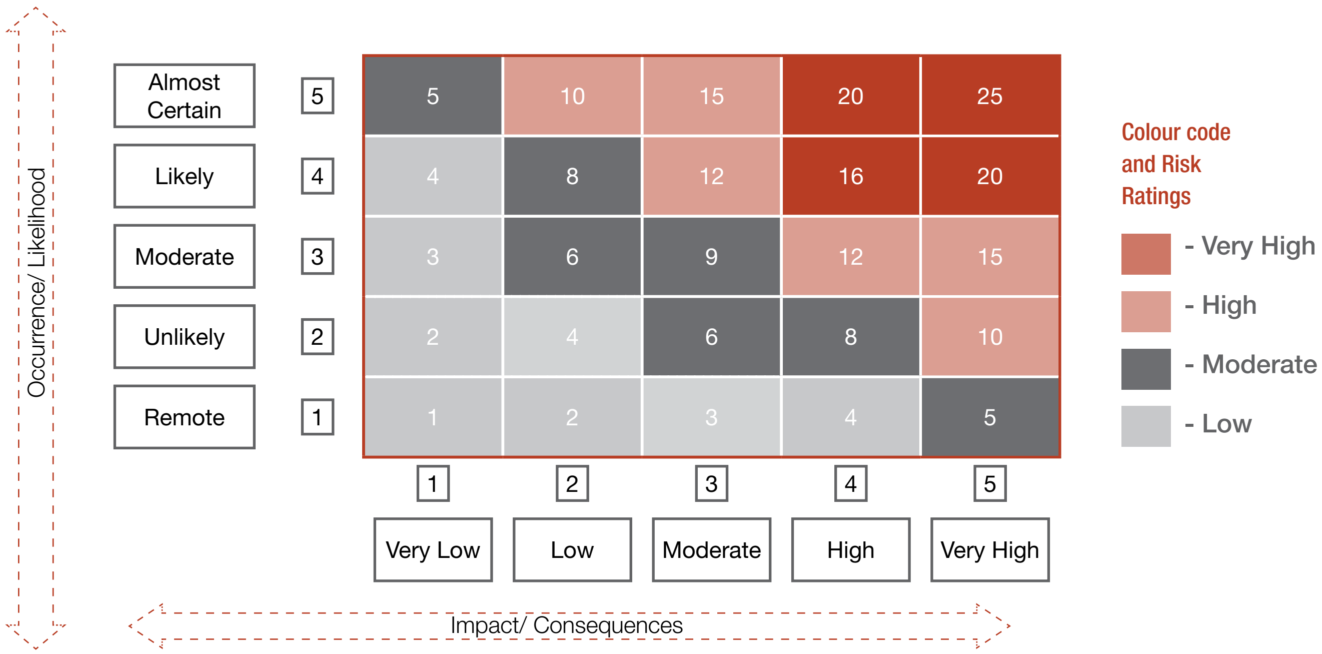
Risk identification is followed by risk evaluation whereby every identified risk is thoroughly analysed to understand its severity of impact and the likelihood of occurrence in order to assign a risk score to that particular risk. For this purpose, objective criteria or figures derived from past experiences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

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

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

The risk assessment is carried out using two scales, both from 1 to 5, the combination of which provides the total risk rating from 1 to 25.

This step will assist in determining the significance of the risk to the organization. The identified risks are mapped using a risk Heat Map as indicated below;



Based on the risk score, the risks are priortised and mitigation actions are initiated with the support of the Management.

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

Risk Mitigation and Monitoring

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

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

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

Enterprise Risk Management contd.

Overview of Key Risks Affecting the Business

Risk	Risk Mitigation Actions
Competition	
• Increased competition in the Retail, FMCG and Restaurant sectors compel us to be competitive always in terms of price, product range, quality and service to sustain the market share and leadership.	• Our products are priced competitively in the market to maintain the market leadership position while ensuring margins are maintained by controlling input cost. • Higher service standards are maintained by recruiting, training and coaching employees with right caliber. • To be ahead with our competitors, we focus continuously on innovation through research and development to cater to the changing customer preferences. • Our performance in terms of customer satisfaction, perception and experience are benchmarked and measured against key competitors. • Clear strategies are implemented in terms of pricing, product range, quality and service according to the target market and the competitive environment.
Customer Satisfaction	
• Customer satisfaction is critical to retain market share and market leadership.	• Regular market surveys are conducted to identify customer preferences and buying patterns. • Innovative products are introduced regularly to satisfy customers' changing preferences. • Processes are in place to build strong customer relationship through continuous engagement with customers and marketing activities. • Systems are in place to capture customer feedback and address the concerns of the customers.
Employee Retention and Capabilities	
• Failure to attract, retain and develop people with right capabilities could seriously impact the long-term growth potential of the business.	• Through proper HR planning and recruitment processes we minimise staff shortages. • We liaise with relevant authorities and institutions in the regions to recruit employees living close to the business locations. • 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. • Training needs are identified through skill gap analysis and appropriate training programs are structured to address the skill gaps identified.

Risk	Risk Mitigation Actions
Reputational Risk	
• Failure to protect the Group's reputation and brands could lead to a loss of trust and confidence. This could result in an erosion of the customer base and affects the ability to recruit and retain high-caliber people.	• We always strive to exceed customer expectation by offering better products and services to the customers. • Continuous communication with customers and other stakeholders is maintained to obtain their views and feedback. • We maintain continuous dialogue with state and other authorities to obtain their views and concerns. • Cargills Values and Code of Conduct are embedded into our customers, suppliers and other stakeholders' engagement processes.
Business Strategy	
• Selection of a wrong business strategy or failure to implement the strategies effectively could impact the business performance.	• High priority is given for the formulation of strategic plan for each business sector under the guidance of the corporate office. • Strategies are 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	
The safety and quality of our products are critical to maintain customer trust and confidence and to maintain our business performance.	We have detailed and established procedures to ensure product integrity and safety are maintained throughout our value chain. Quality and safety aspects are strictly monitored at the time of manufacturing and procuring products from vendors. Products produced in our manufacturing facilities go through stringent quality and safety checks before being released to the market. 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. Required quality and standard certification are obtained to affirm the product and process auality

Enterprise Risk Management contd.

Risk	Risk Mitigation Actions
Inventory and Supply Chain Risk	
• Failure to manage supply chains effectively would lead to adverse impacts in smooth and uninterrupted flows of goods and materials. Our manufacturing businesses especially dairy sector is highly dependent on uninterrupted supply of raw materials. • Poor management of inventory would increase the risk of obsolete inventory, stock adjustments and increasing stock holding costs	• The group's Procurement function is centralised to achieve economies of scale and efficiency • The Group has an effective vendor selection and evaluation process in place. • Strong relationships are built and maintained with suppliers through long term contracts. • Strong relationships are built and maintained with suppliers through long term contracts. • Forward bookings are done for commodity procurement to avoid stock outs and to maintain stable buying prices. • Effective category management is in place in the retail sector to ensure efficient replenishment of stocks. • We secure bulk of our dairy and produce requirements thorough established farmer network. • The Group has a network of suppliers and does not considerably depend on any single supplier or a small group of suppliers. • Our round the clock central warehouse operation is geared to replenish the stocks for retail chain without any delay. • Tight inventory control procedures are implemented in all business sectors to prevent losses. • Our warehouses and retail locations are adequately protected to prevent any loss of inventory and any unforeseen losses are adequately covered by insurance.
Health and Safety	
• Provision of adequate safety for our staff and customers is utmost importance to us. The inability to provide such environment would result in injuries or loss of life that cannot be measured in financial terms.	• Stringent health and safety processes in line with best practices are in place in all our business premises, which are monitored and audited regularly. • Regular review is conducted to ensure the compliance to the health and safety regulations and internal control procedures. • Health and Safety audits are conducted to ensure safety and hazard free environment for the employees.
Regulatory and Political Environment	
• Failure of key IT systems could have a substantial impact on our business operations. • In addition, a breach could lead to reputational damage. • Key areas subject to regulation include employment, tax laws, environmental issues, and regulations over the Group's products and services.	• Changes in the regulatory and political environment are closely monitored and appropriate strategies are developed to mitigate any adverse impacts due to the changes. • We engage with government and non-government institutions to ensure that the interest of our customers and employees are expressed and given due consideration when policies and regulations are enacted.

Risk	Risk Mitigation Actions
IT systems and infrastructure	
• The Group is reliant on its IT systems and infrastructure in order to conduct the business efficiently. • Failure to comply with laws and regulations could lead to legal prosecution and fines or imprisonment.	• 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 appropriate policies and procedures in place to ensure higher level of information security. • Development and implementation of new IT systems are reviewed and discussed at senior management level in order to ensure proper implementation. • Investment in IT and related infrastructure are reviewed at Board level. • All third party supplied hardware and software are covered by up to date maintenance agreements.
Funding and Liquidity Risk	
• Business could be impacted badly if we are unable to source adequate funds for ongoing business operations, the expansion projects and also for other investments.	• The Group finances its operations by a combination of retained earnings and via long term and short term borrowings. • Borrowings are controlled within the authorised capital structure and Weighted Average Cost of Capital is maintained at lowest level as possible. • The Group has established banking facilities with all major banks and financial institutions to obtain fund as and when required. • The Group owns land and buildings which can be offered as collateral for future funding requirements if necessary.
Interest Rate Risk	
• Steep upward movement in the interest rate could have severe impact to the financial performance of the Group.	• The Group operations are funded by mixture of fixed interest rate bearing long term loans and short term loans with floating interest rates. • Centralised treasury function enables pooling of funds and negotiating better rates. • Interest rates movements are monitored by the treasury and appropriate steps are taken to mitigate the financial impact due to the interest rate fluctuations.
Credit risk	
• The Group's FMCG sector in particular is exposed to high credit risk by the nature of the business. There would be adverse impacts on the liquidity position as a result of payment delays and non-payment by debtors.	• Stringent customer evaluation processes are in place in order to ensure credit worthiness of the customers before granting credit facilities. • The credit given to all our distributors are covered by Bank Guarantees. • We minimise the credit risk through the rigorous process of credit management. • The Group has effective follow up and collection processes and strictly adheres to business specific credit policies. • All export sales are covered by credit insurance

Enterprise Risk Management contd.

Risk	Risk Mitigation Actions
Foreign Exchange Rate Risk	
• Steep upward movement in the foreign exchange rates would have adverse impact on raw material prices with respect to our FMCG sector, prices of the imported products sold by our retail chain and costs of capital equipment imported.	• The Group's Consumption of imported raw materials is considerably low hence the exposure to Forex is limited • Foreign exchange rates are monitored by our import division and necessary steps are taken to minimise the adverse impacts.
Commodity Price Risk	
• Upward movement and fluctuations in the commodity prices could affect the prices of raw material as well as the products sold through our retail chain	• Market prices are regularly monitored by the procurement division to source commodities at best prices. • Sourcing is done from wide range of suppliers from different markets without depending too much on few suppliers. • Forward booking is carried out to mitigate upward price fluctuations in the market.
Risk of Natural Disasters	
• Natural disasters such as earthquakes, storms, and floods, as well as accidents, acts of terror, infection and other factors beyond the control of the Group could adversely affect the Group's business operation.	• Insurance covers are obtained against all identified risks and natural disasters affecting the assets of the Group and operational matters. • Employees are adequately trained in order to minimise any harmful effect of such events to human life as well as to the business
Sustainability	
• Reputational Risk arising from adverse impacts to environment and to the human wellbeing.	• Manufacturing, retail, restaurant and warehouse facilities are designed in such a way to prevent adverse impact to environment. • We closely work with farmers in order to educate and encourage them towards achieving sustainable farming practices. • The Company has stringent policies and procedures to minimise food wastages.

Sustainability Report

1. OUR COMMITMENT TO SUSTAINABILITY

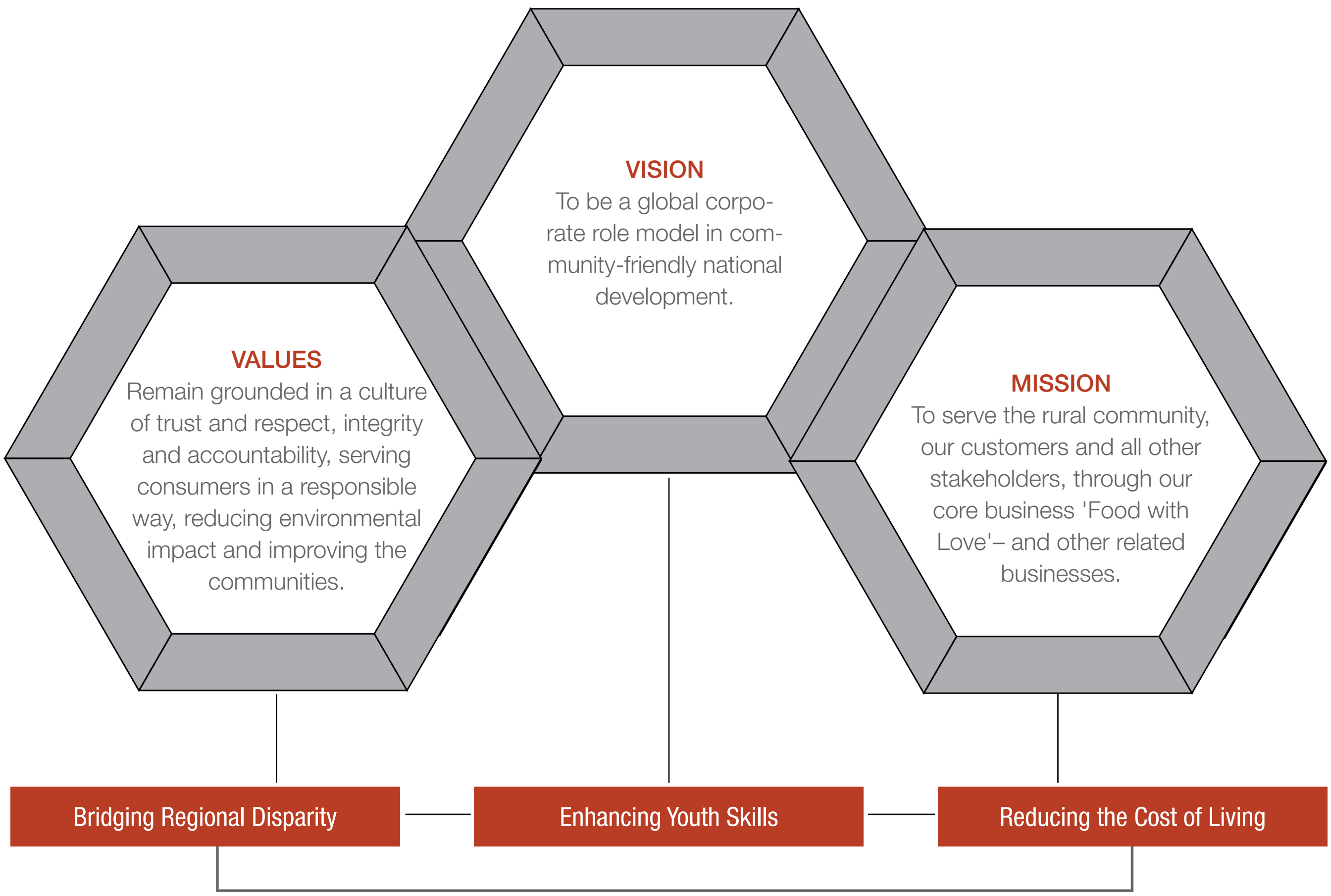
As Cargills celebrates 175 years in 2019, we are proud to reflect on a journey that has seen us evolve from a wholesale and retail business in 1844, to a key player across multiple sectors in the food and beverage industry today. Throughout this journey, our unwavering commitment to sustainable and responsible business operations has not only consolidated our position as a leader in corporate sustainability, but also deepened trust and respect for our brands amongst our diverse stakeholder community. Whether it is managing our environmental impact or improving the communities around us, maintaining a sound balance between economic success and sustainable growth has been fundamental to our business culture.

We are committed to supporting and promoting this sustainability-driven culture across the Group, and its 8,932 employees. The achievement of our commitment to sustainability relies largely on the efforts and dedication of these individuals; each working tirelessly to ensure that our investments are socially responsible, environmentally sustainable, and economically meaningful. We collaborate with customers and suppliers to deliver better products and services; empower our farmers to streamline supply chains; save energy and limit waste; support improved nutrition; and invest in training and education. We are confident that our footprint creates unique value for all our stakeholders.

Sustainability Strategy

Our sustainability strategy entails making social, environmental, and economic sustainability an integral part of everything we do. It is a position that reflects a Group-wide commitment to creating truly sustainable value for every direct and indirect stakeholder, and is encapsulated in our vision to be a global, corporate role model in community-friendly national development. Stemming from this vision, our sustainability programs, projects, and initiatives are geared towards reducing the cost of living, enhancing youth skills, and bridging regional disparities.

Sustainability Report contd.



The key features and objectives of Cargills sustainability strategy include:

- Creating truly sustainable value for every direct and stakeholder.
- Assessing the impact of investments on social, environmental, and economic sustainability.
- Monitoring and evaluating the achievement of sustainability targets and goals.
- Improving business operations and services to facilitate and enhance sustainable growth.
- Sharing best-practices on sustainability across diverse national and international fora.

The commitment to creating sustainable value for all stakeholders requires an adaptable strategy that is capable of meeting rapidly evolving social, environmental, and economic needs. Therefore, our strategic approach towards sustainable growth is regularly monitored, reviewed, and strengthened under the direction of the Group CEO and active involvement of senior management. The inclusion of sustainability indicators in the measurement of business performance supports such efforts and serves to ensure that our business leaders are regularly accountable for more than just financial and operational performance.

OUR IMPACT

Having operationalized the strategy around sustainability, today, Cargills is a key player in the national development of Sri Lanka. Driving an agenda that is primarily focused on creating sustainable value for the community, our positive impacts extend across the marketplace, workplace, and environment. Whether it is through agriculture-centric regional growth, or an unwavering commitment to serving safer and healthier food, our investments have supported the upliftment of communities and improved the lives and livelihoods of people across Sri Lanka.

In the marketplace, Cargills is proud of its position as the foremost food retail and FMCG business, and remains conscious of its key responsibility in facilitating affordable nutrition. Through robust research and development initiatives, we constantly strive to develop healthy and nutritious products with quality ingredients sourced from responsible local suppliers. By including nutritional information on product packaging, we aim to ensure that consumers can make informed choices. Our direct links to farming communities and entrepreneurs enable us to not only offer consumers the freshest and best produce, but also to provide such commodities at affordable prices.

In the workplace, Cargills is committed to attracting, developing, and retaining a diverse and talented team, who each individually contribute to the collective success of our company and the development of our country. To do this, we recognize the importance of fostering a supportive, safe, and inclusive workplace, and have invested in programs and initiatives to improve employment practice, manage talent, and celebrate diversity. Through comprehensive learning and development programs administered by our non-profit training arm—the Albert A. Page Institute—our employees have access to world-class training opportunities.

As we work towards nourishing people and securing their livelihoods, Cargills is deeply mindful of the collective responsibility to protect the environment and contribute to the sustenance of our planet. In this context, our businesses engage in continuous review processes to ensure that their impact on the environment is minimized through efficient water usage, resource and waste management, and optimal energy consumption. The installation of solar energy panels at strategic locations and the shift away from the use of plastics at KFC outlets in 2018/19 are just a few examples of our enduring commitment to environmental sustainability.

As a company directly engaged with agricultural communities, the sustainability of agriculture practices and their impact on the environment has emerged as another vital consideration. In 2014, in partnership with the Department of Agriculture, Cargills launched the "Save Our Soil" project to support the protection of soil and water resources through the prudent use of agriculture inputs, while promoting agricultural productivity. The recent introduction of Sri Lanka GAP (Good Agricultural Practices) Certification represents a culmination of these efforts, allowing participating farmers to be recognized and elevated towards healthier, sustainable, and export-oriented value chains.

In this context, our focus on the development of rural communities is characterized by our investments and engagement with the agriculture sector. Established in 2008, the Cargills Sarubima Fund gives back to the community 50 cents for each kilogram of fresh produce purchased or every litre of fresh milk sourced. Over the years, this fund has been utilized for a range of community development projects that extend from educational scholarships to regional development projects.

Linked to such support, Cargills is committed to working with thousands of small-scale farmers across the country to modernize agriculture and help to increase productivity through more efficient use of human, physical, and financial resources. For instance, through Cargills Agriculture Modernization project 80 small-scale farmers were provided special agriculture inputs, international training, and tailored extension services to improve output and agriculture practice.

Through such investments, Cargills continues to impact and improve lives and livelihoods across Sri Lanka in economically meaningful, environmentally sustainable, and socially responsible ways.

Sustainable Development Goals

In September 2015, Sri Lanka joined 192 other Member States in adopting the United Nation's ambitious plan for achieving a better future for all. Over the next 15 years, the "Agenda 2030" would see countries working to meet 17 Sustainable Development Goals (SDGs), including ending all forms of poverty, tackling climate change, and fighting inequalities. The goals strongly align with the vision and mission of Cargills and, thus, the company is ideally positioned to contribute to the achievement of national priorities around sustainable development.

Sustainability Report contd.

Cargills recognizes that responsible business and investment is essential to achieving transformational change in Sri Lanka through the SDGs. In turn, the successful implementation of these development goals stands to strengthen the enabling environment for doing business and create sustainable value for all stakeholders. Based on this understanding, Cargills maintained its membership of the United Nations Global Compact (UNGC); a global movement of sustainable companies taking strategic action to advance societal goals and align operations with universal principles on human rights, labour, environment and anti-corruption.

Whether it is in engaging local communities, or supporting skills development, Cargills diverse efforts to drive responsible and sustainable business operations directly, or indirectly, contribute to each of the following SDGs:

It is in line with such commitments to our planet and people that group-wide strategies, governance structures, corporate policies, commitment statements, and codes of conduct are developed in a manner that helps to embed sustainability and corporate responsibility into our everyday operations.

2. STAKEHOLDER ENGAGEMENT

Cargills engagement with stakeholders helps us to better to define our business strategy, sharpen decision-making, and enhance the company's economic, environmental, and social performance. Every facet of our company and its operations has the potential to impact, or be impacted by, a diverse group of internal and external stakeholders. We recognize that it is important to identify our key stakeholders in order to better align business practices with stakeholder expectations. These key stakeholders comprise individuals and groups who have an interest in, influence, or are affected by, our work and include the following:

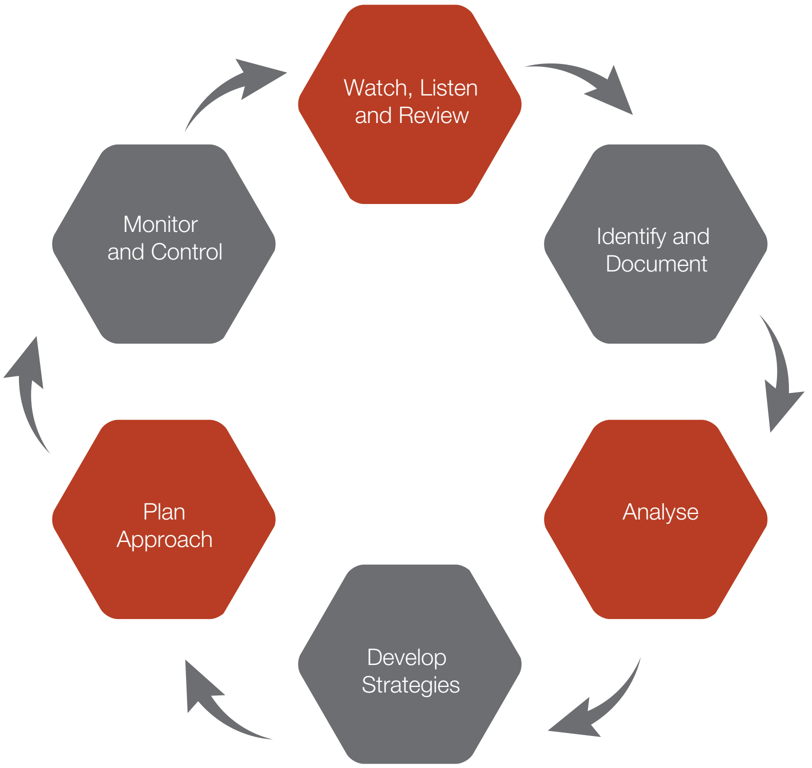
Customers	Whether it is accessing affordable food through an extensive network of retail outlets, or leveraging our commitment to food safety and quality, millions of customers across Sri Lanka interact with Cargills across its diverse ecosystem of industry sectors and business units.
Employees	The Cargills team comprises 8,932 members spread across 25 districts and over 400 places of work. Career growth and skills development of each of these employees are supported through continuous training and learning opportunities provided by the Albert A. Page Institute.
Shareholders	1,811 shareholders continue to share Cargills vision, believe in its business model, and support its commitment to ensuring long term value and sustainable growth.
Farmers, SMEs, and Traders	Over 20,000 agriculture and dairy farmers, and 587 national and international suppliers are directly linked to markets through Cargills value chain. In 2018/19, the direct revenue generated for our farmers exceeded Rs. 7.1 billion.
Government and Regulatory Authorities	Cargills works closely with government and regulatory authorities towards enhancing value for stakeholders. This includes sharing corporate insight, supporting community development, shaping and promoting policy towards better health and nutrition, and providing quality assurances through government certification.
Local Community	While agriculture-centric rural development is central to our goal of becoming the largest contributor to regional Sri Lanka, Cargills engages with local communities in many different ways. Whether it is through educational scholarships and development projects, or an increasing network of business touch-points, Cargills reach and impact across local communities continues to expand.

Stakeholder Engagement Process

Effective collaboration and partnership with our broad base of key stakeholders remains central to our efforts in creating sustainable value. We recognize the importance of initiating and sustaining relationships through timely and appropriate communication with our stakeholders, enabling them to be active and constructive partners in our shared journey. In order to facilitate partnerships of this nature, Cargills follows a structured stakeholder engagement model, including the identification of stakeholders and regular monitoring of performance indicators. Through this process, we aim to understand the perspectives and needs of our stakeholders, set expectations for areas of mutual concern, act upon these expectations, and ensure that our stakeholders remained informed of our progress.

Sustainability Report contd.

Stakeholder Engagement Model



- **Watch, Listen and Review:** Continuous engagement with stakeholders to improve existing plans and identify new areas of concern and engagement.
- **Identify and Document:** Identify stakeholder groups and individual stakeholder representatives; develop stakeholder prioritization plan.
- **Analyse:** High-level stakeholder assessment and mapping of priorities.
- **Plan Approach:** Develop plan to incorporate stakeholder concerns into the business agenda.
- **Monitor and Control:** KPI-driven monitoring and control processes.

Each step in this continuous process involves a series of actions and measures to ensure that current developments and changes in the operating context are captured in a timely manner, accountability is assigned to heads of business and project teams, and regular feedback is built in to facilitate monitoring and evaluation.

Stakeholder Identification

The identification of key individual or group stakeholders is a critical feature of effective stakeholder engagement. Such identification is based on 1) the stakeholder's influence on the company, and 2) the influence, or impact, of the company on the stakeholder. Cargills has thus identified customers; employees; shareholders; farmers SMEs and traders; government and regulatory authorities; and the local community as its key stakeholders, with each stakeholder grouping standing to impact, or be impacted by, the company.

This identification then feeds into the prioritization of stakeholders and helps Cargills to determine relevant levels and mechanisms of engagement. The placement of key stakeholders on the following quadrant is a result of this process.

Stakeholder Priorities

Once key stakeholders have been identified and prioritized, Cargills aims to understand, identify, and map the priorities, interests, and concerns of these stakeholders. To do this, the company engages in an iterative process of communication and interaction with stakeholders, through different platforms and channels. We recognize that an understanding of stakeholder priorities is an indispensable prerequisite of responding to concerns and, thereby, creating sustainable value.

Sustainability Report contd.

According to our assessments, based on iterative communication and diverse mechanisms of engagement, the priorities and concerns of our stakeholders are detailed below.

Stakeholder	Frequency	Mechanisms of Engagement	Priorities / Areas of Concern
Customers	On-Going	• Promotions • Social Media • Customer Service Hotline • Field Visits	• Cost of Living • Health and Nutrition • Food Safe • Sustainability
	Monthly / Quarterly	• Internal and External Consumer Research	• Product Range • Service Standards
	Annually	• Trade Fairs and Events	• Brand Recognition
Employees	On-Going	• Training & Mentoring • Orientation Programs • Daily Briefings • Open Door Policies	• Career Development • Goals for reward and recognition
	Monthly / Quarterly	• Staff newsletters • Letters and Posters • Periodic Briefings by senior management • HR engagements	• Corporate information • Grievance Sharing
	Annually	• Regional staff conventions	• Team Building and interaction
Shareholders	On-Going	• Information on CSE • Media Reports • Open Door Policy for Investor Inquiries	• Business Development • Sustainability
	Monthly / Quarterly	• Quarterly Reports • Investor Calls and Meetings • Road Shows	• Business Expansion Plans • Risk Management
	Annually	• Annual General Meetings • Annual Reports	• Financial Performance • Governance and Disclosure
Farmers, SMEs, and Traders	On-Going	• Daily Engagement • Monthly Meetings • Digital Engagement Platforms • Field Visits	• Enhanced Markets • Competitive Pricing • Business Growth
	Monthly / Quarterly	• Partnership Meetings • Farmer Group Meetings	• Industry Developments

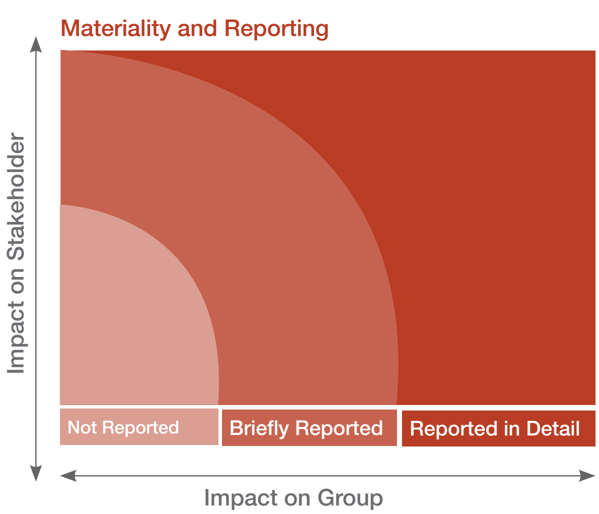
Stakeholder	Frequency	Mechanisms of Engagement	Priorities / Areas of Concern
Government and Regulatory Authorities	On-Going / Monthly / Quarterly	• Meetings with government and regulatory authority stakeholders.	• Business Sustainability • Market and Community Impact • Graduate Unemployment • Good Governance and Business Practice
Local Community	On-Going	• Cargills Sarubima Activities	• Community Development • Youth Empowerment

Any priorities, concerns, or material needs relating to our key stakeholders are moderated by the Group's leadership, and where necessary, opinion and input is provided by the Board of Directors, and incorporated in to the strategic planning processes of the company. Stakeholders often remain interested in the outcome of engagement and are keen to see how their priorities and concerns feed into business strategy, models, and key performance indicators. All business sectors aim to provide a balanced view to stakeholders in this regard, with a feedback mechanism in place to continuously improve plans and identify new concerns.

Materiality

Having identified stakeholder priorities and concerns, a matter would be considered material if it has the potential to substantially influence the Group commercially or socially, and cause an impact on relationships with our stakeholders.

Material aspects are usually reviewed by stakeholder segment, within the context of each business sector; i.e. Retail, FMCG, and Restaurants. The degree of impact of the material issue on the group and/or stakeholder determines the extent to which the issue is reported on. The material aspect boundaries may differ in priority across the various business sectors, but the issues remain material to the Group.



Committed to minimize the adverse impacts of risk on the business, the Group's Enterprise Risk (ERM) framework encompasses practices related to the identification, analysis, evaluation, treatment, mitigation, and monitoring of strategic, financial, external, and operational risks. This helps the company leverage market opportunities effectively and enhance competitive advantage in the long-run. Therefore, all risks, often emerging from the priorities and concerns of key stakeholders, are mapped against Global Reporting

Sustainability Report contd.

Index (GRI) standards, and included as material to the Group. Risks pertaining to competition, reputation, business strategy, inventory and supply chain, IT systems and infrastructure, funding and liquidity risk, market risk (interest rates, FOREX and commodity market fluctuations) and natural disasters emerge as aspects that are evaluated, but remain outside the scope of the GRI.

The material issues that impact the stakeholders and the Group, and align with GRI standards are detailed below, along with the corresponding levels of materiality.

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

Stakeholder Impact

Over 175 years, our customers, employees, farmers, and suppliers have been our heroes; sharing our vision and supporting our commitment to creating long-term value and sustainable growth. We recognize that the continued success of Cargills rests in its people, and we are dedicated to ensuring that every aspect of our business has a positive impact on their lives.

In order to facilitate this, Cargills business strategies are based on the needs and aspirations of our stakeholders and are geared to enhance the creation of sustainable value. Through regular engagement with internal and external stakeholders, we assess and map aspects that are material to our business and, thereafter, align our strategies and processes to manage and respond to these material issues.

Initiatives and measures that we have taken to address the identified priorities and concerns of our stakeholders include:

Customers

- Reaching millions of customers through 380 retail outlets and 40 restaurants spread across all 25 districts in Sri Lanka.
- Sourcing fresh milk, fruit, vegetables, and other commodities directly from over 20,500 suppliers to be sold to customers at the lowest possible prices across the network of retail outlets.
- Promoting access to affordable nutrition through regular promotions and discounts on fresh milk, fruits, vegetables, and other commodities.
- Developing new products, and improving existing products, to increase product range and improve service standards.

Employees

- Recruiting 5,768 new employees during 2018/19, bringing the total number of employees to 8,932 at the end of the financial year.
- Reflecting a commitment to youth development and fostering an inclusive workplace with 5,616 (62.9%) out of the total employees being below the age of 30, and 4,230 (47.4%) being female.
- Conducting a total of 261 training programs, with the participation of 9,719 non-unique participants, across the Group of 8,932 employees. A total of 169,475 training hours were provided, with employees receiving an average of 18.9 hours of training.
- Partnering with internationally-renown training institutions, such as the IGA Institute, to further support the continuous training and development of staff.

Shareholders

- Engaging directly with 1,811 shareholders, including the regular publication of reports, periodic consultations, and an open-door policy for investor inquiries.

Farmers, SMEs and Traders

- Working with 5,480 agriculture farmers and 14,666 dairy farmers to supply fresh quality produce, reduce the cost of living, and create enhanced access to import and export markets for agriculture.
- Partnering with the Department of Agriculture to provide assurances of quality through the introduction of Sri Lanka Good Agriculture Practice (SL-GAP) certification for eligible farmers across Cargills eco-system.
- Providing guidance and technical support to 587 SME suppliers and traders to continually enhance quality standards.

Government and Regulatory Authorities

- Leveraging corporate knowledge and insight to support widescale rural community development, including the provision of educational scholarships through Cargills Sarubima fund.
- Supporting youth employment and skills development through the recruitment and training of 105 new management trainees.
- Contributing to government policy by setting benchmarks on health and nutrition for Sri Lankan consumers.

Sustainability Report contd.

Local Community

- Deepening engagement with local communities through an expanding business outreach and community development projects, including through Cargills Sarubima fund.

> **Sustainability Highlights, 2018/19**
>
> KFC Plastic-Free: 39 restaurants located across the country commenced the process of gradually phasing out the use of plastic in its operations. The initiative saw a significant reduction in the use of plastics equivalent to 5.7 MT per month.
>
> Solar Energy: Cargills' factories are now equipped with 2,551 KW of solar capacity, having utilized 18,533 square meters of roof area to install solar panels. Two retail outlets also generate around 9,500 units (kWh) of solar energy per month. This is equivalent to a reduction in the release of 2,703,174 Kg of carbon dioxide every year.
>
> Agriculture Modernization: 80 small-scale farmers were provided special agriculture inputs, international training, and tailored extension services to improve output and agriculture practice. Many of these farmers were eligible for certification on good agriculture practice (Sri Lanka GAP Certification); and have had their produce sold under Cargills' new brand – Good Harvest; the first range of products to be formally sourced in full adherence to GAP-certified criteria.

The Six Capitals

Cargills utilizes an integrated reporting model to describe how it creates value over time. To do this, we use a combination of quantitative and qualitative information, categorized across six capitals – financial capital, human capital, social and relationship capital, natural capital, manufactured capital, and intellectual capital.

These capitals flow seamlessly throughout our business model and are transformed into tangible output as we consistently endeavour to create sustainable value. While focus on advancing one capital may temporarily compromise another, positive value will be generated in the long-term as outputs accrue across the company's ecosystem.

Financial Capital

At Cargills we are committed to value creation through sustainable economic performance. Focused on sustainable development and social responsibility, we continue to provide both financial and non-financial value to our shareholders, business partners, employees, customers, and local communities.

201-1 Economic Performance: **Direct economic value generated and distributed**

The Economic Value statement contains information on the creation and distribution of economic value for stakeholders and provides a basic indication of the wealth created, retained and distributed during 2018/19. The statement includes revenue, operating costs, employee wages and benefits, payments to providers of capital and the government, donations, and community investments.

The direct economic value generated and distributed by the Group in 2018/19 is Rs. 25.2 Bn compared to Rs. 29.8 Bn in 2017/18.

	2018/19 Rs. '000	2017/18 Rs. '000
Value Created		
Gross Revenue	104,690,462	100,924,320
(-) Cost of Goods and Services	(82,121,345)	(74,673,698)
Value added from operations	22,569,117	26,250,622
Other Income	2,324,947	3,326,626
Finance Income	280,057	269,594
Total Value Created	25,174,121	29,846,842
Value Distributed		
Operating Costs	467,959	5,057,074
Remuneration to the Employees	6,614,902	5,706,914
Directors' Fees and Remuneration	408,978	352,092
Community Investments	26,472	9,060
Government Levies	10,027,471	9,631,193
Corporate Taxes	1,369,122	1,914,413
Interest Cost	1,704,721	1,576,757
Non-Controlling Interest	53,567	130,387
Dividends	486,400	1,344,000
Total Value Distributed	21,159,592	25,721,890
Total Value Retained	4,014,529	4,124,952
Total Value Distributed and Retained	25,174,121	29,846,842
Value Retained		
Profit Retained	1,493,846	1,856,534
Depreciation & Amortisation	2,520,683	2,268,418
Total Value Retained	4,014,529	4,124,952

201-2 Economic Performance: **Financial implications and opportunities due to climate change**

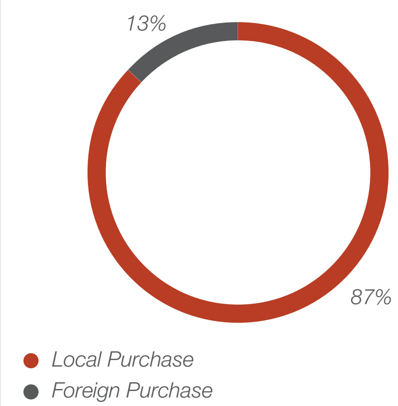
Climatic changes impact Cargills businesses through natural disasters such as floods. The company aims to mitigate such risks through comprehensive insurance policies. In 2017/18, the company reported an insurance claim arising out of adverse climatic conditions amounting to the value of Rs. 61.5 Mn. In the previous year, 6 retail outlets were affected by floods resulting in negative impact worth Rs. 102.1 Mn. In 2018/19, the Group reports insurance claims worth Rs. 18.9 Mn from 10 incidents of flooding and other natural perils.

204-1 Procurement Practices: **Proportion of spending on local suppliers**

The proportion of spending on local suppliers captures the scale of procurement expenditure by the retail sector on local suppliers, excluding any direct imports. Local suppliers include farmers, cottage-level industries, and any other entities formally registered in Sri Lanka.

The proportion of expenditure on local suppliers for the year ended 31st March 2019 was 87%.

Proportion of Spending on Local Suppliers (2018/19)



Sustainability Report contd.

Human Capital

Cargills is committed to investing in human capital; attracting, developing, and retaining the best talent. We firmly believe our people form the core of the business and have invested in creating a workplace that provides equal opportunity, promotes diversity and inclusion, and fosters innovation. To do this, we continuously monitor and improve on programs and initiatives related to employment practices, compensation and benefits, and talent management. In 2018/19, women represented 47.4% of our workforce, while 62.9% of our employees were below the age of 30.

Cognizant of shifting modern economic climates, we aim to facilitate a dynamic learning environment that encourages our employees to engage in innovative thinking and equip our workforce with the knowledge and competencies required to effectively manage emerging business challenges. Through the Albert A. Page Institute (AAPI) of Food Business, our employees are provided access to a range of quality training and development opportunities that help to set them up for career success. In 2018/19, our employees received a total of 169,475 training hours, with each receiving an average of 18.9 hours of training.

401-1 Employment: **New employee hires**

Cargills recruited 5,768 new employees during 2018/19, bringing the total number of employees to 8,932 at the end of the financial year. 62.9% of these employees were under the age of 30, representing our commitment to youth development.

Total Number of Employees (by age)			
Under 30 years old	30 – 50 years old	Over 50 years old	Total Staff
5,616 (62.9%)	2,884 (32.3%)	432 (4.8%)	**8,932**

401-2 Employment: Benefits to full-time employees

Cargills recognizes that the quality of the benefits we offer our employees plays a large role in retention. The benefits offered to full-time employees include:

- Medical Benefits
- Personal Insurance
- Death Benefits
- Gifts (incl. Birthday, New Born, Wedding)
- Staff Loans
- Ex-Gratia Payments
- Bonuses
- Staff Purchase Discounts

201-3 Economic Performance: **Organization's defined benefit plans**

Cargills provides statutory and social benefits to its employees. The statutory benefits include an entitlement to a payment of gratuity for 5 years of unbroken service. Social benefits cover a range of entitlements and incentives including health and life benefits, personal insurance, gifts to celebrate personal milestones, staff loans, ex-gratia payments, bonuses, and most uniquely, access to discounts on purchases of groceries at retail outlets.

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

128 employees exercised their entitlement to parental leave during the year 2018/19, with 97 of these employees returning to work at the end of the leave period.

2018/19	
Total number of employees that took parental leave	128
Total number of employees that returned to work at the end of the period	97
Return to work rate	76 %

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

Salaries and wages are fairly and equitably benchmarked against the roles and responsibilities entrusted to individual employees. It is Cargills' policy to maintain uniform standards across the business, with no discrepancy between entry-level wages for men and women.

Cargills remains convinced that the provision of fair and competitive wages will help us attract and retain the best talent, and contribute to lasting employee loyalty.

403-8 Occupational Health and Safety: **Health and Safety Policy**

Cargills recognizes its responsibility in ensuring that all reasonable precautions are taken to provide and maintain working conditions that are safe, healthy, and comply with all statutory requirements and codes of practice.

The company pays particular attention to matters of health and safety, and the elimination of risk in:

- The provision and maintenance of machinery, equipment, and work systems.
- The use, handling, storage, and transport of articles and substances.
- The provision of relevant information, training, and supervision.
- The maintenance of work conditions.
- The access and egress of all employees from the place of work.
- The prevention of health and safety hazards at work.
- The strict adherence to health and safety instructions by all employees.

In 2018/19, 7 special training programs were conducted for employees on the topic of occupational health and safety, while similar training provided was carried out as part of the regular training curriculum of the Albert A. Page Institute.

403-9 Occupational Health and Safety: **Work-related injuries**

Cargills continues to strive to achieve a zero-incident rate with respect to workplace injuries and accidents. In the year 2018/19, we reported 61 workplace injuries, representing an increase from the 48 injuries reports in 2017/18. There were no occupational diseases reported during the year.

Sustainability Report contd.

	By Gender		By Type	
	Male	Female	Minor	Major
Number of Injuries	45	16	48	13

As reported in 2017/18, all manufacturing facilities have implemented Environmental, Health, and Safety Management Systems in line with ISO requirements.

404-2 Training and Education: **Programs for upgrading employee skills**

Cargills has consistently endeavoured to develop a workforce that is equipped with the right tools to be responsive to dynamic economic exigencies. Led by our non-profit training arm, the Albert A. Page Institute (AAPI) of Food Business, our employees are provided access to a wide range of high-quality training and development opportunities. Such opportunities are identified either through regular assessments of company-wide training needs, or through the self-identification of training areas by employees who seek personal improvement in order to enhance overall performance.

The training and development programs extend across business sectors and include executive, non-executive, and management training. The programs are largely implemented through the AAPI and include:

- Job Orientation
- Language Skills
- Skills Development
- Retention-Oriented Motivational Training
- Feedback-Oriented Refresher Courses
- Targeted Skills Development
- Employee Grooming
- Advanced Leadership
- Customer Engagement

Such training not only helps to upgrade employee skills, but also provides unique opportunities to rural, or less privileged, youth who lack the necessary skill-set to gain employment in the competitive private sector. Last year, in response to nationwide concerns about graduate unemployment, Cargills initiated "Project 500" which aimed to recruit 500 university graduates, and provide industry experience and training with placements across the Group's business units.

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, rural Sri Lankans. 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. That said, the value derived to our economy from unskilled labour employed overseas is significant—unskilled migrant labour, sourced largely from rural Sri Lanka, draws the country's highest foreign exchange earnings.

AAPI has developed a series of certificate and diploma programmes aimed at creating opportunities for career advancement in the food and manufacturing sector. The certificate programs develop basic skills required to become effective and efficient executives. The courses are designed to cater to all sectors of Food Marketing including Operations, Manufacturing, Support Services, Sales and Distribution and Central Warehousing, and Agri-Business. The advanced certificate courses for Managerial Skills Development have been designed in response to organizational needs—technical, human, and conceptual skills, all of which are crucial to respond to a 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, and class room training to support the career development needs of its international retail food associations. The IGA Institute functions as the Alliance's Learning and 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.

150 new management trainees were recruited under Project 500 last year; a further 105 were recruited in 2018/19.

404-1 Training and Education: **Average hours of training per employee**

Cargills provided a total of 169,475 hours of training, across 261 training programs over the year 2018/19. With a total employee count of 8,932, Cargills provided an average of 18.9 hours of training per employee.

Training is primarily conducted through the AAPI by in-house resource personnel, with external trainers being engaged when necessary. In-house trainers undergo regular training of trainer programs in order to ensure they are able to provide high-quality, contemporary training.

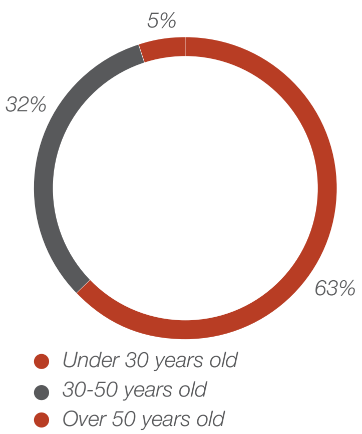
405-1 Diversity and Equal Opportunity: **Diversity of Employees**

Cargills is committed to fostering an environment that celebrates diversity and constructively harnesses our transformative collective potential. At the heart of this commitment is a desire to embrace our differences, so that each and every employee is able to reach their full potential.

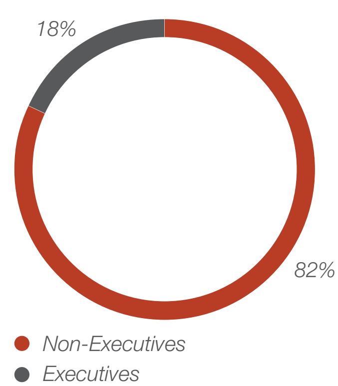
To promote diversity and foster inclusion, we provide equal opportunities throughout our business operations, including in recruitment, remuneration, and career development advancement, regardless of race, religion, gender, age, nationality, civil status, or political view. We are also working particularly hard to ensure that persons with disabilities are able to share our ambition, access our services, and contribute to the success of our business.

In 2018/19, women represented 47.4% of our total workforce of 8,932 employees. Out of the total workforce, 1,635 were categorized as Executives, while 7,297 were in the Non-Executive category. 5,616 employees (62.9%) of employees were under the age of 30, with 432 (4.9%) employees being over the age of 50.

Workforce - By Age (2018/19)



Type of Employment (2018/19)



Sustainability Report contd.

405-2 Diversity and Equal Opportunity: **Equal Remuneration**

All candidates for employment at Cargills are impartially assessed on objective criterion pertaining to suitability for the job. Candidates are assessed irrespective of exclusive criteria, including race, religion, gender, political view, or civil status. Consistent with our ambition to attract, develop, and retain the best talent, we prioritize the merit-based selection of qualified applicants, exhibiting strong professional track records. We are proud to be an equal employment opportunity provider.

It follows, therefore, that our position relating to remuneration, compensation, and benefits of our employees is one that is characterized by equality. Cargills does not discriminate between gender in remuneration, and all employees are rewarded and recognized based on performance irrespective of gender.

406-1 Non-Discrimination: **Incidents of Discrimination**

Cargills does not tolerate any incidents of discrimination on any grounds, including discrimination based on gender, age, religion, race, or other social or cultural differences. It is in Cargills operating ethos to ensure that all employees carry out their duties in a sensitive and respectful manner.

Cargills remains committed to celebrating diversity, harnessing its potential, and maintaining a workplace that is free from discrimination and harassment. Sexual harassment, including unwelcome sexual advances, intimidation, and other actions that create a hostile or offensive work environment are strictly prohibited and transgressors will be dealt with severely.

Cargills promotes and supports open lines of communication, encouraging employees to privately air their concerns and grievances with the company's Human Resources department. The Group also has a formal grievance handling process across business sectors, including the availability of a 24 hour hotline, regular site visits, and the maintenance of detailed grievance records and follow-up processes.

The company is pleased to note there have been no incidents of discrimination reported during the year.

407-1 Freedom of Association and Collective Bargaining

Cargills does not curtail the fundamental freedom of association of its employees. The company encourages an open-door policy, where employees are free to engage in constructive discussions and negotiations with senior management. While we consistently place the interests of our employees at the forefront of all our deliberations, we recognize the important role of unions in collectively representing employee interests and do not restrict their formation or function in any way.

408-1 Child Labour

Cargills does not engage in, or condone, child labour or the employment of any person under the age of 18 at our workplaces. This is built into the policies and procedures of the Group. The company also confirms that there is no direct risk of incidents of child labour in any operation across the company's business units.

In addition, supplier assessments include contractual confirmation that suppliers will take measures to protect against the deployment of children at work.

409-1 Forced or Compulsory Labour

Cargills does not deploy forced or compulsory labour in any form across its business operations. In addition, supplier assessments include contractual confirmation that suppliers will take measures to refrain from the use of forced labour.

Where training costs and investments in employee development are substantial, employees are advised about our desire to retain their services for a reasonable period of time, but no binding constraints are imposed. Employees who work beyond their contractually-allotted hours are duly compensated by means of overtime pay, and supported with meals and transport in accordance with applicable laws and industry standards.

414-1 Supplier Social Assessment: **New suppliers screened using social criteria**

Cargills enters into formal contractual agreements with every supplier who operates within the retail and manufacturing sectors. These contracts are informed by International Finance Corporation (IFC) Environmental and Social Standards on human rights and labour practices.

Therefore, all of Cargills suppliers formally agree to:

- Promote the fair treatment, non-discrimination, and equal opportunity of workers.
- Establish, maintain, and improve the inter-personnel relationships.
- Promote compliance with national employment and labour laws.
- Protect workers, including vulnerable categories such as children, migrant workers, workers engaged by third parties, and other workers in the client's supply chain.
- Promote safe and healthy working conditions and enhance employee well-being.
- Refrain from the use of forced labour.

Social and Relationship Capital

Fundamental to our business values, Cargills continues to explore ways to deepen our engagement with our key stakeholders—the agricultural community, suppliers, employees, government and business partners. Committed to continuously enhancing these relationships, we lead several initiatives to drive sustainable business and contribute to our communities and national development.

Through these initiatives, we invest in the development, education, environmental sustainability, and health and wellbeing of the communities in which we operate. In doing so, we not only move closer to our goal of becoming the largest contributor to regional Sri Lanka, but also foster lasting relationships with our diverse stakeholders. These relationships are a vital part of our business model.

203-2 Indirect Economic Impacts

Given the scope and extent of Cargills ecosystem, we recognize that our work leads to significant indirect economic impact. Most notably, our holistic engagement with 5,480 agriculture farmers and 14,666 dairy farmers has enabled us to contribute to the upliftment of farming communities in many different ways.

In 2018/19, Cargills sourced 44.4 million kilograms of fruit and vegetable from its agriculture farmers, returning a revenue of Rs. 4.07 Bn to the community. The Group's milk collection reached 48.9 million litres, sourced from 38 chilling centres, connecting dairy farmers from across the country. Over the year, our dairy farmers received a collective revenue of Rs. 3.05 Bn for their produce. As a steady source of income, this revenue contributes towards the upliftment of farming communities.

In working directly with farmers, our unique out-grower model has reduced transaction costs and eliminated middlemen. This, in turn, allow us to not only offer farmers a higher price for their produce, but to also offer customers fresh produce at affordable prices. As a result, we are able to contribute to reducing the cost of living. In addition, by integrating farmers into Cargills extensive network and supply-chain, we have significantly enhanced their access to domestic, import, and export markets.

Cargills also plays a key role in sharing knowledge and expertise, and providing technical support, in the agriculture sector. Over the years, such support has helped farmers reduce post-harvest loss from over 40% to less than 8%, and enhance levels of productivity and the quality of produce. This has contributed to reducing the cost of production and ensuring that farmers receive a fair return for their hard-earned harvest.

413-1 Local Community Engagement

Cargills Sarubima Fund

In 2008, Cargills introduced "Cargills Sarubima"; a fund which gives back to the community 50 cents for every kilogram of fresh produce, and every litre of fresh milk, purchased from our farmers. Since then, the fund has become a key vehicle through which the company engages and seeks to uplift rural communities across Sri Lanka. This fund has been utilized to provide educational scholarships for children, resources for learning and professional advancement, insurance for farmers, and investment in local infrastructure. Decisions pertaining to the disbursement and allocation of funds are made jointly between members of the community and Cargills.

At the end of 2018/19, Cargills had collected Rs. 91.4 Mn under the Cargills Sarubima fund. During the year, the fund was utilized to conduct two distinct projects, and provided a total of 514 beneficiaries with scholarships, overseas training, and other assistance. This amounted to a total disbursement of Rs. 26,471,633.

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Type of Disbursement	Value	Number
Educational Scholarships	10,657,300	501
Community Development Projects	350,000	1
Agriculture Modernization Project	14,554,333	1
Overseas Training	910,000	13

Educational Scholarships

Cargills continued to provide scholarships for students at different levels of education and areas of training. In 2018/19, 501 students received scholarships, representing a notable increase from the 238 scholarships provided in the previous year.

Type of Scholarship	Number of Beneficiaries
Grade 5	108
A-Level	222
University	133
Vocational Training	22
Pharmaceutical Training	2
Other Training	14
Total Scholarships	501

Community Development Projects

During 2018/19, Cargills directed significant focus on developing and rolling out its ambitious, multi-pronged agriculture modernization project. Beyond this, Cargills also implemented a drinking water project to ensure uninterrupted access to clean water at the Sripali Maha Vidyalaya in Thisogama, Banduragoda. Through the project, Cargills installed a tube well to respond to concerns that nearly 400 students were unable to access water during the dry season.

In previous years, community development projects have included the introduction of drinking water facilities and the development of infrastructure at schools, and building playgrounds and parks for children at locations across Sri Lanka. Cargills continues to engage local communities in the following locations:

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

Agriculture Modernization Project

In 2014, Cargills—in partnership with the Department of Agriculture—launched the 'Save our Soil' project, in response to consumer concerns about the use of fertilizer and agro-chemicals in agriculture. The main objective of the project was to educate and train the farming community on the efficient and prudent use of agriculture inputs. Today, over 1,550 farmers have received such training, and a number of farming lands have been tested to determine optimal input requirements.

During 2018/19, Cargills deepened these efforts through the launch of Cargills Sarubima Agriculture Modernization Project. The broad objective of the project is to enhance farmer income through improved productivity and efficiency, while meeting globally-accepted standards of product quality and safety. This forward-looking objective seeks to address the diverse challenges that hinder, or stand to hinder, the growth of agriculture in Sri Lanka, including high costs of production, low yields, volatile climatic conditions, dwindling interest of youth in agriculture, overuse of agro-chemicals, and limited export potential of local produce.

Currently in its pilot phase, the project adopts the following strategy to address these challenges:

- Create a total of 80 model farms in Thambuthegama, Thanamanvila, and Norochcholai.
- Introduce improved, climate-smart agricultural practices for 20 different crop varieties.
- Expose farmers and Cargills agriculture extension officers to globally-accepted crop production methods and provide first-hand information on Good Agriculture Practices (GAP).

Through the project, the selected farmers received a range of special agriculture inputs, such as micro-irrigation systems, plastic mulch, insect-proof nets, and soil and water testing. 50% of associated costs were covered under the Cargills Sarubima fund, while a long-term, low-interest loan was provided to the farmers through Cargills Bank to cover remaining costs.

In addition to special inputs, 8 farmers and 5 extension officers were given the opportunity to receive first-hand exposure to a successful agriculture modernization program, through a visit to high-tech farms and technical parks in India. This exposure visit not only facilitated knowledge and experience-sharing among the farming community, but also encouraged a paradigm shift away from conventional agriculture practices and towards more modern and efficient farming processes. The project is being implemented with the technical support of JAIN Irrigation Systems in India.

GAP Certification

Cargills has long-promoted the adoption of good agricultural practices (GAP) in the production of fruit and vegetables. Throughout our operations, we remain extremely mindful of our customers' concerns on the safety of the produce they consume, and our concerted effort to introduce GAP is a response to such concerns. Our efforts to improve agricultural practice in Sri Lanka are best demonstrated through the series of projects we have undertaken; including the 'Save our Soil' project commencing in 2014, or the Agriculture Modernization Project launched in 2018/19.

With the support of key stakeholders, including the Department of Agriculture, we have strived to ensure that farmers pursue good agriculture practice. For instance, we have taken measures to ensure that produce can be traced back to the farmer source, crop record books are maintained to monitor levels of input, and farmers avoid the overuse of agro-chemicals and fertilizers on their land. As a result of such measures, our produce consistently falls within globally-accepted criteria pertaining to residue on fruit and vegetables.

Until recently, however, the pursuit and adoption of such practice was afforded insufficient formal recognition. Two years ago, the Department of Agriculture embarked on a transformative initiative to introduce GAP certification in Sri Lanka (SL-GAP). In 2018/19, with the introduction of clear standards and guidelines for good agricultural practice, this initiative has finally come to fruition.

As this important initiative takes flight, Cargills is proud to lead the way in translating SL-GAP certification into practice; leveraging its extensive network of retail outlets to offer customers certified GAP produce, under its new brand – Good Harvest. Much of this produce is sourced from farmers participating in Cargills Sarubima Agriculture Modernization Project. Apart from being the first range of products to be formally sourced in full adherence to GAP-certified criteria, each product also facilitates traceability with its packaging containing information on the farmer, along with a unique QR code.

As we continue to empower our customers to consume local fruit and vegetables with confidence, we are confident that the introduction of GAP certification marks yet another turning point in the advancement of the agriculture sector in Sri Lanka.

205-2 Anti-Corruption: Communication and Training on Anti-Corruption

Cargills is widely recognized and respected as a responsible corporate citizen. The company adheres to the highest standards of integrity and ethical conduct across all our business activities, and every employee is expected to maintain this reputation through honest and professional conduct.

Stemming from the expectation of professional and honest business dealings, Cargills has zero tolerance towards bribery and corruption. All executives are bound by a signed code of conduct which prohibits them from accepting or offering any form of gift or emolument that may be construed as a bribe. Executives are also issued official memorandums to remind them of this obligation during festive seasons where the proclivity for such dealings arise.

Insider Trading

The trading of company shares or other securities by individuals who have access to non-public information is strictly prohibited and will result in disciplinary sanctions or criminal charges.

205-3 Anti-Corruption: **Incidents of anti-corruption**

There were no incidents or reports of anti-corruption or bribery during the financial year 2018/19.

206 Anti-Competitive Behaviour

There were no incidents or reports of anti-competitive behaviour during the financial year 2018/19.

414-1 Supplier Social Assessment

Cargills enters into formal contractual agreements with every supplier who operates within the retail and manufacturing sectors. These contracts include social performance indicators which aim to assess the impact the supplier makes on society. The compliance of the suppliers with these indicators is monitored through periodic audits.

416-1 Customer Health and Safety: **Assessment of Health and Safety Impacts**

The health and nutrition of our customers and consumers remains a key priority of Cargills. We thus consider it our responsibility to ensure that the products we offer are safe and of the highest quality.

In 2018/19, a number of systematic efforts and measures were taken to promote better health and safety across our diverse range of products and services. Among these measures, further progress in reducing the percentage of sugar and salt in our products, and the introduction of a number of healthy product options, represent some of the notable achievements in this area.

During the year, our popular drinking yoghurt was among the main products evaluated. Adopting an incremental approach to the reduction of sugar, these products were subject to minor reductions in sugar content. The percentage of sugar was reduced as follows:

Product	Reduction % (per total original added sugar)
Strawberry drinking yoghurt	11.1%
Vanilla Drinking Yoghurt	4.55%
Mango Drinking yoghurt	6.78%
Wood Apple Drinking Yoghurt	7.69%

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Other specific initiatives include:

- Introduction of a healthy 'Lite' product range:
    - Light Yoghurts: which contain 50% less sugar when compared to the original yoghurt, low-fat, and high-protein, and;
    - Light Nectars: which contain 43% less sugar when compared to the original nectar.
- Introduction of a healthy fish product range, free of preservatives, mono-sodium glutamate, and food colouring.
- Introduction of a no-added sugar fruit spread.
- Reduction of mono-sodium glutamate content in Supreme chicken sausages.

Our food processing plants also continue to be equipped with ISO and SLS quality certification.

417 Marketing and Labelling: **Product and Service Labelling**

Consumers should be able to make informed choices about their health and nutrition, and have access to adequate information about the positive and negative environmental and social impacts of the products and services they use.

In 2018/19, 94% of our products met requirements on the inclusion of instructions for storage and complete lists of ingredients. 67% of products met requirements pertaining to the inclusion of a disposal logo. While this represents an incremental improvement from the previous year across all three indicators, Cargills will continue to strive towards 100% compliance.

Instructions for Storage	Disposal Logo	Complete List of Ingredients in descending order
Yes (% met)	Yes (% met)	Yes (% met)
94	67	94
GRI Index Coverage	85%	

Cargills ensures that our product information, labelling, and claims are reliable, factual, and supported by scientific evidence. Overall, the products and services labelling currently meets 84% of the GRI standard, and remains fully compliant with Sri Lankan laws and regulations.

417 Marketing and Labelling: **Product and Service Labelling Non-Compliance**

Cargills implements internal quality-controls and related measures at every point of the food supply journey, in order to ensure that our products are of the highest standard of food safety and quality. The dissemination of adequate product information is a feature of these efforts, and we take proactive steps to report over and above the regulatory requirements, including information on ingredients and nutritional content, flavours, additives, colouring, anti-oxidants, preservatives, stabilizers, net content, storage instructions , and disposal methods.

This proactive, comprehensive approach to product and service information and labelling has meant there were no incidents of non-compliance reported in 2018/19.

Customer Satisfaction Surveys

Cargills regularly seeks to engage its customers to gain valuable insight into the reception of Cargills products and services. Specifically, through the administration of customer satisfaction surveys, we are able to leverage our advanced research and development capacity to position ourselves at the forefront of product innovation. This feedback helps the company obtain a good understanding of dynamic consumer sentiments and develop a value-added product portfolio that meets demand.

In the year 2018/19, Cargills interviewed 2,176 customers for the purposes of product development, evaluation, and improvement. A total of 46 surveys were carried out on new or existing products, covering a total of 44 food items. This represents a significant increase in customer engagement compared to the previous year, where 1,055 customers were interviewed through 24 surveys.

Customer Satisfaction Surveys (2018/19)			
Existing Products	New Product Development	Total Survey	Sample Size
29	17	46	2,176

419-1 Socio-Economic Compliance: **Non-Compliance with Laws and Regulations**

In the past year, no major incidents of non-compliance with laws and regulations in the social and economic area have been reported. Cargills follows formal processes and applies standard practices in addressing any such instances, including root-cause identification and immediate rectification.

Natural Capital

Natural capital comprises the natural resources, assets and processes that can be leveraged to support the achievement of business strategy. These resources provide the environment for other capitals to flourish, with the availability of clean water, soil, and air being a fundamental prerequisite of any effort to create sustainable value for stakeholders.

Cargills is committed to protecting our natural resources and reducing our footprint on the environment. To deliver on this commitment, we have invested in efforts to reduce our energy and water consumption across all business units, while minimizing or eliminating waste has become a central feature of our operations and ethos. This emerges as a particular priority in our long-standing endeavour to minimize food waste and post-harvest loss. Through detailed monitoring of our ecological footprint, our underlying aim is to minimize long-term adverse impacts on the environment.

302-1 Energy: **Energy Consumption within the organization**

Cargills initiatives to conserve energy across the ecosystem include efforts to monitor energy usage, utilize renewable energy, and install energy-efficient lighting. The company's primary source of energy is the national grid, and the retail sector remains the highest consumer of such energy. Energy consumption is measured, consolidated, and reported through a combination of logs maintained at each business unit, bills received from utility providers, and ledger entries.

Energy Consumption (2018/19)	Value	Unit
Fuel Consumption		
• Diesel	843,835	L
• Gas	357,995	Kg
• Furnace Oil	2,867,410	L
Electricity Consumption	116,792,022	Kw/h

In 2018/19, Cargills has taken significant steps towards the introduction of renewable solar energy in its operations. At the end of the year, two retail outlets—in Nawala and Pethiyagoda—were generating around 9,500 units (KWH) of solar energy per month. In addition, our factories are now equipped with 2,551 KW of solar capacity, having utilized 18,533 square meters of roof area to install solar panels. This is equivalent to a reduction in the release of 2,703,174 Kg of carbon dioxide every year, based on calculations of the US Environmental Protection Agency.

Sustainability Report contd.

303-3 Water and Effluents: **Water Withdrawal**

Cargills is committed to protecting and preserving water resources by achieving efficiencies in our water consumption. Although the responsible use of water resources is a commitment that is global in scale, we believe that every stakeholder has a part to play in meeting this challenge. Access to, and the availability of, clean water is critical to all our business operations. It is essential to our manufacturing processes, including the maintenance of health and hygiene. It is also a fundamental input in our water bottling business.

The water we consume is sourced through a combination of ground water, approved suppliers and bowsers, and national board supplies, with quantities varying across business units in accordance with requirements.

Water Withdrawal	Value	Unit
Groundwater	85,409,680	L
Water Board	548,987,718	L
Approved Supplier	208,299,855	L
Total Water Withdrawal	842,697,253	L

Throughout the Group, we work towards zero-environmental footprint by conserving, restoring, and replacing the natural resources that we use in our operations. In 2018/19, Cargills recycled 55,318,000 litres of water, and the discharge of water has reduced in line with a greater focus on efficient water management. The quality of water discharge, as per GRI 303-4, is in line with the standards approved for agriculture processes by the Central Environmental Authority. Our production plants are aligned with comprehensive Environment Management Systems that also help to analyse our environmental footprint in terms of emissions, effluent, and waste.

In the context of waste, one of our hallmark projects in 2018/19 was the transition of KFC restaurants to plastic-free operations. During the year, the 39 restaurants located across the country gradually phased out the use of plastic in the packaging of its rice-based products and replaced plastic take-away bags with cloth and paper-based bags. This is equivalent to a reduction of 5.7 MT of plastic per month. KFC has also been educating and encouraging customers to reduce the usage of plastic straws, with information cards being placed on counters at the restaurants. Initiatives to further eliminate the use of plastics at KFC are scheduled in the forthcoming year. Cargills Food City also continues to engage with its customers to reduce the use of plastic bags and now provides a range of re-usable bags to complement existing options.

304-1 Biodiversity

The protection of biodiversity is important for ensuring the survival of plant and animal species, and endangered natural ecosystems. This contributes to clean water and air, food security, human health, and even helps to secure and sustain local livelihoods. Cargills is committed to contributing to the protection of biodiversity in Sri Lanka; whether it is incorporating such considerations in business decisions, or adhering to relevant laws and regulations.

The Knuckles Mountain Range, located near our Kist Knuckles water bottling facility at Katool Oya Estate, is an area of high bio-diversity value. The 40-acre facility is situated 1,000 meters above sea level. The area is not highly populated, and the proximity to a natural forest reserve reduces the possibility of future industrialization or urbanization.

The bottling facility sources spring water from the top of a small mountain covered with natural forest and rich with biodiversity. The water is replenished entirely by rainfall, which falls at an average of 3,000 mm/year, and is supplemented by several streams originating at the top of the mountain range. Given this plentiful hydro-geological set-up, the sourcing of water from this area has negligible impact on the long-term sustainability of the environment. Despite this, Cargills continues to act responsibly and exercise sensitivity in its operations in the area, taking precautions necessary to ensure minimal ecological footprint.

307-1 Environmental Compliance

Cargills has established a formal process to address any matters of non-compliance with laws and regulations concerning the environment. This includes pre-emptive measures to assess environmental risks in investments and regular review of relevant legislation. In 2018/19, no fines or penalties were imposed on the Group for non-compliance.

308 Supplier Environmental Assessment

Cargills enters into formal contractual agreements with every supplier who operates within the retail and manufacturing sectors. These contracts are informed by International Finance Corporation (IFC) Environmental and Social Standards.

As noted above, these contracts already include social performance indicators which aim to assess the impact the supplier makes on society. The contracts are currently being evaluated to include similar indicators for supplier impact on the environment. The compliance of the suppliers with such indicators shall be monitored through periodic audits.

Environmental Grievance Mechanism

No major grievances pertaining to our impact on the environment were reported in 2018/19.

Stakeholders are empowered to share their grievances via a choice of different communication channels, including hotlines, feedback forms, e-mail correspondence, or post. These grievances are channelled to relevant entities within the company and handled on case-by-case basis.

Cargills takes its commitment to the environment seriously, and such grievances are an opportunity for us to reflect on our processes, identify the root-causes of issues, and deepen our contribution to the environment. We also recognize that the identification of shortcomings allows us to reinforce our efforts to monitor risks, and incorporate more robust preventive measures.

Manufactured Capital

Manufactured capital consists of the physical assets that enable our business units to create value for our diverse stakeholders. Cargills recognizes that sustainable and high-quality physical assets can secure long-term growth prospects and thus invests in building and strengthening such capacity.

Across Cargills diverse ecosystem and supply chain, manufactured capital includes 3 central processing facilities for fruit, vegetables and seafood; 8 food production facilities; and a 24x7 delivery operation. The Group also works with 20,146 agriculture and dairy farmers where, every day, around 130 MT of fruit and vegetables are procured at 10 collection centres; and 113,150 litres of milk are procured at 330 collection points, linked to 38 milk chilling centres. The dry goods operation is undertaken through 3 permanent distribution centres with a combined storage capacity of 400,000 sq.ft.

In the retail sector, 380 retail outlets serve customers in all 25 districts across Sri Lanka. This represents an addition of 28 new outlets in the past year. In 2015/16, the company embarked on an exciting initiative to further enhance the customer experience through the introduction of new store formats. At the end of 2018/19, a total of 60 outlets operated as new-look, concept stores; each creating a modern, spacious retail experience, while retaining the trusted image and ambience of our Food City brand. In the restaurant sector, alongside one TGI Fridays operation, KFC operated 39 restaurants across the country, with 8 new restaurants being opened in 2018/19.

Investments in Manufactured Capital

Cargills is cognizant of the importance of continuous investment in infrastructure to improve efficiency and reduce production costs. A number of initiatives have been undertaken towards this end:

- Capital Investments : Regular and diverse investment to ensure and enhance the quality of systems, processes, and our manufacturing assets.
- Factory Machines : Maintain and ensure a high level of factory machine availability to facilitate higher productivity and throughput per hour. This also contributes to minimize the quantity of product loss and reduce energy consumption.
- Capacity Utilization : Manage or enhance manufacturing capacity to meet fluctuations in demand, recognizing that any growth in sales is contingent upon meeting higher volumes of demand.

Sustainability Report contd.

- Material Trade-Offs : Facilitate skills development of employees alongside the adoption of advanced technology and automation. This inherent trade-off is factored into any assessment of improvements in productivity, where we measure production or output per man hour in order to evaluate how successful we have been in reducing operating costs.

203-1 Indirect Economic Impacts: **Infrastructure Investments and Services**

The company is committed to ensuring that the development of manufactured capital also contributes beyond strategic business interests. As a sustainable corporate citizen, we recognize that it is our responsibility to minimize adverse impacts on the environment and society because of our manufactured capital. Therefore, the Group endeavours to identify, evaluate, and control all potential risks that may arise from any investments or infrastructure projects prior to implementation.

Similarly, all our products are manufactured in compliance with the highest standards in quality, hygiene, and food safety, at ISO and SLS certified manufacturing plants. Quality Assurance and Control Technicians also undertake comprehensive testing of our products at every stage of production.

Investments in manufactured capital have led to a corresponding increase in the sustainable value created for our stakeholders, and we foresee future value creation in the following areas:

Supply Chain Planning and Procurement

- Improved pricing strategies with farmers, suppliers and traders.
- Improved cold chain facilities to reduce post-harvest loss.
- Procurement of fruit and vegetables; create export initiatives to enhance market opportunities.

Production

- Improved asset utilisation.
- Industry development, export opportunities, and job creation.
- Increased efficiencies in energy, water, and waste management.
- Increased capacity utilisation.

Distribution and Warehousing

- Optimised distribution network through efficient planning and monitoring.
- Automated key manual processes involved in warehousing.

Commercial

- Enhanced local and international customer base.
- Retention of existing customers.
- Identified untapped markets.
- Focus on all segments of the market, both formal and informal.

Intellectual Capital

Whether it is sharing knowledge, building relationships, seeding innovative ideas, or protecting intellectual property, Cargills believes that development of intellectual capital is vital to sustained business growth. The Group recognizes, however, that efforts to build and sustain intellectual capital must operate in an environment that fosters and protects constructive dialogue and the development of ideas. It is for this reason that the Group invests in protecting its intellectual property through employment contracts and confidentiality agreements, in line with national laws and regulations on intellectual property.

Brands

Central to the development of intellectual capital is the protection and promotion of our brands; each of which have become respected household names in the country's consumer market. Through frequent traditional and digital marketing campaigns and promotions, we aim to keep our brands fresh and salient, be it Magic, Kotmale, Kist, Kist Biscuits, Kist Knuckles, Goldi, Sams, or My Choice. As Cargills enters its 175th year, we reflect on a journey that has seen the Cargills brand emerge as a national icon across the Retail, FMCG, Restaurant, and Financial Services industries.

The Group takes steps to legally protect intellectual property around these brands and maintain unique brand identification through the monitoring of infringements and streamlined registration processes.

Ideas

Cargills places high value on its talented employee base, and the knowledge and ideas they bring to the company. The company aims to harness and build upon these ideas through focused training programs and cross-functional exposure.

Approximately 7% of our total employee base has over 15 years of work experience across the Cargills Group.

Corporate Governance

Cargills remains committed to the principles of sound corporate governance and embraces global best practice in this regard. We thus continue to grow and evolve to meet the requirements of a dynamic business environment, and aim to strengthen associated structures, processes, and practice. Specific aspects of our commitment to corporate governance are covered elsewhere in this report.

Sustainability Report contd.

3. GRI CONTENT INDEX TOOL

GRI Standard	Disclosure	Page Number	Omission	SDG
GRI 101: Foundation				
General Disclosures				
GRI 102: General Disclosures	102-1 Name of Organisation	02		
	102-2 Activities, brands, products and services	14-15		
	102-3 Location of headquarters	*IBC*		
	102-4 Location of operations	*IBC*		
	102-5 Ownership and legal form	*IBC*		
	102-6 Markets served	22		
	102-7 Scale of the organisation	11-13		
	102-8 Information on employees and other workers	80		
	102-9 Supply chain	8-9		
	102-10 Significant changes to the organisation and supply chain	120		
	102-11 Precautionary Principle or approach	38		
	102-12 External initiatives	81		
	102-13 Membership of associations	81		
	102-14 Statement from senior decision-maker	16-18		
	102-16 Values, principles, norms and standards of behaviour	65		
	102-18 Governance Structure	28		
	102-40 List of stakeholder groups	70		
	102-41 Collective bargaining agreements	81		
	102-42 Identifying and selecting stakeholders	70		
	102-43 Approach to stakeholder engagement	70		
	102-44 Key topics and concerns raised	71-72		
	102-45 Entities included in the consolidated financial statements	*IBC*		
	102-46 Defining report content and topic boundary	73		
	102-47 Material topics	73		
	102-48 Restatement of information	03		
	102-49 Changes in reporting	03		
	102-50 Reporting period	03		
	102-51 Date of most recent report	03		
	102-52 Reporting cycle	03		
	102-54 Claims of reporting in accordance with GRI Standards	03		
	102-55 GRI context index	93		
	102-56 External assurance	99-101		

GRI Standard	Disclosure	Page Number	Omission	SDG
Material topics				
Economic Performance				
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	72		
	103-2 The Management Approach and its components	75		
	103-3 Evaluation of the Management Approach	75		
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	75		
	201-2 Financial implications and other risks and opportunities due to climate change	76		
	201-3 Defined benefit plan obligations and other retirement plans	77		8
Market Presence				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	72		
	103-2 The management approach and its components	78		
	103-3 Evaluation of the management approach	78		
GRI 202: Market Presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	78		5 , 8 & 10
Indirect Economic Impacts				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	72		
	103-2 The management approach and its components	82		
	103-3 Evaluation of the management approach	82		
GRI 203: Indirect Economic Impacts	203-2 Significant indirect economic impacts	82		4,6 &12
Procurement Practices				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	72		
	103-3 Evaluation of the management approach	76		
	103-2 The management approach and its components	76		
GRI 204: Procurement Practices	204-1Proportion of spending on local suppliers	76		
Anti-Corruption Behaviour				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	72		
	103-2 The management approach and its components	86		
	103-3 Evaluation of the management approach	86		
GRI 205: Anti-corruption	205-2 Communication and training about anti-corruption polices and procedures	86		
	205-3 Confirmed incidents of corruption and actions taken	86		

Sustainability Report contd.

GRI Standard	Disclosure	Page Number	Omission	SDG
Anti-Competitive Behaviour				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	72		
	103-2 The management approach and its components	86		
	103-3 Evaluation of the management approach	86		
GRI 206: Anti-competitive Behaviour	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	86		
Environmental				
Energy				
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	72		
	103-2 The Management Approach and its components	88		
	103-3 Evaluation of the Management Approach	88		
GRI 302: Energy	302-1 Energy consumption within the organization	88		7,12 & 13
Water				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	72		
	103-2 The management approach and its components	89		
	103-3 Evaluation of the management approach	89		
GRI 303: Water	303-3 Water withdrawal	89		
	303-4 Water discharge	89		12
Biodiversity				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	72		
	103-2 The management approach and its components	89		
	103-3 Evaluation of the management approach	89		
GRI 304: Biodiversity	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	89		12 &15
	304-2 Significant impacts of activities, products, and services on biodiversity	89		12 &15
Effluents and Waste				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	72		
	103-2 The management approach and its components	89		
	103-3 Evaluation of the Management Approach	89		
GRI 306: Effluents and Waste	306-1 Water discharge by quality and destination	89	6 & 14	

GRI Standard	Disclosure	Page Number	Omission	SDG
Environmental Compliance				
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	72		
	103-2 The Management Approach and its components	89		
	103-3 Evaluation of the management approach	89		
GRI 307: Environmental Compliance	307-1 Non-Compliance with Environmental laws and regulations	89		
Supplier Environmental Assessment				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	72		
	103-2 The management approach and its components	90		
	103-3 Evaluation of the management approach	90		12
GRI 308 - Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	90		
Social				
Employment				
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	72		
	103-2 The Management Approach and its components	78		
	103-3 Evaluation of the management approach	78		
GRI 401: Employment	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	78		8
	401-3 Parental leave	78		8
Occupational Health and Safety				
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	72		
	103-2 The Management Approach and its components	78		
	103-3 Evaluation of the management approach	78		
GRI 403: Occupational Health and Safety	403-9 Work - Related injuries	78		8
Training and education				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	72		
	103-2 The management approach and its components	79		
	103-2 Evaluation of the Management Approach	79		
GRI 404: Training and education	404-1 Average hours of training per year per employee	80		
	404-2 Programs for upgrading skills and transition assistance programmes	79		

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GRI Standard	Disclosure	Page Number	Omission	SDG
Diversity and equal opportunity				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	72		
	103-2 The management approach and its components	80		
	103-3 Evaluation of the management approach	80		
GRI 405: Diversity and equal opportunity	405-1 Diversity of governance bodies and employees	80		
	405-2 Ratio of basic salary and remuneration of women to men	81		8
Non-discrimination				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	72		
	103-2 The management approach and its components	81		
	103-3 Evaluation of the management approach	81		
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	81		8
Freedom of Association and Collective Bargaining				
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	72		
	103-2 The management approach and its components	81		
	103-3 Evaluation of the management approach	81		
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	81		
Child Labour				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	72		
	103-2 The Management Approach and its components	81		
	103-3 Evaluation of the management approach	81		
GRI 408: Child Labour	408-1 Operations and suppliers at significant risk for incidents of child labour	81		
Forced or Compulsory Labour				
Management Approach	103-1 Explanation of material topics and its boundaries	72		
	103-2 The Management Approach and its components	81		
	103-3 Evaluation of the management approach	81		
GRI 409: Forced or Compulsory Labour	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	81		

GRI Standard	Disclosure	Page Number	Omission	SDG
Local Communities				
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	72		
	103-2 The Management Approach and its components	82		
	103-2 Evaluation of the Management Approach	82		
GRI 413: Local communities	413-1 Operations with local community engagement, impact assessments and development programmes	82		4, 6 & 12
Supplier Social Assessment				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	72		
	103-2 The management approach and its components	81		
	103-3 Evaluation of the management approach	81		
GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	81		
	414-2 Negative social impacts in the supply chain and actions taken	81		
Customer Health and Safety				
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	72		
	103-2 The Management Approach and its components	86		
	103-2 Evaluation of the Management Approach	86		
GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	86		3
Marketing and labelling				
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	72		
	103-2 The Management Approach and its components	86		
	103-2 Evaluation of the Management Approach	86		
GRI 417: Marketing and labelling	417-1 Requirements for product and service labelling	86		
	417-2 Incidents of non-compliance concerning product and service information and labelling	87		
Socioeconomic Compliance				
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	72		
	103-2 The management approach and its components	87		
	103-3 Evaluation of the management approach	87		
GRI 419: Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	87		

Independent Assurance Report

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INDEPENDENT ASSURANCE REPORT TO CARGILLS (CEYLON) PLC

We have been engaged by the directors of Cargills (Ceylon) PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2019. The Sustainability Indicators are included in the Cargills (Ceylon) PLC's Integrated Annual Report for the year ended 31 March 2019 (the "Report").

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	11-12

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

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Non-Financial Highlights	13
Information provided on following capitals	
Financial Capital	74-75
Human Capital	76-81
Social and Relationship Capital	81-87
Intellectual Capital	91
Natural Capital	87-89
Manufactured Capital	89-90

Our conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Indicators

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2019 are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2019, have not in all material respects, been prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management's Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

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

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

Our responsibility

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

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

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

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

Reasonable assurance over Reasonable Assurance Sustainability Indicators

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

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

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

Limited assurance on the Assured Sustainability Indicators

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

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;

Independent Assurance Report contd.

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

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

Purpose of our report

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

Restriction of use of our report

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

(Signed)
CHARTERED ACCOUNTANTS
Colombo

1 July 2019

Financial Statements

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

The Directors are pleased to submit the Annual Report together with the audited financial statements of Cargills (Ceylon) PLC and consolidated audited financial statements of the Group for the year ended 31 March 2019 which were approved by the Board of Directors on 1 July 2019.

REVIEW OF THE YEAR

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

ACTIVITIES

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

The Group:

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

FINANCIAL STATEMENTS

The audited financial statements comprising the Statements of Profit or Loss and Other Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity, Statements of Cash Flows and Notes to the financial Statements of the Company and the Group for the financial year ended 31 March 2019 given on pages 113 to 119 form an integral part of the Annual Report of the Board.

AUDITORS' REPORT

The independent auditors' report is set out on pages 108 – 111.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on the pages 119 to 190.

Results and Dividends

	Group		Company	
For the year ended 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Profit for the year after taxation amounted to	2,033,813	3,330,921	1,540,019	3,174,834
Less: Amount attributable to non controlling interest	(53,567)	(130,387)	-	-
The profit attributable to shareholders was	1,980,246	3,200,534	1,540,019	3,174,834

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

	Group		Company	
For the year ended 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
To which profit brought forward from previous year is added	7,743,933	8,214,904	4,814,260	5,714,490
Other comprehensive income	(27,587)	(41,099)	(13,244)	(21,307)
Transfer from revaluation reserve upon disposal	-	522,601	-	-
Capitalisation of reserves	-	(2,709,757)	-	(2,709,757)
Leaving an amount available to the appropriation of	**9,696,592**	**9,187,183**	**6,341,035**	**6,158,260**
From which your directors have made appropriation as follows:				
Dividend paid for the year ended 31st March 2018				
Interim Rs. 1.90 per share for Financial Year 2017/18	-	425,600	-	425,600
Interim Rs. 4.10 per share for Financial Year 2017/18	-	918,400	-	918,400
Dividend paid for the year ended 31st March 2019				
Interim Rs. 1.90 per share for Financial Year 2018/19	486,400	-	486,400	-
Leaving an unappropriated balance to be carried forward of	9,210,192	7,843,183	5,854,635	4,814,260

An interim dividend of Rs 1.90 per share (Rs. 486.4 Mn) was paid on 28 November 2018 for the year ended 31st March 2019. A final dividend of Rs. 4.10 per share (Rs. 1,054.6 Mn) is proposed for the year ended 31st March 2019. This will be reflected in the subsequent year's financial statements. (refer Note 33 to the financial statements on pages 179 and 180)

RESERVES

After the above mentioned appropriations, the total reserves of the Group stands at Rs 10,890 Mn (2018 - Rs. 9,798 Mn), while the total reserves of the Company stands at Rs.6,111 Mn (2018- Rs. 4,980 Mn).

STATED CAPITAL

Stated Capital of the company as at 31st March 2019 was Rs. 6,531 Mn (2018 - Rs. 6,531 Mn). The detail of the stated capital is given in Note 21 to the financial statements on page 160.

CAPITAL EXPENDITURE

The Group's capital outlay on property, plant and equipment amounted to Rs. 5,233 Mn (2018 - Rs. 4,637 Mn) while the capital outlay of the Company on property, plant and equipment amounted to Rs. 76 Mn (2018 - Rs. 92 Mn). Details are given in the Statement of Cash Flows on page 118.

The movement of property, plant and equipment during the year is given in Note 12 to the financial statements on page 141.

INVESTMENT PROPERTY

The fair value of land and buildings classified as investment property of the Group and the Company as at 31st March 2019 amounted to Rs. 1,819 Mn and Rs. 3,515 Mn respectively. Details of investment property held by the Group and the Company are disclosed in Note 13 to the Financial Statements on page 147.

MARKET VALUE OF PROPERTIES

The land and buildings of the Group were revalued as at 31st March 2018. Details are given in Note 12 to the financial statements on page 143 and 144. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties.

The portfolio of the revalued land and buildings are given on page 193 and 194 in the financial statements.

SHAREHOLDINGS

The Company is a subsidiary of C T Holdings PLC and there were 1,811 registered shareholders as at 31st March 2019 (31st March 2018 - 1,903).

An analysis of shareholdings according to the size of holding and the names of the 20 largest shareholders is given on page 195 and 196.

DIRECTORATE

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

Mr. Anthony A. Page retired from the directorate in terms of Section 210 (1) and (2) (a) at the conclusion of the last Annual General Meeting held on 27 August 2018 after attaining the age of 70 years, which he had attained on 21 March 2018.

Messrs. Yudy Kanagasabai and Asoka Pieris who were appointed during the year (on 25 February 2019) retire in terms of the Company's Articles of Association and being eligible offer themselves for re-appointment, on the unanimous recommendation of the Board of Directors.

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

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

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

DIRECTORS' REMUNERATION

The remuneration of the directors is given in Note 34.1 on page 180 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in transactions of the company are disclosed in Note 34.3 to the financial statements on page 181 to182 and have been declared at meetings of the directors. The directors have had no direct or indirect interest in any other contracts in relation to the business of the company.

STATEMENT OF COMPLIANCE WITH RELATED PARTY TRANSACTIONS RULES

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

INTERESTS REGISTER

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

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

DIRECTORS' SHAREHOLDINGS

The Directors' shareholdings in the Company were as follows:

As at 31 st March	2019	2018
Mr. Louis Page	42,011	42,011
Mr. Ranjit Page	17,335,169	17,142,964
Mr. Imtiaz Abdul Wahid	4,571	4,571
Mr. Priya Edirisinghe	57,143	57,143
Mr. Sanjeev Gardiner	22,857	22,857
Mr. Sunil Mendis	22,857	22,857
Mr. Joseph Page	520,000	520,000
Mr. Errol Perera	11,429	11,429
Mr. Deva Rodrigo	-	-
Mr. Asoka Pieris	-	-
Mr. Yudhishtran Kanagasabai	-	-

DONATIONS

During the year donations amounting to Rs. 185,000 were made by the Company. In addition the Group made investments amounting to Rs. 26.5 Mn for various community projects during the financial year.

AUDITORS

Messrs. KPMG are deemed re- appointed as Auditors at the Annual General Meeting of the company in terms of Section 158 of the Companies Act No. 07 of 2007. The directors have been authorized to determine the remuneration of the Auditors and the fee paid to the Auditors are disclosed in note 08 to the financial statements on page 133. As far as the directors are aware, the auditors do not have any relationship (other than that of an auditor) with the company or any of its subsidiaries other than those disclosed in the above note.

EVENTS AFTER THE REPORTING PERIOD

Events after the Reporting period of the Company are given in Note 33 to the financial statements on page 179 and 180.

STATUTORY PAYMENTS

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

FUTURE DEVELOPMENTS

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

ENVIRONMENTAL PROTECTION

After making adequate enquiries from the management, the directors are satisfied that the company and its subsidiaries operate in a manner that minimizes the detrimental effect on the environment and provide products and services that have a beneficial effect on the customers and the communities within which the Group operates.

GOING CONCERN

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

For and on behalf of the Board

(Signed.)
Ranjit Page
Deputy Chairman/CEO

(Signed.)
Imtiaz Abdul Wahid
Managing Director/Deputy CEO

(Signed.)
Sarath Dissanayake
Company Secretary

1 July 2019

Statement of Directors' Responsibility

The Companies Act No.07 of 2007 places the responsibility on the Directors to prepare and present financial statements for each year comprising a Statement of Financial Position as at year end date and Statements of Profit or Loss and Other Comprehensive income, Cash Flows Statement and Statement of Changes in Equity for the year together with the accounting policies and explanatory notes.

The responsibility of the Auditors with regard to these financial statements, which differ from that of the Directors, is set out in the Auditors' Report on pages 108 to 111.

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

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

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

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

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

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

By order of the Board

(Signed.)
Sarath Dissanayake
Company Secretary

1 July 2019

Independent Auditor's Report

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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

OPINION

We have audited the financial statements of Cargills (Ceylon) PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information set out on pages 113 to 190 of the Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

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

EMPHASIS OF MATTER

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

KEY AUDIT MATTERS

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

<table>
<tr><th>The Key Audit Matter</th><th>Our Response</th></tr>
<tr><td>Valuation of Investment Property –Group</td><td>Our audit procedures included:</td></tr>
<tr><td>Management’s assessment of fair value of investment properties is based on valuations performed by a qualified independent property valuer in accordance with recognized industry standards.
We identified valuation of investment properties as a key audit matter because the determination of the fair values involves significant judgment and estimation, particularly determining the perch price, value per square foot and location because the valuations are sensitive to the key assumptions applied.</td><td>• Assessing the objectivity, independence, competence and qualifications of the external valuer.
• Assessing the key assumptions applied and conclusions made in deriving the fair value of the properties and comparing the fair value of properties with evidence of current market values. In addition assessing the valuation methodologies with reference to recognized industry standards.
• Assessing the adequacy of disclosures made in the financial statements in relation to fair value of freehold land and buildings and investment properties in the financial statements.</td></tr>
<tr><td>Carrying amount of inventories - Group</td><td>Our audit procedures included:</td></tr>
<tr><td>The Group holds a significant level of inventory across a broad and diversified product range. At 31 March 2019 17% of total assets of the Group consisted of inventory.
Due to the change in consumer demands judgment is exercised with regard to categorization of stock as obsolete and/or slow moving to be considered for provision/write offs; estimates are then involved in arriving at provisions against cost in respect of slow moving and obsolete inventories to arrive at valuation based on lower of cost and net realizable value. Given the level of judgments, estimates, number of items and locations involved this is considered to be a key audit matter.</td><td>• Testing the design and implementation and operating effectiveness of the key controls over inventories.
• Assessing whether the Company’s policies had been consistently applied in respect of the judgment and estimates made in respect of inventory provisioning.
• We considered the principles of accounting for the inventory write offs and also carried out a comparison of inventory levels, to sales data to corroborate whether slow moving and obsolete inventories had been appropriately identified. Further we challenged the Company’s categorization as obsolete or slow moving.
• Attending stock counts as at the year end at a sample of the Subsidiary’s supermarkets and warehouses. Inaddition to performing sample test counts, we assessed the effectiveness of the physical count controls in operation at each count locations to identify damaged stocks, expired stocks and stock shortages that are written off in a timely manner. Also we evaluated the results of the other cycle counts performed by the management and third parties throughout the period to assess the level of count variances that are also adjusted periodically.</td></tr>
</table>

Independent Auditor's Report contd.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

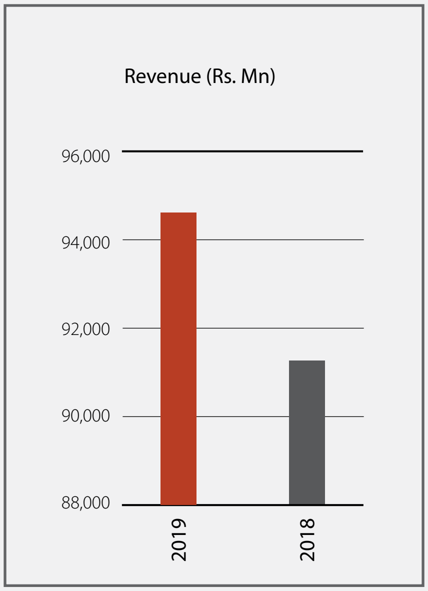
As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

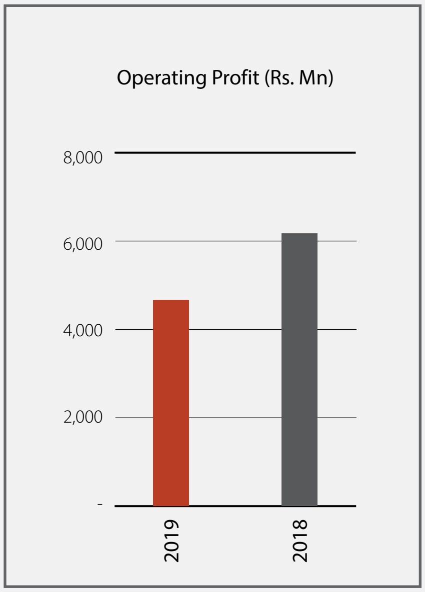
CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1224.

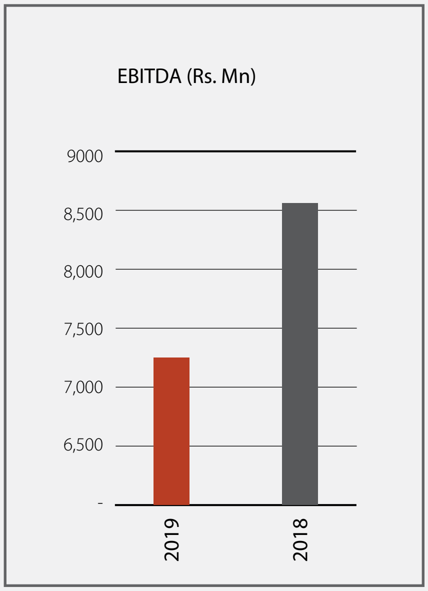
(Signed)
CHARTERED ACCOUNTANTS

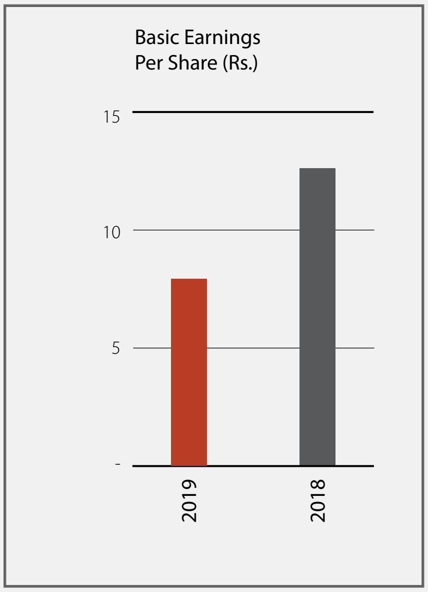
Colombo, Sri Lanka
1 July 2019

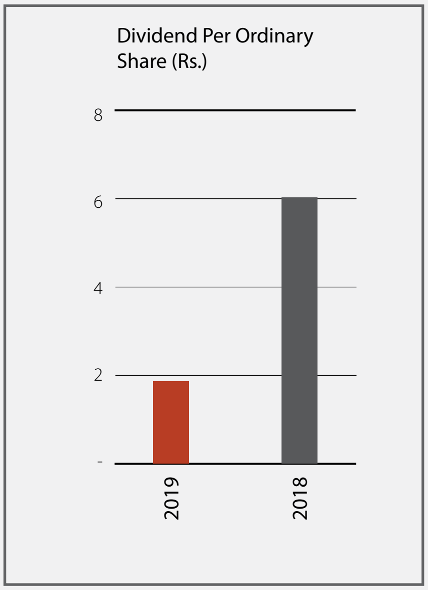
Financial Performance











Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Revenue	4	94,662,991	91,293,127	18,743	30,210
Cost of sales	5	(84,214,185)	(80,718,803)	(17,933)	(29,246)
Gross profit		10,448,806	10,574,324	810	964
Other income	6	2,179,674	3,037,066	2,754,486	4,616,918
Distribution expenses		(2,951,702)	(2,824,690)	(21,174)	(12,406)
Administrative expenses		(4,466,944)	(4,020,220)	(706,943)	(640,974)
Other expenses		(527,508)	(503,543)	(96,353)	(104,406)
Results from operating activities		**4,682,326**	**6,262,937**	**1,930,826**	**3,860,096**
Net finance cost	7	(1,424,664)	(1,307,163)	(345,359)	(760,071)
Changes in fair value of investment property	13	91,212	77,287	32,336	200,427
Share of profit of equity accounted investees, net of tax	15.4	54,061	212,273	-	-
Profit before tax	8	**3,402,935**	**5,245,334**	**1,617,803**	**3,300,452**
Income tax expense	9	(1,369,122)	(1,914,413)	(77,784)	(125,618)
Profit for the year		**2,033,813**	**3,330,921**	**1,540,019**	**3,174,834**
Other comprehensive income (OCI)					
Items that will not be reclassified to profit or loss					
Revaluation of property plant and equipment	12	-	775,272	-	14,580
Actuarial gain/(loss) on employee benefits	27.4	(11,961)	(57,134)	(18,395)	(29,593)
Share of other comprehensive income in equity accounted investee,net of tax	15.4	(18,591)	11,259	-	-
Items that are or may be reclassified subsequently to profit or loss					
Net change in fair value of available -for- sale financial assets	15.3.1	(5,131)	-	(5,114)	-
Impairment of available for sale financial assets reclassified to profit or loss		-	29,742	-	29,737
Tax on other comprehensive income		3,349	(55,737)	5,151	8,145
Other comprehensive income for the year, net of tax		**(32,334)**	**703,402**	**(18,358)**	**22,869**
Total comprehensive income for the year		**2,001,479**	**4,034,323**	**1,521,661**	**3,197,703**
Profit attributable to:					
Equity holders of the parent		1,980,246	3,200,534	1,540,019	3,174,834
Non-controlling interest		53,567	130,387	-	-
Profit for the year		**2,033,813**	**3,330,921**	**1,540,019**	**3,174,834**
Total comprehensive income attributable to:					
Equity holders of the parent		1,947,528	3,892,756	1,521,661	3,197,703
Non-controlling interest		53,951	141,567	-	-
Total comprehensive income for the year		**2,001,479**	**4,034,323**	**1,521,661**	**3,197,703**
Earnings per share					
Basic (Rs.)	10.1	7.74	12.50	6.02	12.40
Diluted (Rs.)	10.2	7.73	12.49	6.01	12.39

Figures in brackets indicate deductions
The accounting policies and notes from pages 119 to 190 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March	Note	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	12	27,877,020	25,076,817	2,801,303	2,772,004
Investment property	13	1,818,798	1,726,552	3,514,555	3,207,009
Intangible assets	14	1,412,714	1,311,686	22,203	54,845
Investments in subsidiaries	15.1	-	-	2,963,591	2,907,772
Investment in equity accounted investees	15.2	5,296,632	5,366,761	5,113,672	5,121,439
Other financial assets	15.3	14,537	19,668	14,463	19,577
Prepayment on leasehold land and building	16	212,108	166,810	140,208	144,060
Deferred tax assets	17	10,747	8,413	-	-
Total non-current assets		36,642,556	33,676,707	14,569,995	14,226,706
Current assets					
Inventories	18	9,762,036	9,662,860	11,943	5,369
Trade and other receivables	19	6,842,456	5,635,118	1,682,799	635,515
Amounts due from related companies	20	913,394	843,869	1,037,244	924,502
Other financial assets	15.3	909,601	973,439	-	-
Cash and cash equivalents	24	3,058,884	2,000,288	230,297	12,594
Total current assets		21,486,371	19,115,574	2,962,283	1,577,980
Total assets		58,128,927	52,792,281	17,532,278	15,804,686
EQUITY					
Stated capital	21	6,530,709	6,530,709	6,530,709	6,530,709
Other equity	22	(3,456,493)	(3,089,325)	-	-
Reserves	23	5,136,662	5,043,825	256,845	165,409
Retained earnings		9,210,192	7,843,183	5,854,635	4,814,260
Total equity attributable to equity holders of the parent		17,421,070	16,328,392	12,642,189	11,510,378
Non-controlling interest		521,831	491,919	-	-
Total equity		17,942,901	16,820,311	12,642,189	11,510,378
LIABILITIES					
Non - current liabilities					
Interest bearing loans and borrowings	25	409	1,546	-	-
Deferred tax liabilities	17	1,386,624	1,352,650	193,443	180,324
Capital grants	26	50,419	61,901	-	-
Employee benefit liabilities	27	1,072,680	942,633	445,935	397,146
Put liability	22	3,456,493	3,089,325	-	-
Total non-current liabilities		5,966,625	5,448,055	639,378	577,470
Current liabilities					
Trade and other payables	28	14,810,176	13,220,686	620,367	420,186
Current tax liabilities		2,501,500	2,594,237	90,869	168,787
Amounts due to related companies	20	5,822	3,175	4,238	21,242
Dividend payable	29	64,588	68,229	64,589	63,836
Interest bearing loans and borrowings	25	16,837,315	14,637,588	3,470,648	3,042,787
Total current liabilities		34,219,401	30,523,915	4,250,711	3,716,838
Total liabilities		40,186,026	35,971,970	4,890,089	4,294,308
Total equity and liabilities		58,128,927	52,792,281	17,532,278	15,804,686

Figures in brackets indicate deductions.
The accounting policies and notes from pages 119 to 190 form an integral part of these financial statements.

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

(Signed)
Dilantha Jayawardhana
Group Chief Financial Officer

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

(Signed)
Ranjit Page
Deputy Chairman / CEO

(Signed)
Imtiaz Abdul Wahid
Managing Director/Deputy CEO

1July 2019
Colombo

Statement of Changes in Equity - Group

	Attributable to equity holders of parent										
Group	Stated capital	Capital reserve	Revaluation reserve	General reserve	Available for sale reserve / FVOCI reserve	Employee share option reserve	Other equity	Retained earnings	Total	Non controlling interest	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1 April 2017	130,723	7,928	7,908,678	485,500	(29,742)	-	(2,761,159)	8,214,904	13,956,832	415,091	14,371,923
Total comprehensive income											
Profit for the year	-	-	-	-	-	-	-	3,200,534	3,200,534	130,387	3,330,921
Other comprehensive income	-	-	703,579	-	29,742	-	-	(41,099)	692,222	11,180	703,402
Total comprehensive income	**-**	**-**	**703,579**	**-**	**29,742**	**-**	**-**	**3,159,435**	**3,892,756**	**141,567**	**4,034,323**
Transactions with owners of the Company, recognised directly in equity											
Put option over non-controlling interest (Note 22)	-	-	-	-	-	-	(328,166)	-	(328,166)	-	(328,166)
Equity - Settled share - based payment	-	-	-	-	-	150,970	-	-	150,970	-	150,970
Transfer of revaluation reserve on disposal	-	-	(522,601)	-	-	-	-	522,601	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	(1,344,000)	(1,344,000)	-	(1,344,000)
Subsidiary dividend to non-controlling interests		-	-	-	-	-	-	-	-	(64,739)	(64,739)
Capitalisation of reserves *	6,399,986	-	(3,204,729)	(485,500)	-	-	-	(2,709,757)	-	-	-
Balance as at 31 March 2018	**6,530,709**	**7,928**	**4,884,927**	**-**	**-**	**150,970**	**(3,089,325)**	**7,843,183**	**16,328,392**	**491,919**	**16,820,311**
Adjustment on initial application of SLFRS 09 from equity accounted investees, net of tax	-	-	-	-	1,418	-	-	(99,250)	(97,832)	-	(97,832)
Adjusted Balance as at 1 April 2018	6,530,709	7,928	4,884,927	-	1,418	150,970	(3,089,325)	7,743,933	16,230,560	491,919	16,722,479
Total comprehensive income											
Profit for the year	-	-	-	-	-	-	-	1,980,246	1,980,246	53,567	2,033,813
Other comprehensive income	-	-	-		(5,131)	-	-	(27,587)	(32,718)	384	(32,334)
Total comprehensive income	**-**	**-**	**-**	**-**	**(5,131)**	**-**	**-**	**1,952,659**	**1,947,528**	**53,951**	**2,001,479**
Transactions with owners of the Company, recognised directly in equity											
Put option over non-controlling interest (Note 22)	-	-	-	-	-	-	(367,168)	-	(367,168)	-	(367,168)
Equity-settled share-based payment	-	-	-	-	-	96,550	-	-	96,550	-	96,550
Dividends to shareholders	-	-	-	-	-	-	-	(486,400)	(486,400)	-	(486,400)
Subsidiary dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(24,039)	(24,039)
Balance as at 31 March 2019	**6,530,709**	**7,928**	**4,884,927**	**-**	**(3,713)**	**247,520**	**(3,456,493)**	**9,210,192**	**17,421,070**	**521,831**	**17,942,901**

The figures in brackets indicate deductions.

The accounting policies and notes from pages 119 to 190 form an integral part of these financial statements.

Statement of Changes in Equity - Company

Company	Stated capital Rs. '000	Revaluation reserve Rs. '000	General reserve Rs. '000	Available for sale reserve Rs. '000	Employee share option reserve Rs. '000	Retained earnings Rs. '000	Total Equity Rs. '000
Balance as at 1 April 2017	130,723	3,204,729	485,500	(29,737)	-	5,714,490	9,505,705
Total comprehensive income							
Profit for the year	-	-	-	-	-	3,174,834	3,174,834
Other comprehensive income	-	14,439	-	29,737	-	(21,307)	22,869
Total comprehensive income	**-**	**14,439**	**-**	**29,737**	**-**	**3,153,527**	**3,197,703**
Transactions with owners of the Company, recognised directly in equity							
Dividends	-	-	-	-	-	(1,344,000)	(1,344,000)
Capitalisation of reserves *	6,399,986	(3,204,729)	(485,500)	-	-	(2,709,757)	-
Equity-settled share-based payment	-	-	-	-	150,970	-	150,970
Balance as at 31 March 2018	**6,530,709**	**14,439**	**-**	**-**	**150,970**	**4,814,260**	**11,510,378**
Balance as at 1 April 2018	6,530,709	14,439	-	-	150,970	4,814,260	11,510,378
Total comprehensive income							
Profit for the year	-	-	-	-	-	1,540,019	1,540,019
Other comprehensive income	-	-	-	(5,114)	-	(13,244)	(18,358)
Total comprehensive income	**-**	**-**	**-**	**(5,114)**	**-**	**1,526,775**	**1,521,661**
Transactions with owners of the Company, recognised directly in equity							
Dividends	-	-	-	-	-	(486,400)	(486,400)
Equity-settled share-based payment	-	-	-	-	96,550	-	96,550
Balance as at 31 March 2019	**6,530,709**	**14,439**	**-**	**(5,114)**	**247,520**	**5,854,635**	**12,642,189**

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

The stated capital of the Company at the balance sheet date amounted to Rs 6,530,708,400 (2018 - Rs. 6,530,708,400) comprising 255,999,927 ordinary (voting) shares (2018 – 255,999,927).

The figures in brackets indicate deductions.
The accounting policies and notes from pages 119 to 190 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Cash flows from operating activities				
Profit before taxation	3,402,935	5,245,334	1,617,803	3,300,452
Adjustments for:				
Depreciation on property,plant and equipment	2,431,028	2,168,649	46,518	42,534
Employee benefits	193,311	179,548	73,034	71,272
Amortisation of intangible assets	96,410	106,526	34,456	61,962
Amortisation of prepayment on leasehold land and building	4,727	4,724	3,852	3,849
Amortisation of deferred income	(11,482)	(11,481)	-	-
Gain on disposal of property, plant and equipment	(43,531)	(6,735)	(1,250)	(350)
Gain on disposal of investment property	-	(1,010,440)	-	-
Change in fair value of investment property	(91,212)	(77,287)	(32,336)	(200,427)
Revaluation (gain) / loss of property, plant and equipment	-	24,950	-	-
Impairment of / (reversal of impairment) for inventories	(6,418)	34,443	-	-
Impairment of / (reversal of impairment) for trade receivables	22,621	11,243	4,560	(1,492)
Net finance costs	1,424,664	1,307,163	345,359	760,071
Dividend income	(664)	(694)	(1,758,360)	(2,451,605)
Impairment of investment in equity accounted investee	7,767	-	7,767	-
Share of (profit) / loss on equity accounted investees, net of tax	(54,061)	(212,273)	-	-
Equity settled share based payment transactions	92,629	144,838	36,809	57,557
Impairment of available for sale investment	-	31,056	-	31,023
Profit on repurchase of shares by subsidiary	-	-	-	(1,296,025)
Operating profit before working capital changes	7,468,724	7,939,564	378,212	378,822
Changes in working capital				
- (Increase) / decrease in inventories	(92,758)	(1,360,694)	(6,574)	(629)
- (Increase) / decrease in trade and other receivables	(1,229,959)	(958,116)	63,376	16,892
- (Increase) / decrease in related company receivables	(85,322)	(89,890)	(130,305)	(151,664)
- Increase / (decrease) in trade and other payables	1,589,490	958,544	200,182	(21,626)
- Increase / (decrease) in related company payables	2,647	2,979	(17,004)	7,072
Cash generated from operations	7,652,822	6,492,387	487,887	228,867
Income taxes paid	(1,426,869)	(1,147,336)	(137,436)	(72,828)
Interest paid	(1,704,721)	(1,576,757)	(447,788)	(857,845)
Retiring gratuity paid	(55,504)	(73,816)	(21,153)	(42,414)
Net cash generated from / (used in) operating activities	4,465,728	3,694,478	(118,490)	(744,220)

Statement of Cash Flows contd.

For the year ended 31 March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Cash flows from investing activities				
Acquisition and construction of property, plant and equipment	(5,233,383)	(4,637,517)	(75,817)	(92,396)
Acquisition and construction of investment property	(1,034)	(16,653)	(275,210)	(6,879)
Acquisition of intangible assets	(197,437)	(92,705)	(1,814)	(508)
Interest income received	280,057	269,594	102,429	97,774
Dividend received	664	694	643,141	2,451,605
Proceeds from disposal of property, plant and equipment	45,683	25,043	1,250	350
Addition/disposal to other financial assets	63,833	(384,631)	-	4,691
Addition to prepaid leases	(50,025)	-	-	-
Proceeds from repurchase of shares / acquisition of subsidiary	-	-	-	3,584,525
Proceed from disposal of investment property	-	4,155,020	-	275,100
Investment in new share issue of subsidiary	-	-	-	-
Net cash (used in) / generated from investing activities	**(5,091,642)**	**(681,155)**	**393,979**	**6,314,262**
Cash flows from financing activities				
Net proceeds from / (repayment of) short term borrowings	2,149,422	(712,170)	445,000	(3,503,200)
Net proceeds from / (repayment of) long term borrowings	(1,137)	(1,024)	-	-
Dividend paid to shareholders	(490,041)	(1,345,180)	(485,647)	(1,346,553)
Dividend paid to non-controlling interest	(24,039)	(64,739)	-	-
Net cash generated from/ (used in) financing activities	**1,634,205**	**(2,123,113)**	**(40,647)**	**(4,849,753)**
Increase in cash and cash equivalents	1,008,291	890,210	234,842	720,289
Movement in cash and cash equivalents				
At the beginning of the year	(769,240)	(1,659,450)	(35,193)	(755,482)
Movement during the year	**1,008,291**	**890,210**	**234,842**	**720,289**
At the end of the year	**239,051**	**(769,240)**	**199,649**	**(35,193)**

The figures in brackets indicate deductions.
The accounting policies and notes from pages 119 to 190 form an integral part of these financial statements.
Notes to the Financial Statements contd.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting entity

Cargills (Ceylon) PLC is a Quoted Public Limited Liability Company domiciled in Sri Lanka and listed in Colombo Stock Exchange. The Company's registered office is located at 40, York Street, Colombo 1.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Group for the year ended 31st March 2019 comprise Cargills Ceylon PLC (Parent Company), its subsidiaries (together referred to as the 'Group') and the Group's interest in its equity accounted investees.

1.3 Parent Entity & Ultimate Parent Entity

The Company's ultimate parent is C T Holdings PLC which is a Quoted Public Limited Liability Company domiciled in Sri Lanka and listed in Colombo Stock Exchange.

1.4 Number of Employees

The staff strength of the Company as at 31st March 2019 is 1,902 (1,794 as at 31st March 2018).

The staff strength of the Group as at 31st March 2019 is 8,932 (9,158 as at 31st March 2018).

1.5 Principal Activities and Nature of Operations

The principal activities of the Group are,

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

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

2. BASIS OF PREPARATION

2.1 Basis of Measurement

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

Item	Basis of measurement	Note No.
Property Plant and Equipment	Cost / Revaluation	12
Financial Investments Available-for-sale	Fair Value	15.3
Employee Benefits	Liability is recognised as the present value of the defined benefit obligation.	27
Investment Properties	Fair Value	13
Put Liability	Present value of exercise price	22
Employee Share Option Reserve	Fair value	23.1

2.2 Statement of Compliance

The Consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31st March 2019 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, and the Listing Rules of the Colombo Stock Exchange.

These financial statements include the following components:

- Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company and the Group for the year under review.
- Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year-end.

Notes to the Financial Statements contd.

- Statement of Changes in Equity depicting all changes in shareholder's equity of the Company and the Group during the year under review .
- Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs of entity to utilize those cash flows during the year under review and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

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

2.3 Responsibility for Financial Statements

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

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the Annual Report of the Board of Director's, Statement of Directors' Responsibility, and the certification on the Statement of Financial Position.

2.4 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31st March 2019 (including comparatives) were approved and authorised for issue on 1 July 2019.

2.5 Presentation of Financial Statements

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

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

2.6 Functional and Presentation Currency

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

2.9 Comparative Information

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

2.10 Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

Note 12 - Property Plant and Equipment
Note 13 - Investment Property
Note 14 - Intangible Assets
Note 17 - Deferred tax assets and liabilities
Note 22 - Put liability
Note 23.1 - Employee Share Option Reserve
Note 27 - Employee benefit obligation
Note 32 - Provisions and contingencies

2.11 Going Concern

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Change in significant accounting policies

The Group has initially applied SLFRS 15 and SLFRS 09 from 01 April 2018.

A. SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

There was no impact on the comparative figures presented in the statement of financial position, statement of changes in equity and the statement of cash flows. Further, the change in accounting policy had no impact in the reported amount in accumulated profits as at 01 April 2018.

B. SLFRS 09 - Financial Instruments

SLFRS 09 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of SLFRS 09, the Group and Company have adopted consequential amendments to SLFRS 07 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

The Group and Company have adopted SLFRS 09 with no revision for prior periods, as permitted by the standard. A simplified "lifetime expected loss model" has been used for balances arising as a result of revenue recognition, as permitted by the standard, by applying a standard rate of provision on initial recognition of trade debtors based upon the Group and Company's historical experience of credit loss modified by expectation of the future, and increasing this provision to take account of overdue receivables.

Classification and measurement of financial assets and financial liabilities.

SLFRS 09 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under SLFRS 09 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 09 eliminates the previous LKAS 39 categories of held to maturity, loans and receivable and available for sale.

Trade and other receivable and cash and cash equivalents which were earlier classified as loans and receivable under LKAS 39, are classified as amortised cost under SLFRS 09.

SLFRS 09 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities and the adoption of the standard has not had a significant effect on the Group's accounting policies related to financial liabilities.

3.1 Basis of Consolidation

The Consolidated Financial Statements comprise of financial statements of the Company, its subsidiaries and its equity accounted investees for the year ended 31st March 2019, 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 recognized amount of any non- controlling interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

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

3.1.2 Subsidiaries

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

3.1.3 Non-Controlling Interests

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

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

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

3.1.4 Loss of Control

Upon the loss of control, the Group 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.

3.1.5 Transactions Eliminated on Consolidation

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

3.1.6 Equity Accounted Investees

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

Investments in Associates are accounted for using the Equity method and is recognised initially at cost in terms of the Sri Lanka Accounting Standard - LKAS 28 on 'Investments in Associates and Joint Ventures'. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised but is subjected to impairment test. The Group's investments include goodwill recognised on acquisition, net of any accumulated impairment losses.

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

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

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

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

3.2 Foreign Currency Transactions and Balances

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

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

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined. Foreign currency differences are generally recognised in profit or loss.

3.3 Financial Instruments

3.3.1 Classification and initial measurement of financial instruments

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

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

3.3.2 Classification and subsequent measurement

Financial assets -Policy applicable from 1 April 2018

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

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

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets classified under amortised cost includes trade and other receivable and cash and cash equivalents.

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

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

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

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

Financial assets – Business model assessment: Policy applicable from 1 April 2018

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

-The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

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

Financial Assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 April 2018

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group and Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual cash flows such that it would not meet this condition. In marking this assessment, the Group and Company considers:

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

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

Financial assets – subsequent measurement and gains and losses: policy applicable from 1 April 2018

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

Financial assets – Policy applicable prior 1 April 2018

The Group classified its financial assets into one of the following categories:
- loans and receivables ;
- held to maturity ;
- available for sale ; and
- at FVTPL,

Notes to the Financial Statements contd.

Financial assets – subsequent measurement and gains and losses: policy applicable prior 1 April 2018

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss were financial assets held for trading. A financial asset was classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category were classified as current assets if expected to be settled within 12 months, otherwise they were classified as non-current.

b. Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were included in current assets, except for maturities greater than 12 months after the end of the reporting period. These were classified as non-current assets. The Group and Company's loans and receivables comprised 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

c. Available-for-sale financial assets

Available-for-sale financial assets were non-derivatives that were either designated in this category or not classified in any of the other categories. They were included in non-current assets unless the investment matured or management intended to dispose of it within 12 months of the end of the reporting period.

d. Held to maturity

Held to maturity investments were non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity had the positive intention and ability to hold to maturity.

Financial liabilities – Classification, subsequent measurement and gains and losses

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

Financial liabilities measured at amortised cost include trade and other payable.

3.3.3 Derecognition

Financial asset

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

The Group and company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

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

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

3.3.4 Offsetting

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

3.3.10 Impairment

Financial assets

Policy applicable after 01 April 2018

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

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

Credit-impaired financial assets

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

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

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

Policy applicable before 01 April 2018

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3.4 Impairment of Non-financial assets

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

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized 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 recognized, 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 recognized in profit or loss.

3.5 Cash and Cash Equivalents

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

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.6 Employee Benefits

3.6.1 Defined contribution plans – Cargills Employees' Provident Fund and Employees' Trust Fund

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

3.6.2 Share-based payment arrangements

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

3.7 Dividends Payable

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

3.8 Borrowings

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

3.9 Leases

3.9.1 Finance Leases

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

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

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

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

Statement of Profit or Loss and Other Comprehensive Income Expenditure Recognition

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

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

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

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

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

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

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

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

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

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

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

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

3.14 Statement of Cash Flows

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

Cash and Cash Equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and Cash Equivalents as referred to in the Statement of Cash Flow are comprised of those items as explained in note 24.

3.15 Standards issued but not yet effective

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

SLFRS 16 introduces a single, on-balance lease asset accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short- term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e lessors continue to classify leases as finance or operating leases.

SLFRS 16 replaces existing leases guidance including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Standard is effective for annual periods beginning on or after 1 January 2019.

Transition

As a lessee, the company can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The Group has assessed the potential impact on its financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases for retail and restaurant outlets . In addition, the nature of expenses related to those leases will now change as SLFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The group plans to adopt SLFRS 16 in its financial statements for the year ending 31 March 2020, using modified retrospective approach with optional practical expedients. As a result, the company will not restate the comparative information and there is no impact to the opening balance of retained earnings at the date of initial application.

3.16 Amendments to Accounting Standards

A number of standards have been modified for various specific issues. These include Plan Amendments, Curtailment or Settlement (Amendments to LKAS 19), Annual improvements to SLFRSs 2015 -2017 Cycle (Amendments to SLFRS 3, SLFRS 11, LKAS 12, LKAS 23 and LKAS 28)

None of these amendments are expected to have a material effect on the Group and Company's Financial Statements.

4. REVENUE

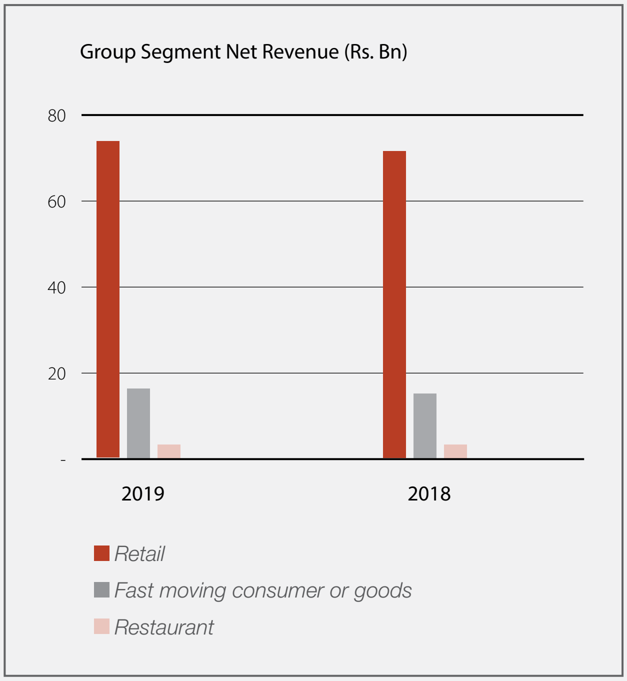
Accounting Policy

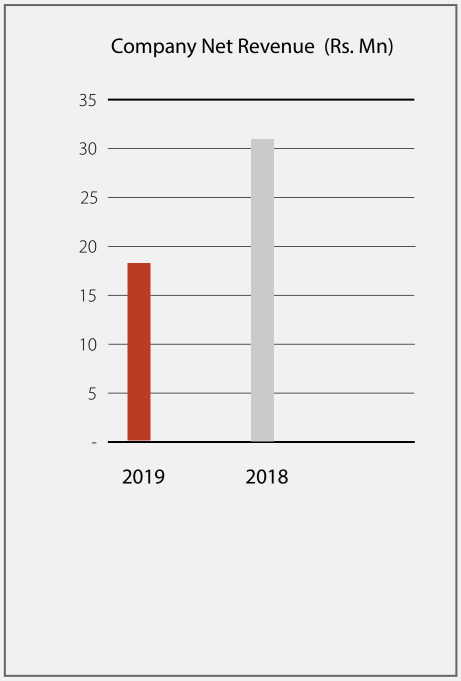
Revenue Recognition - Sale of Goods

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

For the year ended 31 March	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Gross revenue	104,690,462	100,924,320	21,772	35,092
Revenue related taxes	(10,027,471)	(9,631,193)	(3,029)	(4,882)
Net revenue	94,662,991	91,293,127	18,743	30,210

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





Notes to the Financial Statements contd.

5. COST OF SALES

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

6. OTHER INCOME

Accounting Policy

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

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

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

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

Rental income is recognised on an accrual basis.

	Group		Company	
For the year ended 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Dividend income				
- Related companies	-	-	1,757,697	2,450,911
- Other	664	694	664	694
Rental income	186,843	94,918	316,092	249,741
Gain on disposal of property, plant and equipment	43,531	6,735	1,250	350
Gain on disposal of investment property	-	1,010,440	-	-
Gain on repurchase of shares by subsidiary	-	-	-	1,296,025
Income from services	1,379	-	676,262	617,103
Merchandising income	1,808,454	1,796,825	-	-
Foreign exchange gain	4,140	3,212	-	-
Amortisation of deferred income				
- Capital grant	11,481	11,481	-	-
Sundry income	123,182	112,761	2,521	2,094
	2,179,674	3,037,066	2,754,486	4,616,918

7. NET FINANCE COST

For the year ended 31 March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
7.1 Finance income				
- Interest income	280,057	269,594	102,429	97,774
	280,057	**269,594**	**102,429**	**97,774**
7.2 Finance Cost				
- Short term loans	1,474,193	1,154,133	427,312	635,708
- Bank overdrafts	188,780	220,250	17,406	54,899
- Other loans and bank charges	40,842	201,513	3,070	167,238
- Staff security deposits	906	861	-	-
	1,704,721	1,576,757	447,788	857,845
Net finance cost	1,424,664	1,307,163	345,359	760,071

No borrowing cost has been incurred by the Group and the Company on qualifying assets during the current financial year and year 2017/18.

8. PROFIT BEFORE TAX

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

For the year ended 31 March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Staff costs (Note 8.1)	6,614,902	5,851,752	372,258	351,524
Auditors' remuneration				
- Audit and audit related services	10,326	10,155	1,905	1,585
- Non audit services	751	5,471	244	2,000
Depreciation on property, plant and equipment (Note 12)	2,431,028	2,168,649	46,518	42,534
Amortisation of intangible assets (Note 14)	96,410	106,526	34,456	61,962
Amortisation of prepayment on lease hold land and buildings (Note 16)	4,727	4,724	3,852	3,849
Revaluation loss/ (reversal of revaluation loss) of property plant and equipment	-	24,950	-	-
Provision for / (reversal) impairment of trade receivable	22,621	11,243	4,560	(1,492)
Impairment of available for sale investment	-	31,056	-	31,023
Foreign exchange gain/ (loss)	4,140	3,212	7,613	-
Provision for / (reversal) impairment of inventories	(6,418)	34,443	-	-
Directors' emoluments (Note 34.1)	408,978	352,092	49,478	43,371

8.1 Staff costs

For the year ended 31 March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Salaries, wages and other costs	5,808,955	5,059,127	238,560	200,958
Employee benefits (Note 27.3)	193,311	179,548	73,034	71,272
Defined contribution plan cost- EPF and ETF	520,007	468,239	23,855	21,737
Equity Settled share based payment transaction	92,629	144,838	36,809	57,557
	6,614,902	5,851,752	372,258	351,524
Number of employees as at 31 March	8,932	9,158	1,902	1,794

9. INCOME TAX EXPENSE

Accounting Policy

Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No.24 of 2017.

Deferred Tax

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future
- Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

9. INCOME TAX EXPENSE CONTD.

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

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

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

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

	Group		Company	
For the year ended 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Current income tax				
Current tax expense (Note 9.1)	1,151,226	1,429,414	59,514	73,880
Withholding tax on related company dividend	287,283	250,540	-	-
(Over) / under provision of current tax of previous years	(104,377)	(70,759)	-	-
Deferred tax expense (Note 9.2)	34,990	305,218	18,270	51,738
	1,369,122	1,914,413	77,784	125,618

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

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

(b) During the year the Group and the Company paid Economic Service Charge (ESC) amounting to Rs. 523 Mn (2018 - Rs. 561 Mn) and Rs. 5.5 Mn (2018 - Rs. 4.8 Mn) respectively.

Notes to the Financial Statements contd.

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

For the year ended 31 March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Profit before taxation	3,402,935	5,245,334	1,617,803	3,300,452
Aggregate disallowed expenses	3,874,297	4,323,701	551,310	1,073,392
Aggregate allowable expenses	(3,037,802)	(3,015,733)	(164,615)	(161,983)
Aggregate other income	(292,182)	(1,652,754)	(1,894,375)	(4,047,117)
Exempt profit	(63,034)	(79,110)	-	-
Adjusted business profit	3,884,214	4,821,438	110,123	164,744
Tax losses incurred	25,348	33,262	-	-
Taxable income from other sources	160,571	346,083	102,429	98,711
Adjusted profit (a)	4,070,133	5,200,783	212,552	263,455
Tax losses brought forward	1,439,507	1,801,029	-	-
Tax losses added (Note 9.1.1)	25,348	33,262	-	-
Tax losses utilised (b)	(40,395)	(89,406)	-	-
Adjustment on finalisation of liability	119,710	(305,378)	-	-
Tax losses carried forward	1,544,170	1,439,507	-	-
Taxable income (a+b)	4,029,738	5,111,377	212,552	263,455
Income tax @ 28%	1,074,903	1,427,715	59,514	73,505
Income tax @ 12%	-	1,069	-	-
Income tax @ 10%	-	255	-	-
Income tax @ 40%	76,323	375	-	375
Current tax charge	1,151,226	1,429,414	59,514	73,880

9.1.1 Tax Losses Added

Tax losses incurred by continuing operations	25,348	33,262	-	-
	25,348	33,262	-	-

9.2 Deferred Income Tax

For the year ended 31 March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Deferred tax expense arising from;				
Operating lease liability	1,012	137,576	-	-
Accelerated depreciation for tax purposes	119,035	295,361	35,955	77,066
Provisions (Including inventory and receivables impairment)	(62,413)	(194,172)	(9,175)	(17,248)
Employee benefits	(32,943)	(30,649)	(8,510)	(8,080)
Benefit arising from tax losses	7,084	93,887	-	-
Deferred income	3,215	3,215	-	-
Deferred tax charge / (release)	34,990	305,218	18,270	51,738

Deferred tax has been computed taking into consideration the tax rates effective from 1 April 2018 which is 28% or 40% for all standard rate companies. The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the Parent can control the timing of the reversal of these temporary differences.

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

As at 31 March	2019 Temporary difference Rs. '000	2019 Tax effect on temporary difference Rs. '000	2018 Temporary difference Rs. '000	2018 Tax effect on temporary difference Rs. '000
Deductible temporary differences	-	-	1,914	536
Tax losses	1,506,688	421,873	1,365,433	382,321
	1,506,688	421,873	1,367,347	382,857

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

10. EARNINGS PER SHARE (EPS)

Accounting Policy

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

Notes to the Financial Statements contd.

10.1 Basic Earnings Per Share

	Group		Company	
	2019	2018	2019	2018
Profit attributable to equity shareholders of the parent (Rs. '000)	1,980,246	3,200,534	1,540,019	3,174,834
Weighted average number of ordinary shares (Refer Note 10.1.1)	255,999,927	255,999,927	255,999,927	255,999,927
Basic earnings per share (Rs.)	7.74	12.50	6.02	12.40

10.1.1 Weighted Average Number Of Ordinary Shares

	Group		Company	
	2019	2018	2019	2018
Issued ordinary shares as at 1 April	255,999,927	224,000,000	255,999,927	224,000,000
Capitalisation of reserves	-	31,999,927	-	31,999,927
Weighted average number of ordinary shares as at 31 March	255,999,927	255,999,927	255,999,927	255,999,927

10.2 Diluted EPS

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

	Group		Company	
	2019	2018	2019	2018
Profit attributable to equity shareholders of the parent (Rs. '000)	1,980,246	3,200,534	1,540,019	3,174,834
Weighted average number of ordinary shares (Diluted) (Refer Note 10.2.1)	256,288,311	256,288,311	256,288,311	256,288,311
Diluted earnings per share (Rs.)	7.73	12.49	6.01	12.39

10.2.1 Weighted Average Number Of Ordinary Shares (Diluted)

	Group		Company	
	2019	2018	2019	2018
Weighted-average number of ordinary shares (basic)	256,288,311	255,999,927	256,288,311	255,999,927
Effect of share options on issue	-	288,384	-	288,384
Weighted-average number of ordinary shares (diluted) as at 31st March	256,288,311	256,288,311	256,288,311	256,288,311

11. DIVIDEND PER SHARE

	Group				Company			
	2019		2018		2019		2018	
	Rs.	Rs. '000	Rs.	Rs. '000	Rs.	Rs. '000	Rs.	Rs. '000
Dividends for the year								
1st Interim - paid	1.90	486,400	1.90	425,600	1.90	486,400	1.90	425,600
2nd Interim - paid	-	-	4.10	918,400	-	-	4.10	918,400
	1.90	486,400	6.00	1,344,000	1.90	486,400	6.00	1,344,000

An interim dividend of Rs 1.90 per share (Rs. 486.4 Mn) was paid on 28 November 2018 for the year ended 31st March 2019. A final dividend of Rs. 4.10 per share is proposed for the year ended 31st March 2019. The final dividend proposed on 25th June 2019, has not been recognised as at the reporting date in compliance with LKAS 10 - "Events After the Reporting Period".

12. PROPERTY PLANT AND EQUIPMENT

Accounting Policy

Basis of Recognition

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

Basis of Measurement

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

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

Cost model

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

Revaluation Model

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Where land and buildings are subsequently revalued, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserves in the statement of changes in equity, any excess and all other decreases are charged to the statement of profit or loss. Revaluation of free hold land and buildings are carried out by professionally qualified independent valuers every three years. The Group revalued all its freehold land and buildings as at 31 March 2018.

Subsequent Costs

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

Repairs & Maintenance

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

Capital Work-in-Progress

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

De-recognition

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

Depreciation

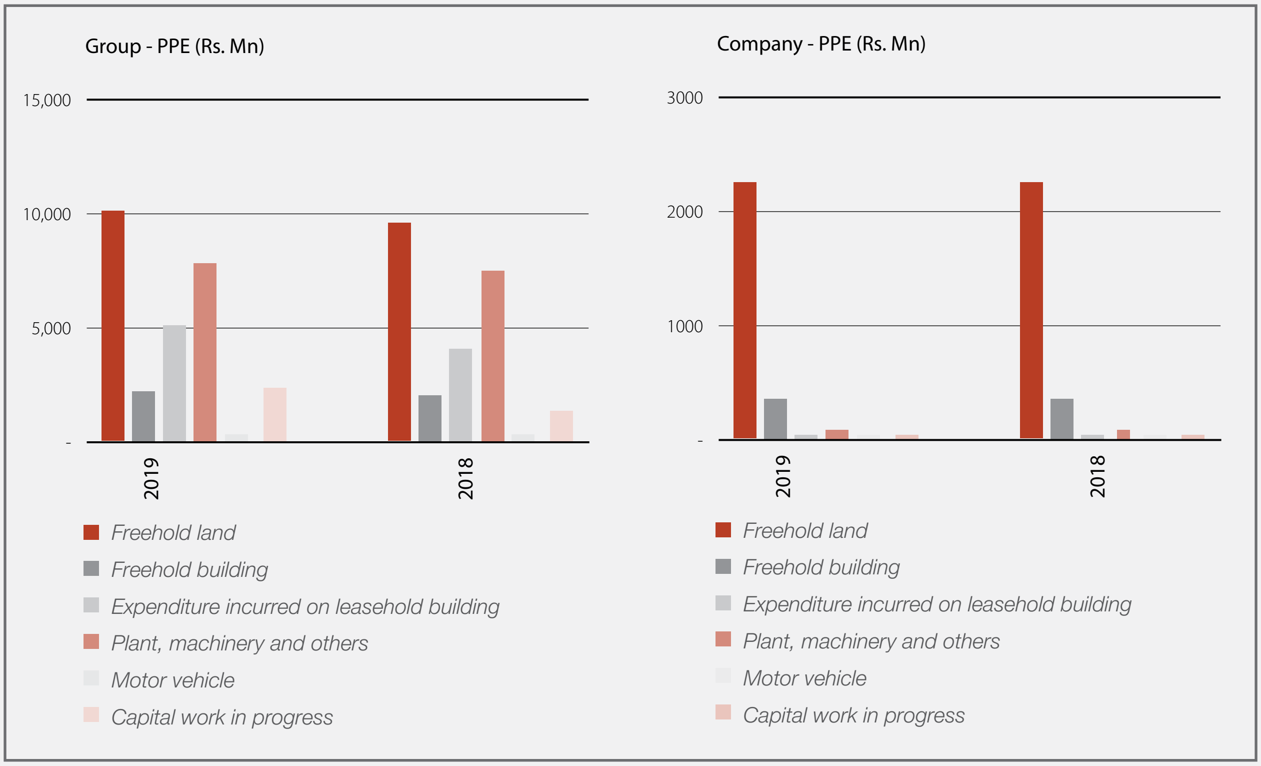
Depreciation is recognised in Statement of Profit or Loss on a straight–line basis over the estimated useful lives of each component of an item of property, plant and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the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

The estimated useful lives are as follows;

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

The above rates are consistently used by all the Group entities. The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is de-recognised. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

	Freehold land Rs. '000	Freehold building Rs. '000	Expenditure incurred on leasehold building Rs. '000	Plant, machinery and others Rs. '000	Motor vehicles Rs. '000	Total 2019 Rs. '000	Total 2018 Rs. '000
Group							
Cost / revaluation							
As at 1 April	9,553,385	2,835,750	8,080,364	17,376,776	1,206,434	39,052,709	32,994,772
Additions	499,089	133,084	1,421,093	2,047,815	150,025	4,251,106	5,353,398
Revaluation	-	-	–	-	-	-	750,322
Disposals	-	-	-	(16,140)	(31,608)	(47,748)	(45,783)
As at 31 March	10,052,474	2,968,834	9,501,457	19,408,451	1,324,851	43,256,067	39,052,709
Depreciation / Impairment							
As at 1 April	-	715,871	3,885,107	9,833,621	909,851	15,344,450	13,203,276
Charge for the year	-	99,670	549,758	1,652,725	128,875	2,431,028	2,168,649
Disposals	-	-	-	(13,993)	(31,603)	(45,596)	(27,475)
As at 31 March	-	815,541	4,434,865	11,472,353	1,007,123	17,729,882	15,344,450
Carrying value							
Capital work in progress	-	-	-	-	-	2,350,835	1,368,558
Carrying value as at 31 March	10,052,474	2,153,293	5,066,592	7,936,098	317,728	27,877,020	25,076,817
Company							
Cost / revaluation							
As at 1 April	2,266,075	398,259	3,536	246,248	164,913	3,079,031	3,012,284
Additions	-	10,211	3,728	51,733	-	65,672	56,967
Revaluation	-	-	-	-	-	-	14,580
Disposals	-	-	-	-	(3,750)	(3,750)	(4,800)
As at 31 March	2,266,075	408,470	7,264	297,981	161,163	3,140,953	3,079,031
Depreciation / Impairment							
As at 1 April	-	53,259	3,014	175,159	133,930	365,362	327,628
Charge for the year	-	7,999	522	24,347	13,650	46,518	42,534
Disposals	-	-	-	-	(3,750)	(3,750)	(4,800)
As at 31 March	-	61,258	3,536	199,506	143,830	408,130	365,362
Carrying value						2,732,823	2,713,669
Capital work in progress	-	-	-	-	-	68,480	58,335
Carrying value as at 31 March	2,266,075	347,212	3,728	98,475	17,333	2,801,303	2,772,004



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

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

12.1 Revaluation of Freehold Land & Buildings

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

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

Location	Method of valuation	Effective date of valuation	Property valuer	Land extent	Building area (Sq.ft)	No.of. buildings	Significant unobservable inputs	2018 Valuation Rs. '000
Colombo -01	Open market value	31st March 2018	Mr.Tissa Weeratne	141 Perches	124,215	1	Market value per perch	2,266,075
Canal Row, Colombo - 01	Income Approach	31st March 2018	Mr.Tissa Weeratne	15 Perches	12,300	1	Rental per square foot	284,897
Staple Street - Colombo - 02	Open market value	31st March 2018	Mr.Tissa Weeratne	81.5 Perches	20,970	2	Market value per perch	774,630
Dematagoda	Open market value	31st March 2018	Mr.Tissa Weeratne	84 Perches	-	-	Market value per perch	288,792
Kandy	Income Approach	31st March 2018	Mr.Tissa Weeratne	88 Perches	25,174	1	Rental per square foot	1,311,204
Maharagama	Open market value	31st March 2018	Mr.Tissa Weeratne	145 Perches	15,827	1	Market value per perch	508,550
Nuwara Eliya	Open market value	31st March 2018	Mr.Tissa Weeratne	57 Perches	9,617	1	Market value per perch	212,500
Mattakkuliya (111)	Income Approach	31st March 2018	Mr.Tissa Weeratne	330 Perches	80,967	2	Rental per square foot	719,033
Kohuwala	Open market value	31st March 2018	Mr.Tissa Weeratne	29 Perches	6,225	1	Market value per perch	104,600
Mattakkuliya (141)	Open market value	31st March 2018	Mr.Tissa Weeratne	288 Perches	44,469	4	Market value per perch	446,000
Gampaha	Open market value	31st March 2018	Mr.Tissa Weeratne	82.6 Perches	39,565	1	Market value per perch	123,900
Moratuwa	Open market value	31st March 2018	Mr.Tissa Weeratne	78.6 Perches	-	-	Market value per perch	250,104
Ingiriya (Lot A,C,D,B1)	Open market value	31st March 2018	Mr.Tissa Weeratne	26 Acres	-	-	Market value per perch	242,999
Ja-Ela	Open market value	31st March 2018	Mr.Tissa Weeratne	4 Acres	28,976	2	Market value per perch	93,050

Notes to the Financial Statements contd.

Location	Method of valuation	Effective date of valuation	Property valuer	Land extent	Building area (Sq.ft)	No.of. buildings	Significant unobservable inputs	2018 Valuation Rs. '000
Mattakuliya	Open market value	31st March 2018	Mr.Tissa Weeratne	1.3 Acres	16,517	3	Market value per perch	363,400
Ja - Ela	Open market value	31st March 2018	Mr.Tissa Weeratne	5.1 Acres	38,381	1	Market value per perch	319,575
Katana	Open market value	31st March 2018	Mr.Tissa Weeratne	11.3 Acres	68,624	4	Market value per perch	314,280
Kelaniya	Open market value	31st March 2018	Mr.Tissa Weeratne	1.5 Acres	55,770	2	Market value per perch	214,500
Katoolaya Estate, Thawalatenne	Open market value	31st March 2018	Mr.Tissa Weeratne	4 Acres	16,706	1	Market value per perch	14,350
Mirigama, Baduragoda	Open market value	31st March 2018	Mr.Tissa Weeratne	49.8 Perches	-	-	Market value per perch	7,000
Mulleriyawa	Open market value	31st March 2018	Mr.Tissa Weeratne	1.7 Acres	28,862	3	Market value per perch	124,430
Bogahawatta	Open market value	31st March 2018	Mr.Tissa Weeratne	1 Acres	16,304	6	Market value per perch	21,600
Hatton	Open market value	31st March 2018	Mr.Tissa Weeratne	17.4 Acres	12,479	4	Market value per perch	56,000
Bandarawela	Open market value	31st March 2018	Mr.Tissa Weeratne	85 Perches	6,345	1	Market value per perch	341,865
Katubedda	Open market value	31st March 2018	Mr.Tissa Weeratne	1.15 Acres	3,500	-	Market value per perch	445,750

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

	Land		Building	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Group				
Cost	3,153,438	2,654,349	1,827,541	1,694,457
Accumulated depreciation	-	-	(473,105)	(436,544)
Net book value	**3,153,438**	**2,654,349**	**1,354,436**	**1,257,913**
Company				
Cost	1,812	1,812	61,637	39,961
Accumulated depreciation	-	-	(12,011)	(10,795)
Net book value	**1,812**	**1,812**	**49,626**	**29,166**

Depreciation amounting to Rs. 2,092.84 Mn (2018 - Rs. 1,934.71 Mn) and Rs.338.19 Mn (2018 - Rs. 233.93 Mn) has been charged respectively to the cost of goods sold and distribution, administration and other expenses of the Group. The total depreciation cost amounting to Rs. 46.52 Mn (2018 - Rs. 42.53 Mn) is included in the other expenses of the Company.

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

Fully depreciated assets of the Group as at the year end is Rs.4,025.67 Mn (2018 - 3,061.89 Mn) and that of the Company is Rs.270.35 Mn (2018 - Rs. 225.77 Mn).

13. INVESTMENT PROPERTY

Accounting Policy

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

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

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

De-recognition

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

Notes to the Financial Statements contd.

Subsequent Transfers to/from Investment Property

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

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

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

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

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

Determining Fair Value

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

Investment Property Leased within the Group

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

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
As at 1st April	1,726,552	4,777,192	3,207,009	3,274,803
Additions	1,034	16,653	1,712	-
Disposals	-	(3,144,580)	-	(275,100)
Changes in fair value during the year	91,212	77,287	32,336	200,427
	1,818,798	1,726,552	3,241,057	3,200,130
Capital work in progress addition	-	-	273,498	6,879
	1,818,798	1,726,552	3,514,555	3,207,009

In accordance with LKAS 40, fair value of the above Investment Properties were ascertained as at 31 March 2019 by Mr. T Weeratne (FIV), an independent professional valuer.

Rental income earned from the investment properties by the Group and the Company amounting to Rs. 36.66 Mn (2018 - Rs. 36.27 Mn) and Rs.128.92 Mn (2018 - Rs. 126.85 Mn) respectively. Direct operating expenses incurred on investment property by the Group and the Company amounting to Rs. 17.94 Mn (2018 - Rs. 26.53 Mn) and Rs. 38.08 Mn (2018 - Rs. 54.60 Mn). The fair value measurment for all the investments properties has been catagorised as a level 3 fair value based on the inputs to the valuation techniques used. Details of Group's investment property and information relating to their fair values as at 31 March 2019 are as follows :

Location	Method of valuation	Effective date of valuation	Property valuer	Land extent	Building area (Sq.ft)	No. of. buildings	Significant unobservable inputs	Group		Company	
								2019 Fair Value Rs. '000	2018 Fair Value Rs. '000	2019 Fair Value Rs. '000	2018 Fair Value Rs. '000
Canal Row, Colombo 01	Open market value	31/03/2019	Mr.Tissa Weeratne*	15 Perches	12,300	1	Market value per perch	-	-	388,050	377,747
Braybrook place	Open market value	31/03/2019	Mr.Tissa Weeratne*	78 Perches	5,146	1	Market value per perch	690,216	666,855	690,216	666,855
Cargills Square-Jaffna	Income approach	31/03/2019	Mr.Tissa Weeratne*	Leasehold	99,164	1	Rental per square feet	630,557	606,437	1,045,700	1,005,700
Staple Street - Colombo 02	Open market value	31/03/2019	Mr.Tissa Weeratne*	81.5 Perches	20,970	2	Market value per perch	-	-	869,466	828,600
Dematagoda	Open market value	31/03/2019	Mr.Tissa Weeratne*	84 Perches	37,967	1	Market value per perch	-	-	513,644	308,000
Nittambuwa	Open market value	31/03/2019	Mr.Tissa Weeratne*	112 Perches	-	-	Market value per perch	134,775	128,450	-	-
Boralsgamuwa	Open market value	31/03/2019	Mr.Tissa Weeratne*	2.5 Acres	23,168	4	Market value per perch	363,250	324,810	-	-

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

14. INTANGIBLE ASSETS

Accounting Policy

Intangible Assets

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

Basis of Recognition

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

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

Subsequent Expenditure

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

Notes to the Financial Statements contd.

Useful Economic Lives, Amortisation and Impairment

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

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

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

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

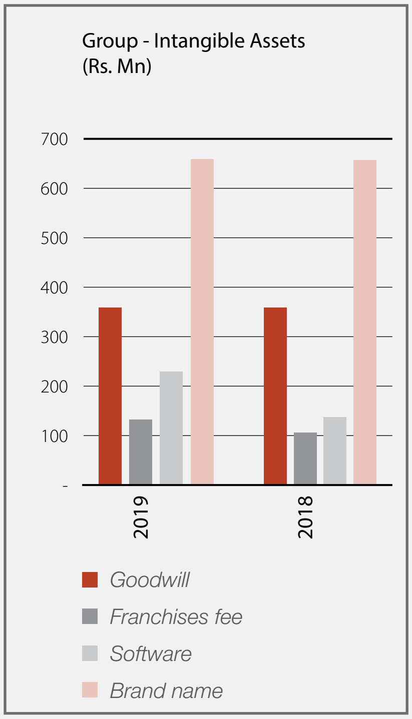
The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in profit or loss to the extent that they are no longer probable of being recovered from the expected future benefits.

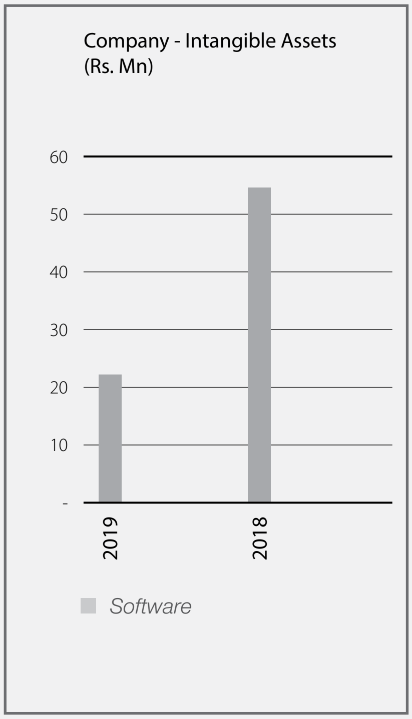
De-recognition

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

Group	Goodwill		Franchisee fee		Software		Brand name		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross value										
As at 1 April	529,767	529,767	237,644	195,868	340,489	289,560	661,865	661,865	1,769,765	1,677,060
Additions	-	-	50,055	41,776	147,383	50,929	-	-	197,438	92,705
As at 31 March	529,767	529,767	287,699	237,644	487,872	340,489	661,865	661,865	1,967,203	1,769,765
Amortisation/Impairment										
As at 1 April	138,978	138,978	126,170	109,558	192,931	103,017	-	-	458,079	351,553
Amortisation for the year	-	-	18,902	16,612	77,508	89,914	-	-	96,410	106,526
As at 31 March	138,978	138,978	145,072	126,170	270,439	192,931	-	-	554,489	458,079
Carrying value as at 31st March	390,789	390,789	142,627	111,474	217,433	147,558	661,865	661,865	1,412,714	1,311,686

Company	Software		Total	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Gross value				
As at 1 April	150,853	150,345	150,853	150,345
Additions	1,814	508	1,814	508
As at 31 March	152,667	150,853	152,667	150,853
Amortisation/Impairment				
As at 1 April	96,008	34,046	96,008	34,046
Amortisation for the year	34,456	61,962	34,456	61,962
As at 31 March	130,464	96,008	130,464	96,008
Carrying value as at 31st March	22,203	54,845	22,203	54,845





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

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

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

Notes to the Financial Statements contd.

ried out in accordance with LKAS 36 - 'Impairment of Assets' and the useful life of the intangible asset that is not being amortised is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for this asset.

Amortisation of intangible assets of Rs. 18.90 Mn (2018 - 16.61 Mn) have been included in cost of goods sold and Rs.77.51 Mn (2018 - 89.91 Mn) in administrative and other expenses of the Group. Amortisation of intangible assets of Rs. nil (2018 - nil) have been included in cost of goods sold and Rs. 34.46 Mn (2018 - Rs.61.96 Mn) in administrative and other expenses of the company.

15. INVESTMENTS

			Group		Company	
	No of Shares	Holding %	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
15.1 Investments in subsidiaries						
Cargills Foods Company (Private) Limited	47,500,002	92	-	-	475,000	475,000
Cargills Quality Foods Limited	4,860,291	100	-	-	1,193,453	1,193,453
Dawson Office Complex (Private) Limited	1,000	100	-	-	100	100
The Empire Investments Company (Private) Limited	77,600,000	100	-	-	776,000	776,000
Cargills Food Processors (Private) Limited	5,700,002	100	-	-	61,500	61,500
Kotmale Holding PLC	54,315	0.17	-	-	3,437	3,437
Frederick North Hotel Company Limited	31,100,000	100	-	-	311,000	311,000
			-	-	2,820,490	2,820,490
Employee share option investment (Note 15.1.1)			-	-	143,101	87,282
			-	-	2,963,591	2,907,772

15.1.1 Employee share option investment

	Company	
	2019 Rs. '000	2018 Rs. '000
Cargills Foods Company (Private) Limited	102,364	62,435
Kotmale Dairy Products (Private) Limited	2,451	1,495
Cargills Food Processors (Private) Limited	4,169	2,543
Cargills Food Services (Private) Limited	908	554
Cargills Quality Confectionaries (Private) Limited	212	129
Cargills Quality Dairies (Private) Limited	8,344	5,089
Cargills Quality Foods Limited	5,581	3,404
Cargills Distributors (Private) Limited	273	167
Millers Limited	14,771	9,009
Cargills Agrifoods Limited	4,028	2,457
	143,101	87,282

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

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

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

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

As at 31 March 2019, the Company directly and through its subsidiaries CQD and CQF holds 31,246,778 shares representing 99.51% of the issued share capital of Kotmale Holdings PLC. The financial statements of Kotmale Holdings PLC have been consolidated as a subsidiary of CQF and CCP.The financial statements of Kotmale Dairy Products (Private) Limited,Kotmale Milk Foods Limited, Kotmale Milk Products Limited and Kotmale Products (Private) Limited have been consolidated with that of Kotmale Holdings PLC as 100% subsidiaries.

In March 2018,

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

15.2 Investment in equity accounted investees

			Group		Company	
	No of Shares	Holding %	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Unquoted :						
C T Properties Ltd	54,100,000	21.76	414,690	417,165	395,829	403,596
Cargills Bank Limited	350,696,905	39.71	4,881,942	4,949,596	4,717,843	4,717,843
			5,296,632	5,366,761	5,113,672	5,121,439

15.2.a An impairment amounting to Rs.7.7 Mn (2018 - Rs. Nil) and Rs.7.7 Mn (2018 - Rs. Nil) has been recognised in relation to investment in equity accounted investee of C T Properties Limited in the Company and Group respectively.

15.3 Other financial assets

15.3.1 Available for sale financial instruments - Non current

	Group		Company	
As at 31 March	2019	2018	2019	2018
Quoted equity investments	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lanka IOC PLC	5,792	5,800	5,792	5,800
Sierra Cables PLC	340	149	250	30
Aitken Spence PLC	13,536	15,033	13,535	15,033
	19,668	20,982	19,577	20,863
Increase / (decrease) in fair value of investments	(5,131)	(1,314)	(5,114)	(1,286)
	14,537	19,668	14,463	19,577

15.3.2 Other non equity investments - Current

Call deposits / Fixed deposit	786,373	804,258	-	-
Re-purchase agreements	123,228	169,181	-	-
	909,601	973,439	-	-
	924,138	993,107	14,463	19,577

The market value of quoted short term investments of Group as at 31 March 2019, as quoted by the Colombo Stock Exchange amounted to Rs. 14.53 Mn (2018 - Rs.19.66Mn)

15.4 Investment in equity accounted investees

	Group	
	2019	2018
	Rs. '000	Rs. '000
As at 1 April	5,366,761	5,143,229
Share of profit	54,061	212,273
Share of other comprehensive income	(18,591)	11,259
Impact on adopting SLFRS 9 - Cargills Bank (15.4.1)	(97,832)	-
Impairment	(7,767)	-
As at 31 March	5,296,632	5,366,761

15.4.1 Impact on adoption of SLFRS 9 - Cargills Bank Limited

The Cargills Bank Limited initially adopted SLFRS 9 From 1 January 2018. As permitted by the transitional provisions of SLFRS 9, the impact of adopting SLFRS 9 is considered as an adjustment to equity on 1 January 2018, without restating the comparative information .

The following table shows the impact on transition to SLFRS 9 - "Financial instruments '' as at 1 January 2018.

	Retained Earnings Rs. '000	Fair value through other comprehensive income reserve Rs. '000
Balance as per SLFRS 9 as at 1 Jan 2018	(486,819)	14,118
Balance as per LKAS 39 as at 31 Dec 2017	(236,882)	10,546
Total impact on adopting SLFRS 9 " Financial Instruments"	(249,937)	3,572
Ownership Interest	39.71%	39.71%
Total impact for the Group	**(99,250)**	**1,418**

15.5 Summarised financial information of associates

	Group			
	C T Properties Ltd		Cargills Bank Limited	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Revenue / operating income	103,376	116,468	2,044,044	2,064,651
Operating expenses	(6,234)	(10,438)	(1,882,600)	(1,443,514)
Finance expenses	(65,820)	(66,444)	-	-
Income tax expense	(6,993)	2	(38,639)	(108,278)
Profit/(Loss) for the year	**24,329**	**39,588**	**122,805**	**512,859**
Other comprehensive income	(15)	109	(46,809)	28,293
Total comprehensive income	**24,314**	**39,697**	**75,996**	**541,152**
Group's share of profit / (loss)	5,295	8,616	48,766	203,657
Group's share of other comprehensive income	(3)	24	(18,588)	11,235
Group's share of total comprehensive income	**5,292**	**8,640**	**30,178**	**214,892**

Notes to the Financial Statements contd.

	Group			
	C T Properties Ltd		Cargills Bank Limited	
As at 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Total assets	2,909,741	2,813,744	33,803,120	32,512,711
Total liabilities	(871,342)	(799,670)	(22,779,158)	(21,318,380)
Non controlling interest	-	-	-	-
Net assets	2,038,399	2,014,074	11,023,962	11,194,331
Ownership interest	21.76%	21.76%	39.71%	39.71%
Group's share of net assets	443,647	438,355	4,377,626	4,445,280
Goodwill	31,375	31,375	504,316	504,316
Impairment	(60,332)	(52,565)	-	-
	414,690	417,165	4,881,942	4,949,596

16. PREPAYMENT ON LEASEHOLD LAND AND BUILDING

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Gross value				
As at 31 March	238,374	188,349	153,349	153,349
Amortisation				
As at 1 April	16,829	12,105	5,454	1,605
Amortisation for the year	4,727	4,724	3,852	3,849
As at 31 March	21,556	16,829	9,306	5,454
Balance as at 31 March	216,818	171,520	144,043	147,895
Current portion of the prepayment (Note 19)	4,710	4,710	3,835	3,835
Non- current portion of the prepayment	212,108	166,810	140,208	144,060
	216,818	171,520	144,043	147,895

Property	Lease period	Amount Rs. '000
Cargills (Ceylon) PLC		
Wellawatte land	From 5 Sep.2016 to 22 Aug. 2056	153,349
Cargills Quality Diaries (Private) Limited		
Banduragoda land and building	From 12 Feb. 2002 to 22 May 2045	35,000
Cargills Foods Company (Pvt) Limited		
Kolonnawa land	99 Years	50,025

17. DEFERRED TAX

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 April	8,413	56,680	1,352,650	1,039,964	-	-	180,324	136,731
Transfer between deferred tax assets & liabilities	-	(48,095)	-	(48,095)	-	-	-	-
Surplus on revaluation	-	-	(727)	74,449	-	-	(766)	141
Release / (charge) for the year	2,334	(172)	34,701	286,332	-	-	13,885	43,452
As at 31 March	10,747	8,413	1,386,624	1,352,650	-	-	193,443	180,324

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	38	65	1,724,339	1,649,881	-	-	210,926	211,660
- Temporary difference of revaluation surplus of freehold building	-	-	264,672	239,452	-	-	123,349	97,113
- Temporary difference of revaluation surplus of freehold land	-	-	22,199	-	-	-	10,453	-
- Temporary difference on equity settled share based payment	-	-	(64,979)	(40,555)	-	-	(26,423)	(16,116)
- Temporary difference on provisions	4,340	1,463	(225,886)	(189,929)	-	-	-	(1,132)
- Temporary difference of employee benefits	896	768	(298,813)	(262,646)	-	-	(124,862)	(111,201)
- Temporary difference on capital grants	-	-	(14,116)	(17,332)	-	-	-	-
- Temporary difference of carried forward tax losses	5,473	6,117	-	(6,440)	-	-	-	-
- Temporary difference of operating lease liability	-	-	(20,792)	(19,781)	-	-	-	-
	10,747	8,413	1,386,624	1,352,650	-	-	193,443	180,324

Reversal/(origination) of deferred tax								
Total expense released/(charged) to profit or loss	2,372	(211)	(37,361)	(305,005)	-	-	(18,270)	(51,738)
Total expense Released/(charged) to OCI	(38)	39	3,387	(55,776)	-	-	5,151	8,145
	2,334	(172)	(33,974)	(360,781)	-	-	(13,119)	(43,593)

The Inland Revenue Act No 24 of 2017 and new tax rates including capital gains taxes are effective from 1 April 2018. Accordingly the income tax charge for the year ended 31 March 2019 has been computed on rates applicable in the year of assessment 2018/19. The provision for deferred tax at 31 March 2019 has been calculated at rates and on capital gains applicable post 1 April 2018.

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

Having sought independent professional legal advice, the group is of the view that the freehold land used in the business falls under the category of "Investment Assets" and accordingly deferred tax has been provided on the related gain on revaluation. In the event it is deemed that freehold land be considered as " Capital Assets used in the business", the Company and Group would have to make an additional deferred tax provision in the statement of profit or loss for the year ended 31st March 2019 amounting to Rs.

Notes to the Financial Statements contd.

273 Mn (2018 - Rs. 261 Mn) and Rs. 449 Mn (2018 - Rs. 416 Mn) and an additional deferred tax provision in other comprehensive income/ Retained earnings amounting to Rs. 551 Mn (2018 - Rs.551 Mn) and Rs. 669 Mn (2018 - Rs.669 Mn) with a consequential increase in the deferred tax liability on the statement of financial position .

18. INVENTORIES

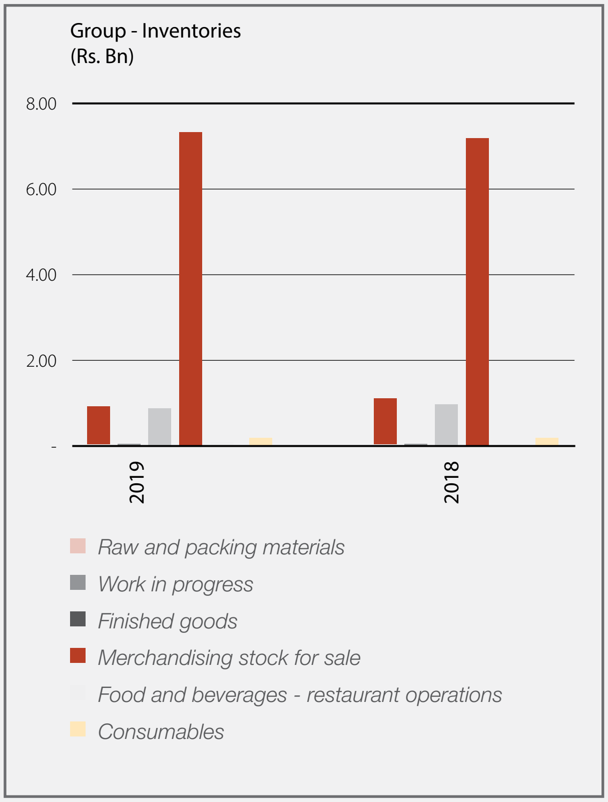
Accounting Policy

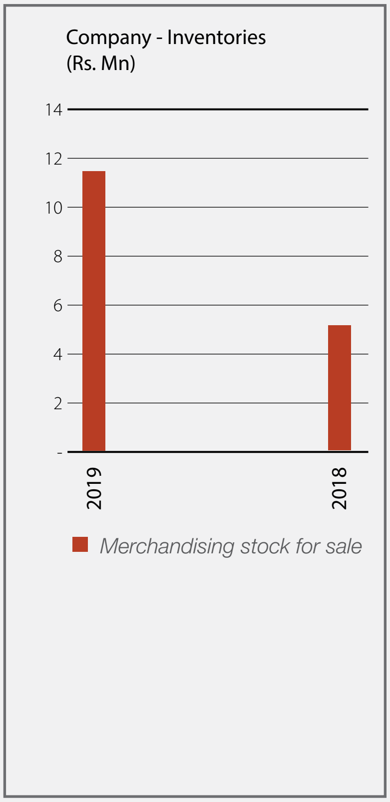
Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the normal course of business less estimated cost of realisation and / or cost of conversion from their existing state to salable condition.

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

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

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Raw and packing materials	908,554	1,087,446	-	-
Work in progress	60,949	50,426	-	-
Finished goods	918,576	991,420	-	-
Merchandising stock for sale	7,393,316	7,271,784	11,943	5,369
Food and beverages - restaurant operations	104,043	70,477	-	-
Consumables	199,621	202,139	-	-
	9,585,059	9,673,692	11,943	5,369
Provision for obsolete inventories	(84,844)	(91,262)	-	-
	9,500,215	9,582,430	11,943	5,369
Goods in transit	261,821	80,430	-	-
	9,762,036	9,662,860	11,943	5,369





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

19. TRADE AND OTHER RECEIVABLES

As at 31 March	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Trade receivables	3,726,340	2,924,873	110,019	93,558
Impairment of trade receivables	(123,181)	(100,560)	(8,602)	(4,042)
	3,603,159	2,824,313	101,417	89,516
Prepayment of leasehold land and buildings	4,710	4,710	3,835	3,835
Other Prepayments and deposits	1,706,782	1,344,296	402,791	434,915
Other receivables	578,216	615,932	1,130,421	81,576
Loans and advances (Note 19.1)	64,872	41,304	10,092	10,779
Tax recoverable (Note 19.2)	884,717	804,563	34,243	14,894
	6,842,456	5,635,118	1,682,799	635,515

The details of trade receivable mortgaged for banking facilities obtained have been given in the Note 25.3 to the financial statements.
Other receivable balance of Rs. 1,130,421 includes dividend receivable amounting to Rs. 1,115,220 (2018 - Rs. Nil) by the Company.

Other Prepayments and deposits of Rs. 1,706,782 includes mainly rent advances by the Group.

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

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
As at 1 April	41,304	26,860	10,779	17,068
Loans granted	60,222	53,101	8,108	5,387
	101,526	79,961	18,887	22,455
Repayments	(36,654)	(38,657)	(8,795)	(11,676)
As at 31 March	64,872	41,304	10,092	10,779

19.2 Tax recoverable

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

20. AMOUNTS DUE FROM/DUE TO RELATED COMPANIES

Amounts due from subsidiaries	Group		Company	
As at 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Cargills Foods Company (Private) Limited	-	-	-	29,827
Cargills Quality Foods Limited	-	-	2,271	-
Dawson Office Complex (Private) Limited	-	-	66,021	28,834
Cargills Food Processers (Private) Limited	-	-	4,555	-
Cargills Food Services (Private) Limited	-	-	-	486
Cargills Agrifoods Limited	-	-	13,840	11,906
Cargills Quality Dairies (Private) Limited	-	-	22,135	11,335
CPC (Lanka) Limited	-	-	57	188
Cargills Quality Confectioneries (Private) Limited	-	-	543	1,299
Millers Limited	-	-	3,344	10,430
Kotmale Holding PLC	-	-	11,262	6,830
Ceylon Agro Development Company (Private) Limited	-	-	293	14
The Empire Investments Company (Private) Limited	-	-	21,989	16,677
	-	-	146,310	117,826

Amounts due from subsidiaries	Group		Company	
As at 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Amounts due from holding company				
C T Holdings PLC	5,304	3,340	5,287	3,225
	5,304	3,340	5,287	3,225
Amounts due from equity accounted investees				
Cargills Bank Limited	26,594	28,153	14,838	913
C T Properties Limited	857,771	791,967	857,771	791,967
	884,365	820,120	872,609	792,880
Amounts due from other related companies				
Ceylon Hotels Corporation PLC	518	450	-	-
Ceylon Theatres (Private) Limited	18,942	16,878	13,038	10,019
C T Land Development PLC	99	646	-	552
Galle Face Hotel Company Limited	2,026	890	-	-
Kandy Hotels Company (1938) PLC	1,037	1,094	-	-
United Hotels Co. ltd	1,103	451	-	-
	23,725	20,409	13,038	10,571
Total amount due from related companies	913,394	843,869	1,037,244	924,502
Amounts due to subsidiaries				
Cargills Quality Foods Limited	-	-	-	5,350
Cargills Food company (Private) Limited	-	-	3,288	-
Cargills Food Processors (Private) Limited	-	-	-	7,842
Kotmale Dairy Products (Private) Limited	-	-	-	8,050
Cargills Foods Services (Private) Limited	-	-	754	-
	-	-	4,042	21,242
Amounts due to other related companies				
Ceylon Printers PLC	-	250	-	-
CT Real Estate (Pvt) Ltd	5,822	2,925	196	-
	5,822	3,175	196	-
Total amount due to related companies	5,822	3,175	4,238	21,242

21. STATED CAPITAL

Accounting Policy

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

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

	Number of Shares	2019 Rs. '000	Number of Shares	2018 Rs. '000
Balance as at 1st April	255,999,927	6,530,709	224,000,000	130,723
Capitalisation of reserves	-	-	31,999,927	6,399,986
Balance as at 31st March	255,999,927	6,530,709	255,999,927	6,530,709

Capitalisation of Reserves

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

Consequent to this share issue the stated capital of the Company at the balance sheet date amounted to Rs 6,530,708,400 (2018 - Rs. 6,530,708,400) comprising 255,999,927 ordinary (voting) shares (2018 – 255,999,927).

22. OTHER EQUITY / PUT LIABILITY

Accounting Policy

Written put options over NCI

Recognition and measurement

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

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

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

Subsequent measurement

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

	Group	
As at 31 March	2019 Rs. '000	2018 Rs. '000
Put option over Non Controlling Interest (NCI)	3,456,493	3,089,325

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

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

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

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

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

- Conditions of the Shareholder Agreement will not be breached by either party until the Put Period arrives
- In the event of non-listing of the company by CCP, IFC will wait until the end of the Put Period to exercise the Put Option
- Weighted average cost of capital of CCP is 11.9%
- Pricing date as 31 March 2019
- An year is assumed to have 365 days

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

23. RESERVES

Accounting Policy

Equity Reserves

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

- 'Revaluation reserve' consists of net surplus resulting from the revaluation of property plant and equipment.
- 'Available for Sale' reserve, which comprises changes in fair value of available for sale investments.
- 'General reserve' represents the amounts set aside by the Directors for general application. The purpose of setting up the General reserve is to meet the potential future unknown liabilities.
- 'Capital reserve' comprises share of capital reserve resulting from consolidation.
- 'Employee share option reserve' consists of stock options granted to specified employees of a company. ESOS offer the option holder the right to buy a certain amount of Company shares at a predetermined price.

	Group		Company	
As at 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Capital reserve				
Revaluation reserve	4,884,927	4,884,927	14,439	14,439
Capital reserve	7,928	7,928	-	-
Employee share option reserve (Note 23.1)	247,520	150,970	247,520	150,970
	5,140,375	5,043,825	261,959	165,409
Revenue reserve				
General reserve	-	-	-	-
Available for sale reserve / FVOCI reserve	(3,713)	-	(5,114)	-
	(3,713)	-	(5,114)	-
	-	-	-	-
	5,136,662	5,043,825	256,845	165,409

23.1 Employee share option reserve

23.1.1 Employee share option scheme

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

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

(a) a first tranche of 3,360,000 options constituting 1.50% of the issued shares of the Company;
(b) a second tranche of 1,680,000 options constituting 0.75% of the issued shares of the Company;
(c) a third tranche of 1,680,000 options constituting 0.75% of the issued shares of the Company;

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

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

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

(a) Total number of options to be issued – 7,679,997 options constituting 3% of the issued shares of the Company;
(b) First tranche – 3,839,999 options constituting 1.50% of the issued shares of the Company at an exercise price of Rs 184.98
(c) Second tranche – 1,919,999 options constituting 0.75% of the issued shares of the Company at an exercise price of Rs 172.33;
(d) Third tranche – 1,919,999 options constituting 0.75% of the issued shares of the Company;

The cost of Share Based Payments accounted in the Group's Financial Statements for the year amounted to Rs.96.5Mn. (2018 - Rs. 145 Mn)

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

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

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

Grant Date

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

Exercise Price

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

23.1.2 Measurement of fair values

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

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

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

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

23.1.3 Reconciliation of outstanding share options

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

In thousands of options	Number of options 2019	*WAEP 2019 (Rs.)	Number of options 2018	*WAEP 2018 (Rs.)
Outstanding as at 1 April	3,840	184.98	-	-
Forfeited during the year	76	184.98	-	-
Exercised during the year	1,221	184.98	-	-
Granted during the year	-	-	3,840	184.98
Outstanding as at 31 March	2,543	184.98	3,840	184.98
Exercisable as at 31 March	2,560	184.98	1,280	184.98

**WAEP - Weighted Average Exercise Price*

Pursuant to the Employee Share Option Scheme of the Company approved by the Shareholders on 29 June 2017, 1,221,116 options were exercised by employees during the period 1st to 31st March 2019 and shares in respect of such exercised options were issued on 29 April 2019. Further, 75,694 options were cancelled at the expiry of the period allowed for exercise of such options and options allocated and not yet exercised as at the reporting date amounted to 2,543,189 options.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Cash at bank and in hand	3,058,884	2,000,288	230,297	12,594
For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the following:				
Cash and bank balances	3,058,884	2,000,288	230,297	12,594
Bank overdraft (Note 25)	(2,819,833)	(2,769,528)	(30,648)	(47,787)
	239,051	(769,240)	199,649	(35,193)

25. INTEREST BEARING LOANS AND BORROWINGS

As at 31 March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Current				
Current portion of finance lease liabilities (Note 25.2)	1,137	1,024	-	-
Short term loans (Note 25.3)	14,016,345	11,867,036	3,440,000	2,995,000
Bank overdraft (Note 25.3)	2,819,833	2,769,528	30,648	47,787
	16,837,315	14,637,588	3,470,648	3,042,787
Non-current				
Bank borrowings (Note 25.1)	-	-	-	-
Finace lease liabilities (Note 25.2)	409	1,546	-	-
	409	1,546	-	-
Total borrowings	16,837,724	14,639,134	3,470,648	3,042,787

25.1 Bank borrowings

	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
As at 1 April	-	198,300	-	-
Loans received / (transferred)	-	-	-	-
Repayments	-	(198,300)	-	-
As at 31 March	-	-	-	-
Falling due within one year	-	-	-	-
	-	-	-	-
Repayment during 1-2 years	-	-	-	-
Repayment during 2-5 years	-	-	-	-
	-	-	-	-

25.2 Finance lease liabilities

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
As at 1 April				
On Acquition of subsidiary	2,912	4,158	-	-
Repayments	(1,247)	(1,246)	-	-
	1,665	2,912	-	-
Lease interest in suspence	(118)	(342)	-	-
As at 31 March	1,547	2,570	-	-
Lease payable with in one year	(1,138)	(1,024)	-	-
Payable with in 1-2 years	**409**	**1,546**	**-**	**-**

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

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
Cargills (Ceylon) PLC				
Bank overdraft				
Commercial Bank of Ceylon PLC	100,000	11,571	On demand, based on monthly AWPLR+1.0% p. a.	Corporate guarantee from C T Holdings PLC
Seylan Bank PLC	100,000	-	On demand, based on weekly AWPLR+1.25% p.a.	Clean basis
Nations Trust Bank PLC	200,000	-	On demand, based on weekly AWPLR+1.0% p. a.	Clean basis
Deutsche Bank	45,000	19,077	On demand, based on the prevailing market rates	Clean basis
MCB Bank Limited	500,000	-	On demand, based on the prevailing market rates	Clean basis
Sampath Bank PLC	100,000	-	On demand, based on monthly AWPLR+1.0% p. a.	Clean basis
		30,648		
Short term loans				
Commercial Bank of Ceylon PLC	1,600,000	1,165,000	1-12 months, based on the prevailing market rates	Corporate guarantee for Rs.50 Mn. from C T Holdings PLC
Seylan Bank PLC	1,000,000	-	1-3 months, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	250,000	250,000	1-4 months, based on weekly AWPLR	Clean basis

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
Sampath Bank PLC	1,800,000	-	1-6 months, based on the prevailing market rates	Clean basis
Nations Trust Bank PLC	2,800,000	2,025,000	1-3 months, based on the prevailing market rates	Clean basis
Bank of Ceylon	1,500,000	-	1-12 months, based on the prevailing market rates	Clean basis
		3,440,000		
		3,470,648		
Cargills Foods Company (Private) Limited				
Bank overdraft				
Cargills Bank Limited	-	464,499	On demand, based on the prevailing market rates	Fully secured against cash
Deutsche Bank	500,000	566,127	On demand, based on the prevailing market rates	Clean basis
Commercial Bank of Ceylon PLC	50,000	195,717	On demand, based on monthly AWPLR+1.0% p. a.	Corporate guarantee from Cargills (Ceylon) PLC
Bank of Ceylon	115,000	100,750	On demand, based on monthly AWPLR+0.5% p.a.	Clean basis
		1,327,093		
Short term loans				
Standard Chartered Bank	2,600,000	2,058,300	1-4 months, based on the prevailing market rates	Clean basis
Bank of Ceylon	500,000	-	1-12 months, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	2,500,000	2,500,000	1-4 months, based on weekly AWPLR	Clean basis
Commercial Bank of Ceylon PLC	1,950,000	1,950,000	1-12 months, based on the prevailing market rates	Corporate guarantee of Rs.250.0 Mn. from Cargills (Ceylon) PLC
ICICI Bank Limited	800,000	800,000	1-3 months, based on monthly SLIBOR+0.95% p. a.	Clean basis
		7,308,300		
		8,635,393		

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
Cargills Agrifoods Limited				
Bank overdraft				
Commercial Bank of Ceylon PLC	150,000	38,430	On demand, based on monthly AWPLR+1.0% p. a.	Corporate guarantee for Rs.155 Mn. from Cargills (Ceylon) PLC
Cargills Bank Limited	-	25,991	On demand, based on the prevailing market rates	Fully secured against cash
		64,421		
Cargills Food Processors (Private) Limited				
Bank overdraft				
Cargills Bank Limited	-	72,529	On demand, based on the prevailing market rates	Fully secured against cash
Deutsche Bank	100,000	97,757	On demand, based on the prevailing market rates	Clean basis
Commercial Bank of Ceylon PLC	100,000	14,629	On demand, based on monthly AWPLR +1.0% p. a.	Corporate guarantee for Rs.50 Mn. from Cargills (Ceylon) PLC
		184,915		
Short term loans				
Commercial Bank of Ceylon PLC	250,000	100,000	1-12 months, based on the prevailing market rates	Corporate guarantee from Cargills (Ceylon) PLC
		100,000		
		284,915		
Cargills Food Services (Private) Limited				
Bank overdraft				
Deutsche Bank	5,000	3,981	On demand, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	-	37,021	1 week, based on weekly AWPLR+ 0.75%	Clean basis
Commercial Bank of Ceylon PLC	-	6,828	On demand, based on the prevailing market rates	Clean basis
		47,830		
CPC Lanka Limited				
Bank overdraft				
Cargills Bank Limited	-	3,556	On demand, based on the prevailing market rates	Fully secured against cash
		3,556		

Notes to the Financial Statements contd.

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
Cargills Quality Confectionaries (Private) Limited				
Bank Overdraft				
Commercial Bank of Ceylon PLC	90,000	41,601	On demand, based on monthly AWPLR +1.0% p. a.	Corporate guarantee for Rs.150 Mn. from Cargills (Ceylon) PLC
		41,601		
Short term loans				
Hatton National Bank PLC	200,000	65,000	1-4 months, based on weekly AWPLR	Corporate guarantee for Rs. 200 Mn. from Cargills (Ceylon) PLC
Commercial Bank of Ceylon PLC	10,000	-	1-12 months, based on the prevailing market rates	Clean basis
		65,000		
		106,601		
Cargills Quality Dairies (Private) Limited				
Bank overdraft				
Commercial Bank of Ceylon PLC	250,000	-	On demand, based on monthly AWPLR +1.0 % p. a.	Corporate guarantee for Rs.70 Mn. from Cargills (Ceylon) PLC
Seylan Bank PLC	200,000	-	On demand, based on monthly AWPLR +2.5% p. a.	Clean basis
Cargills Bank Limited	-	244,340	On demand, based on the prevailing market rates	Fully secured against cash
Deutsche Bank	100,000	98,346	On demand, based on the prevailing market rates	Clean basis
		342,686		
Short term loans				
Standard Chartered Bank	1,200,000	880,000	1-12 months, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	1,500,000	430,000	1-4 months, based on weekly AWPLR+0.75%	Clean basis
Commercial Bank of Ceylon PLC	750,000	750,000	1-12 months, based on the prevailing market rates	Clean basis
		2,060,000		
		2,402,686		

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
Cargills Quality Foods Limited				
Bank overdraft				
Commercial Bank of Ceylon PLC	150,000	131,738	On demand, based on monthly AWPLR +1.0 % p. a.	Corporate guarantee for Rs.125 Mn. from Cargills (Ceylon) PLC
Deutsche Bank	350,000	349,207	On demand, based on the prevailing market rates	Clean basis
		480,945		
Short term loans				
Standard Chartered Bank	600,000	500,000	1-6 months, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	750,000	459,045	1-4 months, based on weekly AWPLR+0.75%	Clean basis
		959,045		
		1,439,990		
Millers Limited				
Bank overdraft				
Cargills Bank Limited	-	17,806	On demand, based on the prevailing market rates	Fully secured against cash
Deutsche Bank	200,000	193,136	On demand, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	200,000	36,062	1-4 months, based on weekly AWPLR+0.75%	Corporate Guarantee for Rs. 335 Mn. from Cargills (Ceylon) PLC
		247,004		
Short term loans				
Standard Chartered Bank	250,000	-	1-4 months, based on the prevailing market rates	Corporate Guarantee for Rs. 250 Mn. from Cargills (Ceylon) PLC
Commercial Bank of Ceylon PLC	200,000	-	1-12 months, based on the prevailing market rates	Corporate Guarantee for Rs. 215 Mn. from Cargills (Ceylon) PLC
		-		
		247,004		

Institution and facility	Principal amount Rs. '000	Amount Outstanding Rs. '000	Repayment terms & interest rate	Security offered
Ceylon Agro Development Company (Private) Limited				
Bank overdraft				
Seylan Bank PLC	-	2	On demand, based on the prevailing market rates	Clean basis
Bank of Ceylon	-	10	On demand, based on the prevailing market rates	Clean basis
		12		
Short term loans				
Hatton National Bank PLC	-	84,000	1-4 months, based on weekly AWPLR+0.75%	Clean basis
		84,000		
		84,012		
Kotmale Dairy Products (Private) Limited				
Bank overdraft				
Bank of Ceylon	10,000	-	On demand, based on the prevailing market rates	Corporate guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors
Seylan Bank PLC	-	49,122	On demand, based on the prevailing market rates	Clean basis
		49,122		
Import Loan facility / Series of Loan on Import				
Bank of Ceylon	40,000	-	Based on the prevailing market rates	Corporate guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors
		49,122		
Kotmale Milk Products Limited				
Bank overdraft				
Pan Asia Bank Corporation Limited	5,000	-	On demand, based on the prevailing market rates	Corporate guarantee from Kotmale Holdings PLC
Import Loan facility				
Pan Asia Bank Corporation Limited	20,000	-	Based on the prevailing market rates	Corporate guarantee from Kotmale Holdings PLC

26. CAPITAL GRANTS

Accounting Policy

Government grants

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

	Group	
	2019 Rs. '000	2018 Rs. '000
As at 1 April	61,901	73,382
Amortisation	(11,482)	(11,481)
As at 31 March	50,419	61,901

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

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

27. EMPLOYEE BENEFIT LIABILITIES

ACCOUNTING POLICY

Defined Benefit Plan Retiring Gratuity

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

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

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

Recognition of Actuarial Gains and Losses

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

Notes to the Financial Statements contd.

Funding Arrangements

The gratuity liability is not externally funded.

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
27.1 Movement in present value of defined benefit obligations				
As at 1 April	942,633	779,767	397,146	338,695
Transferred to subsidiary/ equity accounted investees	(19,721)	-	(21,487)	-
Interest cost	153,439	89,047	39,444	38,950
Current service cost	39,872	90,501	33,590	32,322
Actuarial (gain) / loss	11,961	57,134	18,395	29,593
Benefits paid	(55,504)	(73,816)	(21,153)	(42,414)
As at 31 March	1,072,680	942,633	445,935	397,146

27.2 Liability recognised in the Statement of Financial Position

	Group		Company	
As at 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Present value of defined benefit obligation	1,072,680	942,633	445,935	397,146
Net liability of defined benefit obligation	1,072,680	942,633	445,935	397,146

27.3 Amount recognised in the Profit /loss

Continuing operations				
Current service cost	39,872	90,501	33,590	32,322
Interest cost	153,439	89,047	39,444	38,950
	193,311	179,548	73,034	71,272

27.4 Amount recognised in Other Comprehensive Income

Actuarial (gain) / loss	11,961	57,134	18,395	29,593
	11,961	57,134	18,395	29,593

This obligation is not externally funded.

The gratuity liability is based on the actuarial valuation carried out by Mr. M. Poopalanathan, AIA, Messers Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries, as at 31 March 2019. The principal assumptions, used in the actuarial valuation were as follows:

	2019 %	2018 %
Discount rate	11	10.5
Future salary increase		
- Executive	10	10
- Staff	10	10

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

27.5 Sensitivity analysis

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

Group	2019		2018	
	Increase Rs. ‘000	Decrease Rs. ‘000	Increase Rs. ‘000	Decrease Rs. ‘000
Discount rate (1% movement)	(51,385)	57,533	(46,302)	52,104
Salary increment rate (1% movement)	61,516	(55,858)	56,334	(51,017)

Company	2019		2018	
	Increase Rs. ‘000	Decrease Rs. ‘000	Increase Rs. ‘000	Decrease Rs. ‘000
Discount rate (1% movement)	(14,944)	16,456	(13,839)	15,353
Salary increment rate (1% movement)	17,986	(16,620)	17,545	(16,171)

28. TRADE AND OTHER PAYABLES

	Group		Company	
As at 31 March	2019 Rs. ‘000	2018 Rs. ‘000	2019 Rs. ‘000	2018 Rs. ‘000
Trade payables	9,770,143	9,013,585	96,826	98,589
Other payables (Note 28.1)	2,950,613	2,574,676	427,686	234,682
Accrued expenses	2,089,420	1,632,425	95,855	86,915
	14,810,176	13,220,686	620,367	420,186

28.1 Other payables of the Group and Company include Nation Building Levy (NBT) payable, Economic Service Charge (ESC) payable and SRL payable.

29. DIVIDENDS PAYABLE

As at 31 March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Unclaimed dividends	64,588	68,229	64,589	63,836
	64,588	68,229	64,589	63,836

30. SEGMENTAL INFORMATION

Accounting Policy

Segment Reporting

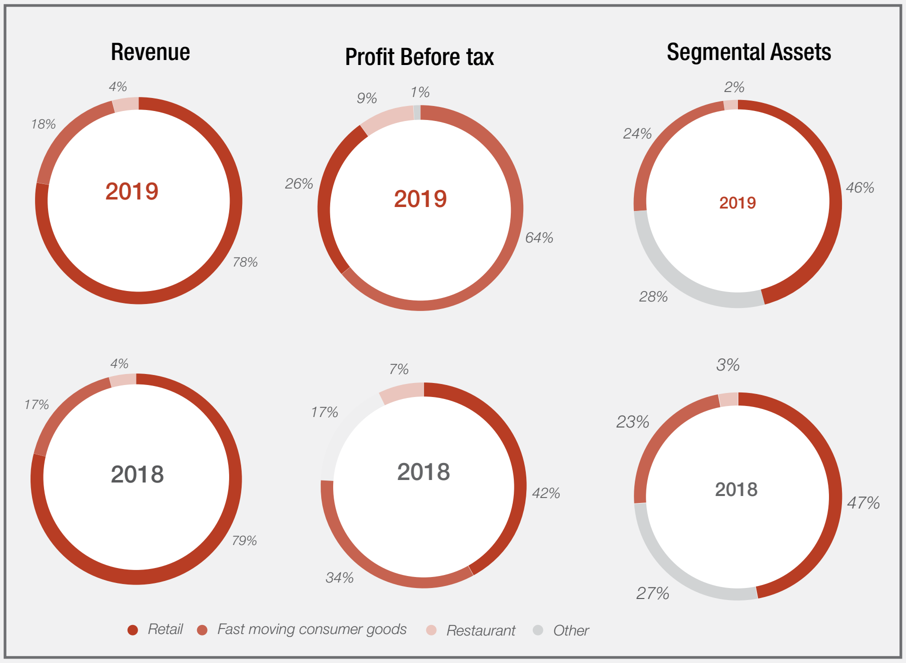
The Group's primary segments are retail, fast moving consumer goods (FMCG) and restaurant. There are no distinguishable components to be identified as geographical segments for the Group.

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

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

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

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



	Retail		Fast moving consumer goods		Restaurant		Other		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	74,413,736	72,663,916	23,758,182	22,100,907	3,873,329	3,614,482	18,743	30,210	102,063,990	98,409,515
Intra segment revenue	-	-	(180,953)	(197,273)	-	-	-	-	(180,953)	(197,273)
Inter segment revenue	(409,793)	(644,396)	(6,791,510)	(6,244,509)	-	-	(18,743)	(30,210)	(7,220,046)	(6,919,115)
	74,003,943	72,019,520	16,785,719	15,659,125	3,873,329	3,614,482	-	-	94,662,991	91,293,127
Segment operating profit	1,486,587	2,502,018	2,632,337	2,183,327	318,581	382,276	244,821	1,195,316	4,682,326	6,262,937
Net finance cost	(622,104)	(283,134)	(448,045)	(398,208)	(14,083)	(9,888)	(340,432)	(615,933)	(1,424,664)	(1,307,163)
Change in fair value of investment property	-	-	6,325	9,575	-	-	84,887	67,712	91,212	77,287
Share of equity accounted investees results	-	-	-	-	-	-	54,061	212,273	54,061	212,273
Profit before taxation	864,483	2,218,884	2,190,617	1,794,694	304,498	372,388	43,337	859,368	3,402,935	5,245,334
Income tax expense										
Current income tax	(289,619)	(551,675)	(905,770)	(703,066)	(76,676)	(136,815)	(62,067)	(217,639)	(1,334,132)	(1,609,195)
Deferred income tax	46,490	(66,173)	(49,904)	(193,748)	(6,305)	6,441	(25,271)	(51,738)	(34,990)	(305,218)
Profit for the year	621,354	1,601,036	1,234,943	897,880	221,517	242,014	(44,001)	589,991	2,033,813	3,330,921
Attributable to :										
Equity shareholders of the parent	568,549	1,472,049	1,234,181	896,480	221,517	242,014	(44,001)	589,991	1,980,246	3,200,534
Non controlling interest	52,805	128,987	762	1,400	-	-	-	-	53,567	130,387
	621,354	1,601,036	1,234,943	897,880	221,517	242,014	(44,001)	589,991	2,033,813	3,330,921
Segment assets										
Non current assets										
Property plant and equipment	13,890,704	12,161,676	6,785,215	6,407,412	1,161,684	856,936	6,039,417	5,650,793	27,877,020	25,076,817
Investment property	-	-	134,775	128,450	-	-	1,684,023	1,598,102	1,818,798	1,726,552
Intangible assets	144,317	50,018	705,534	700,034	150,210	116,340	412,653	445,294	1,412,714	1,311,686
Available for sale investments	-	-	42	49	32	42	14,463	19,577	14,537	19,668
Prepayments of leasehold buildings	50,025	-	21,875	22,750	-	-	140,208	144,060	212,108	166,810
Investment in equity accounted investees	-	-	-	-	-	-	5,296,632	5,366,761	5,296,632	5,366,761
Deferred tax assets	-	-	5,274	2,296	5,473	6,117	-	-	10,747	8,413
	14,085,046	12,211,694	7,652,715	7,260,991	1,317,399	979,435	13,587,396	13,224,587	36,642,556	33,676,707
Current assets										
Inventories	7,465,812	7,365,819	2,175,897	2,217,437	108,384	74,235	11,943	5,369	9,762,036	9,662,860
Trade and other receivables	3,280,519	2,605,162	2,617,536	2,252,937	250,629	140,221	693,772	636,798	6,842,456	5,635,118
Amount due from related companies	15,583	33,742	6,877	3,451	-	-	890,934	806,676	913,394	843,869
Short term investments	718,660	707,102	182,107	263,385	-	-	8,834	2,952	909,601	973,439
Cash and cash equivalents	1,771,214	1,045,280	943,323	726,821	113,655	97,158	230,692	131,029	3,058,884	2,000,288
	13,251,788	11,757,105	5,925,740	5,464,031	472,668	311,614	1,836,175	1,582,824	21,486,371	19,115,574
Total segmental assets	27,336,834	23,968,799	13,578,455	12,725,022	1,790,067	1,291,049	15,423,571	14,807,411	58,128,927	52,792,281

Notes to the Financial Statements contd.

	Retail		Fast moving consumer goods		Restaurant		Other		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Segment liabilities										
Non current liabilities										
Borrowings	–	-	409	1,546	-	-	–	-	409	1,546
Deferred tax liability	368,854	413,479	661,717	608,899	98,043	92,382	258,010	237,890	1,386,624	1,352,650
Deferred income	-	-	50,419	61,901	-	-	-	-	50,419	61,901
Employee benefits	548,363	480,722	78,382	64,765	-	-	445,935	397,146	1,072,680	942,633
Put liability	-	-	-	-	-	-	3,456,493	3,089,325	3,456,493	3,089,325
	917,217	894,201	790,927	737,111	98,043	92,382	4,160,438	3,724,361	5,966,625	5,448,055
Current liabilities										
Trade and other payables	11,362,483	10,418,658	2,142,893	1,855,362	683,838	526,358	620,962	420,308	14,810,176	13,220,686
Current tax liabilities	365,831	685,582	1,669,858	1,391,469	368,736	305,990	97,075	211,196	2,501,500	2,594,237
Amount due to related companies	5,822	2,925	-	250	-	-	-	-	5,822	3,175
Dividends payable	-	-	-	4,393	-	-	64,588	63,836	64,588	68,229
Borrowings	8,635,393	6,345,592	4,398,529	4,971,556	332,745	277,653	3,470,648	3,042,787	16,837,315	14,637,588
	20,369,529	17,452,757	8,211,280	8,223,030	1,385,319	1,110,001	4,253,273	3,738,127	34,219,401	30,523,915
Total segmental liabilities	21,286,746	18,346,958	9,002,207	8,960,141	1,483,362	1,202,383	8,413,711	7,462,488	40,186,026	35,971,970
Other information										
Capital expenditure	2,975,748	4,021,997	748,565	1,187,406	461,121	87,028	65,672	56,967	4,251,106	5,353,398
Depreciation	1,398,430	1,214,944	790,982	720,161	183,649	179,561	57,967	53,983	2,431,028	2,168,649

Segmental information - the secondary segments (geographical segments)

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

31. COMMITMENTS

	Group		Company	
As at 31 March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Capital commitment				
Approved and contracted	1,473,460	2,026,543	587,794	511,862
Financial commitments				
(a) Future payments of operating lease rentals				
- within 1 year.	2,095,122	1,115,657	2,135	1,960
- between 1 -5 years	9,274,663	6,849,979	12,040	11,235
- more than 5 years	14,656,878	12,142,942	143,465	146,405
	26,026,663	20,108,578	157,640	159,600
(b) Settlement of letter of credits and import bills	207,093	112,157	-	-

32. CONTINGENT LIABILITIES

Accounting Policy

Contingencies

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

Income tax

The income tax exemption claimed under the Inland Revenue Act No 10 of 2006 is being contested by the Department of Inland Revenue. Contingent liabilities on potential income tax payments are as follows:

Cargills Agrifoods Limited - Rs. 16.6 Mn, Cargills Quality Dairies (Private) Limited - Rs. 40.3 Mn, Cargills Quality Foods Limited - Rs.139.5 Mn and Kotmale Dairy Products (Private) Limited Rs. 43.81 Mn.

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

Letter of guarantee to Commercial Banks

The Company has given letter of guarantee to Commercial Banks on behalf of the subsidiary companies amounting to Rs. 1.8 Bn. Kotmale Holding PLC a subsidiary of the company has given letters of guarantee to Commercial Banks on behalf of its subsidiary companies Kotmale Dairy products (Pvt) Ltd (Rs. 50 Mn) and Kotmale Milk Products Ltd Rs. 25 Mn) amounting to Rs. 75 Mn. The Directors do not expect any claim on these guarantees. Accordingly, no provision has been made in the financial statements.

Corporate guarantee

The Company has provided Bank Guarantees to Lion Brewery (Ceylon) PLC and its subsidiary Pearl Springs (Pvt) Ltd to the value of Rs. 150 Mn to cover contingent tax liabilities in connection with the disposal of the investment in Millers Brewery Limited. The Directors do not expect any claim on this guarantees. Accordingly, no provision has been made in the financial statements.

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

33. EVENTS AFTER THE REPORTING DATE

The Company has issued 1,221,116 shares on 29 April 2019. (Please refer Note 23)

The Board of Directors have proposed a final dividend of 4.10 Rupee per share on 25th June 2019 (on the 257,221,043 shares now in issue) for the year ended 31 March 2019 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.07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007, and has obtained a certificate from auditors.

In accordance with LKAS 10 - "Events after the reporting period", the final dividend has not been recognised as a liability in the financial statements as at 31 March 2019.

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

34. TRANSACTIONS WITH GROUP COMPANIES

Accounting Policy

Related Party Transaction

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

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

The company has provided corporate guarantees for the term loans and banking facilities obtained by its subsidiary companies, the details of which has been disclosed under Note 25.3 to the Financial statements.

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

34.1 Transactions with key management personnel (KMP)

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

The Group and the Company has paid Rs. 408.98 Mn (2018 - Rs. 352.09 Mn) and Rs. 49.48 Mn (2018 - 43.37 Mn) respectively to the directors as emoluments and no post employment benefits during the year. There are no other payments made to key management personnel apart from the disclosed amount.

34.2 Amount due from/due to related companies

Amounts due from and due to related companies as at the year end have been disclosed under Note 20 to these financial statements.

34.3 Transactions with related companies

For the year ended 31 March	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Transaction with related parties				
Subsidiaries				
Sale / (Purchase)	-	-	18,743	35,092
Other Income / (Expense)	-	-	941,158	760,616
Fund Transfer / (Settlement)	-	-	(914,218)	(715,732)
Holding company				
Sale / (Purchase)	-	-	-	-
Other Income / (Expense)	(21,122)	-	-	-
Fund Transfer / (Settlement)	17,905	3,225	2,063	3,225
Other related companies				
Sale / (Purchase)	4,080	3,310	-	-
Other Income / (Expense)	73,882	134,227	91,824	91,811
Fund Transfer / (Settlement)	5,289	(38,241)	(9,825)	(24,290)

The other expense relating to Company includes employee benefit cost transfer to subsidiaries amounting to Rs. 40.39 Mn (2018 - 41.04 Mn) for the year ended 31st March 2019.

Net dividends received from subsidiary companies

	2019 Rs. '000	2018 Rs. '000
Cargills Quality Foods Limited	1,412,401	1,538,039
Cargills Foods Company (Private) Limited	237,747	644,670
Cargills Foods Processers (Private) Limited	107,550	-
Kotmale Holding PLC	-	855
Dawson Office Complex (Private) Limited	-	267,347

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

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

(a) the individual's domestic partner and children;

(b) children of the individual's domestic partner; and

(c) dependents of the individual or the individual's domestic partner

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

Double Yummm (Private) Limited
Mrs. R Page, wife of the Deputy Chairman is a Director of the above company with which the Cargills Food Company (Private) Limited had the following transaction during the year and the amount outstanding as at 31 March 2019 was Rs. 10.73 Mn (2018 - Rs. 8.36 Mn).

Purchases for re-sale in the ordinary course of business of Rs. 114.20 Mn (2018 - Rs. 79.98 Mn) Rental income of Rs. 0.84 Mn (2018 - Rs. 0.98 Mn).

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

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

35. COMPARATIVE INFORMATION

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

36. FINANCIAL INSTRUMENTS

36.1 Financial Assets and Liabilities by Categories

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

Financial Assets by Categories (Group)	Loans and Receivables (L&R)		Available- for- sale Financial Assets (AFS)	
As at 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Financial assets measured at fair value				
Other financial instruments	-	-	14,537	19,668
Financial assets not measured at fair value				
Trade and other receivables	6,842,456	5,635,118	-	-
Amounts due from related companies	913,394	843,869	-	-
Other financial assets	909,601	973,439	-	-
Cash at bank and in hand	3,058,884	2,000,288	-	-
Total	11,724,335	9,452,714	14,537	19,668

Financial Liabilities by categories financial liabilities measured at Amortised cost.

As at 31st March (Group)	Other financial Liabilities (36.1.(a)) 2019 Rs. '000	2018 Rs. '000
Financial liabilities not re-measured at fair value		
Interest bearing loans and borrowings	16,837,724	14,639,134
Trade and other payables	14,810,176	13,220,686
Amounts due to related companies	5,822	3,175
Total	31,653,722	27,862,995

Financial Assets by Categories (Company)	Loans and Receivables (L&R)		Available-for-sale Financial Assets (AFS)	
As at 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Financial assets measured at fair value				
Other financial instruments	-	-	14,463	19,577
Financial assets not measured at fair value				
Trade and other receivables	1,682,799	635,515	-	-
Amounts due from related companies	1,037,244	924,502	-	-
Other financial assets	-	-	-	-
Cash at bank and in hand	230,297	12,594	-	-
Total	2,950,340	1,572,611	14,463	19,577

Financial Liabilities by Categories measured at amortised cost

As at 31st March (Company)	Other Financial Liabilities (36.1.(a) 2019 Rs. '000	2018 Rs. '000
Financial liabilities not re-measured at fair value		
Interest bearing loans and borrowings	3,470,648	3,042,787
Trade and other payables	620,367	420,186
Amounts due to related companies	4,238	21,242
Total	4,095,253	3,484,215

Notes to the Financial Statements contd.

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

36.2 Fair Value Hierarchy

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

The different levels have been defined as follows:

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

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

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

	Level 1		Level 2		Level 3		Total	
As at 31st March	2019	2018	2019	2018	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group								
Freehold land and buildings	-	-	-	-	12,205,767	11,673,264	12,205,767	11,673,264
Investment property	-	-	-	-	1,818,798	1,726,552	1,818,798	1,726,552
Available for sale - Financial Assets	14,537	19,668	-	-	-	-	14,537	19,668
Company								
Freehold land and buildings	-	-	-	-	2,613,287	2,611,075	2,613,287	2,611,075
Investment property	-	-	-	-	3,514,555	3,207,009	3,514,555	3,207,009
Available for sale - Financial Assets	14,463	19,577	-	-	-	-	14,463	19,577

36.2.1 Assets and liabilities measured at fair value - Recurring

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

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

37. FINANCIAL RISK MANAGEMENT

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk Management Framework

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

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

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

37.1 Credit risk

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

Carrying amount of financial assets represents the maximum credit exposure.

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

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Trade receivables	3,603,159	2,824,313	101,417	89,516
Loans and advances	64,872	41,304	10,092	10,779
Amount due from related companies	913,394	843,869	1,037,244	924,502
Cash and cash equivalents	3,058,884	2,000,288	230,297	12,594
Total credit risk exposure	**7,640,309**	**5,709,774**	**1,379,050**	**1,037,391**
Available for sale investments	14,537	19,668	14,463	19,577
Total equity risk exposure	14,537	19,668	14,463	19,577

37.1.1 Trade receivables

As at 31 March	Group 2019 Rs. '000	Group 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Past due 1 - 30 days	2,427,121	1,891,442	3,178	86,231
Past due 31 - 60 days	566,484	548,135	746	1,662
Past due 61 - 90 days	337,667	201,130	443	1,261
> 91 days	271,887	183,606	97,050	362
	3,603,159	2,824,313	101,417	89,516

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

37.1.2 Loans and advances

The loans and advances represents loans given to permanent employees.

37.1.3 Amount due from related companies

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

37.1.4 Cash and cash equivalents

The Group and the Company held cash and cash equivalents of Rs. 3058.88 Mn and Rs. 230.29 Mn at 31 March 2019 (2018 - Rs. 2,000.28 Mn and Rs. 12.59 Mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks, which are rated AAA(lka) to A(lka), based on Fitch Ratings.

37.1.5 Guarantees

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

37.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to shortage of funds by considering maturity of both the Group's financial investment and financial assets and other projected cash flow from operations.

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

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

Notes to the Financial Statements contd.

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

Group	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Financial instruments in non-current liabilities							
Borrowings							
Financial instruments in current liabilities							
Trade & other payables	14,810,176	-	-	-	-	-	14,810,176
Amounts due to related companies	5,822	-	-	-	-	-	5,822
Current portion of finance lease liabilities	1,137	-	-	-	-	-	1,137
Short term loan	14,016,345	-	-	-	-	-	14,016,345
Bank overdraft	2,819,833	-	-	-	-	-	2,819,833
	31,653,313	-	-	-	-	-	31,653,313

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

Group	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Financial instruments in non-current liabilities							
Borrowings	-	-	-	-	-	-	-
Financial instruments in current liabilities							
Trade & other payables	13,220,686	-	-	-	-	-	13,220,686
Amounts due to related companies	3,175	-	-	-	-	-	3,175
Current portion of finance lease liabilities	1,024	-	-	-	-	-	1,024
Short term loan	11,867,036	-	-	-	-	-	11,867,036
Bank overdraft	2,769,528	-	-	-	-	-	2,769,528
	27,861,449	-	-	-	-	-	27,861,449

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

Company	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Financial instruments in non-current liabilities							
Borrowings	-	-	-	-	-	-	-
Financial instruments in current liabilities							
Trade & other payables	620,367	-	-	-	-	-	620,367
Amounts due to related companies	4,238	-	-	-	-	-	4,238
Short term loan	3,440,000	-	-	-	-	-	3,440,000
Bank overdraft	30,648	-	-	-	-	-	30,648
	4,095,253	-	-	-	-	-	4,095,253

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

Company	Within 1 year Rs. '000	Between 1-2 years Rs. '000	Between 2-3 years Rs. '000	Between 3-4 years Rs. '000	Between 4-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Financial instruments in non-current liabilities							
Borrowings	-	-	-	-	-	-	-
Financial instruments in current liabilities							
Trade & other payables	420,186	-	-	-	-	-	420,186
Amounts due to related companies	21,242	-	-	-	-	-	21,242
Short term loan	2,995,000	-	-	-	-	-	2,995,000
Bank overdraft	47,787	-	-	-	-	-	47,787
	3,484,215	-	-	-	-	-	3,484,215

37.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

37.3.1 Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the Sri Lankan rupees (LKR).The Group also has limited exposure in respect of recognised foreign currency assets and liabilities.

37.3.2 Interest rate risk

The Group is exposed to interest rate risk on borrowings and deposits. The Group's interest rate policy seeks to minimise the cost and volatility of the Group's interest expense by maintaining a diversified portfolio of fixed rate, floating rate and inflation-linked liabilities.

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

37.4 Capital management

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

As at 31 March	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Total Liabilities	40,186,026	35,971,970	4,890,089	4,294,308
Less: Cash and Cash Equivalents	3,058,884	2,000,288	230,297	12,594
Net Debt	37,127,142	33,971,682	4,659,792	4,281,714
Total Equity	**17,942,901**	**16,820,311**	**12,642,189**	**11,510,378**
Net Debt to Equity Ratio	2.07	2.02	0.37	0.37

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

Five Year Financial Summary

Group	2015	2016	2017	2018	2019
Continuing Operations	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Revenue	61,631,285	71,441,850	84,190,870	91,293,127	94,662,991
Profit from operation	1,571,788	3,463,013	5,091,120	6,262,937	4,682,326
Profit before taxation	804,653	2,886,008	4,154,134	5,245,334	3,402,935
Profit after taxation	**247,217**	**1,690,581**	**2,284,196**	**3,330,921**	**2,033,813**
Discontinued Operations					
Profit/loss from discontinued operation, net of tax	352,761	-	-	-	-
Profit for the year	**599,978**	**1,690,581**	**2,284,196**	**3,330,921**	**2,033,813**
Attributable to					
Owners of the company	576,179	1,623,986	2,140,184	3,200,534	1,980,246
Non controlling interest	23,799	66,595	144,012	130,387	53,567
	599,978	**1,690,581**	**2,284,196**	**3,330,921**	**2,033,813**
Financial position					
Stated capital	130,723	130,723	130,723	6,530,709	6,530,709
Reserves	12,411,816	13,990,556	13,826,109	9,797,683	10,890,361
Non controlling interest	336,608	383,539	415,091	491,919	521,831
Capital and reserves	12,879,147	14,504,818	14,371,923	16,820,311	17,942,901
Current assets	12,609,562	14,931,269	15,932,377	19,115,574	21,486,371
Current liabilities	(20,392,074)	(23,755,857)	(30,274,672)	(30,523,915)	(34,219,401)
Working capital	(7,782,512)	(8,824,588)	(14,342,295)	(11,408,341)	(12,733,030)
Non current assets	24,553,989	27,279,866	33,371,059	33,676,707	36,642,556
Non current liabilities	(3,892,330)	(3,950,460)	(4,656,841)	(5,448,055)	(5,966,625)
Non controlling interest	(336,608)	(383,539)	(415,091)	(491,919)	(521,831)
Net assets	12,542,539	14,121,279	13,956,832	16,328,392	17,421,070

Five Year Financial Summary contd.

Group	2015	2016	2017	2018	2019
Continuing Operations	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Key Indicators					
Growth in turnover (%)	5.67	15.92	18.55	8.44	3.69
Growth in earnings (%)	(7.63)	181.77	35.11	45.82	(38.94)
Operating profit to turnover (%)	2.55	4.85	6.05	6.86	4.95
Earnings to turnover (%)	0.97	2.37	2.71	3.65	2.15
Return on total assets (%)	1.61	4.01	4.63	6.31	3.50
Growth in total assets (%)	(5.54)	13.58	16.36	7.08	10.11
Growth in capital and reserves (%)	4.63	12.62	(0.92)	17.04	6.67
Return on capital and reserves (%)	4.66	11.66	15.89	19.80	11.33
Return on investment (%)	4.76	12.35	15.82	21.36	11.70
Earnings per share (Rs.)	2.57	7.25	9.55	12.50	7.74
Dividends per share (Rs.)	2.00	3.50	5.60	6.00	1.90
Net assets per share (Rs.)	55.99	63.04	62.31	63.78	68.05
Dividends paid per share (Rs.)	2.00	2.55	7.85	6.00	1.90
Dividend pay out (%)	77.75	48.28	58.64	42.06	24.56
Dividends paid	448,000	571,370	1,758,400	1,344,000	486,400
Debt equity ratio (times)	1.89	1.91	2.43	2.14	2.24
Interest cover (times)	1.89	5.73	4.53	4.79	3.29
Current ratio (times)	0.62	0.63	0.53	0.63	0.63
Quick assets ratio (times)	0.31	0.33	0.25	0.31	0.34
Capital additions	1,788,079	2,264,911	3,327,098	5,353,398	4,251,106
Market capitalisation	30,688,000	33,600,000	42,044,800	49,894,400	51,200,000

a) Return on investment is computed by dividing the profit for the year by total average assets employed.
b) Debt equity ratio is computed by dividing the total liabilities by the shareholders' funds.

Group Real Estate Portfolio

Location	Land Extent	Building Area (Sq. Ft)	Valuation/ Cost Rs'000	Year of Valuation
Cargills (Ceylon) PLC				
Colombo 01	141 Perches	124,215	2,611,075	2018
Staple Street - Colombo 2	81.5 Perches	20,970	869,466	2019
Braybrooke Place	78 Perches	5,146	690,216	2019
Canal Raw - Colombo 01	15 Perches	12,300	388,050	2019
Cargills Square - Jaffna	Leasehold	99,164	1,045,700	2019
Dematagoda	84 Perches	37,967	513,644	2019
Cargills Foods Company (Private) Limited				
Kandy	88 Perches	25,174	1,350,085	2018
Maharagama	145 Perches	15,827	595,050	2018
Nuwara Eliya	57 Perches	9,617	223,500	2018
Mattakkuliya (111)	330 Perches	80,967	826,000	2018
Park Road	-	4,610	54,000	2018
Kohuwala	29 Perches	6,225	115,055	2018
Mattakkuliya (141)	288 Perches	44,469	515,800	2018
Gampaha	82.6 Perches	39,565	341,500	2018
Moratuwa	78.6 Perches	-	275,100	2018
Ingiriya (Lot A,C,D,B1)	26 Acres	-	243,000	2018
Negombo	28.8 Acres	-	495,685	
Cargills Quality Foods Limited				
Ja - Ela	5.1 Acres	38,381	410,640	2018
Mattakkuliya	1.3 Acres	16,517	423,360	2019
Ja ela	4 Acres	28,976	120,850	2019
Cargills Agrifoods Limited				
Katana	11.3 Acres	68,624	544,046	2018

Group Real Estate Portfolio contd.

Location	Land Extent	Building Area (Sq.Ft)	Valuation/ Cost Rs'000	Year of Valuation
Millers Limited				
Kelaniya	1.5 Acres	55,770	365,000	2018
Nittambuwa	112 Perches	-	134,775	2019
CPC Lanka Limited				
Katoolaya estate, Thawalantenne	4 Acres	16,706	59,350	2018
Cargills Quality Dairies (Private) Limited				
Mirigama, Baduragoda	49.8 Perches	-	7,000	2018
Mirigama, Baduragoda	38.5 Perches	-	3,404	
Kotmale Dairy Products (Private) Limited				
Mulleriyawa	1.7 Acres	28,862	186,690	2018
Bogahawatta	1 Acres	16,304	28,500	2018
Hatton	17.4 Acres	12,479	91,845	2018
Fredrick North Hotel Company Limited				
Boralesgamuwa	2.5 Acres	23,168	363,250	2019
The Empire Investments Company (Private) Limited				
Bandarawela	85 Perches	6,345	372,177	2019
Katubedda	1.15.Acres	3,500	488,958	2019

Investor Relations Supplement

1. GENERAL

Stated capital	Rs. 6,530,708,400
Issued shares	255,999,927
Class of shares	Ordinary shares
Voting rights	One vote per ordinary share

2. STOCK EXCHANGE LISTING

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

3. DISTRIBUTION OF SHAREHOLDERS

Size of	31 Mach 2019				31 Mach 2018			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1-1,000	1,088	60.08	182,721	0.07	1,099	57.75	188,846	0.07
1,001-10,000	477	26.34	1,603,458	0.63	537	28.22	1,788,451	0.70
10,001-100,000	182	10.05	5,235,507	2.05	195	10.25	5,945,757	2.32
100,001-1,000,000	47	2.60	12,048,239	4.70	55	2.89	13,912,036	5.43
1,000,001and over	17	0.94	236,930,002	92.55	17	0.89	234,164,837	91.47
	1,811	100.00	255,999,927	100.00	1,903	100.00	255,999,927	100.00

4. ANALYSIS OF SHAREHOLDERS

	31 Mach 2019				31 Mach 2018			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Group of								
Institutions	106	5.85	223,009,882	87.11	124	6.52	221,426,359	86.49
Individuals	1,705	94.15	32,990,045	12.89	1,779	93.48	34,573,568	13.51
Total	1,811	100.00	255,999,927	100.00	1,903	100.00	255,999,927	100.00
Residents	1,723	95.14	237,570,379	92.80	1,809	95.06	240,439,556	93.92
Non residents	88	4.86	18,429,548	7.20	94	4.94	15,560,371	6.08
Total	1,811	100.00	255,999,927	100.00	1,903	100.00	255,999,927	100.00

5. SHARE VALUATION

The market price per share recorded during the year ended

31 March	2019 Rs	2018 Rs
Highest	209.90	220.50
Lowest	190.00	180.00
Last traded price	200.00	194.90

Investor Relations Supplement contd.

6. TOP 20 SHAREHOLDERS

The holdings of the top 20 shareholders

	31 Mach 2019		31 Mach 2018	
	Number of Shares	%	Number of Shares	%
C T Holdings PLC	179,713,417	70.20	179,713,417	70.20
Mr. V R Page	17,335,169	6.77	17,142,964	6.70
Employees' Provident Fund	8,407,333	3.28	8,407,333	3.28
Odeon Holdings (Ceylon) (Private) Limited	5,511,909	2.15	5,511,909	2.15
Ms. M M Page	4,951,458	1.93	5,133,946	2.01
Ceylon Guardian Investment Trust PLC - A/C No.1	4,772,229	1.86	4,772,229	1.86
CITI Bank New York S/A Norges A/C No. 2	4,653,487	1.82	-	-
BNYMSANV RE-LF Ruffer Investment Funds : LF Ruffer Pacific And Emerging Markets Fund	3,970,920	1.55	3,970,920	1.55
Seb Ab - Tundra Frontier Opportunities Fund	2,609,579	1.02	2,609,579	1.02
BNYMSANV RE-Butterfield Trust (Bermuda) Limited	1,551,429	0.61	1,551,429	0.61
Mellon Bank N.A. - Florida Retirement System	1,487,771	0.58	1,487,771	0.58
Bank of Ceylon - A/C No. 1	1,484,124	0.58	1,484,129	0.58
Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	1,031,737	0.40	1,031,737	0.40
GF Capital Global Limited	1,016,000	0.40	1,016,000	0.40
The Associated Newspapers of Ceylon Limited	914,103	0.36	914,103	0.36
Ceylon Investment PLC A/C No.2	720,502	0.28	670,759	0.26
Sir Chittampalam A Gardiner Trust	643,474	0.25	643,474	0.25
Ceylon Guardian Investment Trust PLC - A/C No.2	521,771	0.20	521,771	0.20
Mr. J C Page	520,000	0.20	520,000	0.20
Mr. P.E. Muttukumaru	480,000	0.19	480,000	0.19
Total	242,296,412	94.65	237,583,470	92.81

7. PUBLIC HOLDING

The percentage of shares held by the public and number of public shareholders as at 31 March 2019 is 20.46%. (2018 - 20.38%) and 1,794 (2018 - 1,883) respectively. The total number of shares in issue is 255,999,927, of which Public Holding represents 52,371,806 shares. The float adjusted market capitalisation amounts to Rs10.5Bn. Accordingly, the Company complies with the Minimum Public Holding requirement of the Main Board as per Option 1 of Section 7.13.1 (a) of the CSE Listing Rules.

Notice of Annual General Meeting

Notice is hereby given that the seventy third Annual General Meeting of the Company will be held on Thursday, 25 July 2019, at 09.30 a.m. at the Auditorium of the SRI LANKA FOUNDATION, 100, Padanam Mawatha, Independence Square, Colombo 07, and the business to be brought before the meeting will be:

1 To consider and adopt the Annual Report of the Board and the Statements of Accounts for the year ended 31 March 2019, with the Report of the Auditors thereon
2. To declare a dividend as recommended by the Directors
3. To re-elect Directors
   a) J. C. Page, retires by rotation in terms of the Company's Articles of Association and being eligible
      offers himself for re-election, and
   b) Y. Kanagasabai, and
   c) Asoka Pieris who were appointed on 25 February 2019 also retire in terms of the Company's Articles of
      Association and being eligible offer themselves for re-appointment, and
   d) A. T. P. Edirisinghe,
   e) Sunil Mendis,
   f) E. A. D. Perera, and
   g) Deva Rodrigo, who retire in terms of Section 210 (2) (b) of the Companies Act No. 07 of 2007 having surpassed seventy years of age and offer themselves for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 07 of 2007 with the unanimous support of the other Directors:

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

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

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

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

4. To authorise the Directors to determine contributions to charities for the financial year 2019/20
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
01 July 2019

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

Notes

Proxy Form

For use at the seventy third Annual General Meeting

*I/We ....

....

of..

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

....of..

...............whom failing ....

.... of ....or failing him/her,
the Chairman of the Meeting as *my/our Proxy to represent *me/us and to vote for on *my/our behalf at the seventy third Annual General Meeting of the Company to be held on Thursday, 25 July 2019 and at any adjournment thereof and at every Poll which may be taken in consequence thereof in the manner indicated below:

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

....

Date

....

Signature of member (s)

NOTES:

(a) *Strike out whichever is not desired

(b) Instructions as to completion of the Form of Proxy are set out in the reverse hereof

(c) A Proxy holder need not be a Member of the Company

(d) Please indicate with an "X" in the cage provided how your Proxy holder should vote. If no indication is given, or if there is, in the view of the Proxy holder, any doubt (by reason of the manner in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder in his/her discretion may vote as he/she thinks fit

INSTRUCTIONS FOR COMPLETION OF THE PROXY FORM

1. To be valid, the completed Form of Proxy should be deposited at the Registered Office of the Company at No: 40, York Street, Colombo 1, not less than 48 hours before the time appointed for the holding of the Meeting.

2. In perfecting the form, please ensure that all details are legible. If you wish to appoint a person other than the Chairman as your proxy, please fill in your full name and address, the name and address of the proxy holder and sign in the space provided and fill in the date of signature.

3. The instrument appointing a Proxy shall, in the case of an individual, be signed by the appointer or by his Attorney and in the case of a Corporation must be executed under its Common Seal or in such other manner prescribed by its Articles of Association or other constitutional documents.

4. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy, if it has not already been registered with the Company.

5. In the case of joint holders, only one need sign. The votes of the senior holder who tenders a vote will alone be counted.

6. In the case of non-resident Shareholders, the stamping will be attended to upon return of the completed form of proxy to Sri Lanka.

Corporate Information

Name of Company
Cargills (Ceylon) PLC

Company Registration No.
PQ 130

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

Board of Directors
Louis Page (Chairman)
Ranjit Page (Deputy Chairman/CEO)
Imtiaz Abdul Wahid (Managing Director/Deputy CEO)
Sidath Kodikara**
Prabhu Mathavan**
Priya Edirisinghe
Sanjeev Gardiner
Sunil Mendis
Anthony A Page*
Joseph Page
Errol Perera
Deva Rodrigo
Yudhishtran Kanagasabai (w. e. f. 25 Feb 2019)
Asoka Pieris (w. e. f. 25 Feb 2019)

Company Secretary
Sarath Dissanayake

Remuneration Committee
Sunil Mendis (Chairman)
Priya Edirisinghe
Deva Rodrigo

Audit Committee
Priya Edirisinghe (Chairman)
Sunil Mendis
Errol Perera
Deva Rodrigo
Yudhishtran Kanagasabai (w. e. f. 25 Feb 2019)

Related Party Transactions Review Committee
Priya Edirisinghe (Chairman)
Sunil Mendis
Errol Perera
Deva Rodrigo
Yudhishtran Kanagasabai (w. e. f. 25 Feb 2019)

Stock Exchange Listing
Colombo Stock Exchange

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

Postal Address
P.O. Box 23, Colombo 1

Auditors
KPMG
Chartered Accountants

Bankers
Bank of Ceylon
Cargills Bank
Commercial Bank of Ceylon Deutsche Bank
DFCC Bank
Habib Bank
HNB Bank
HSBC Bank
ICICI Bank
MCB Bank
NDB Bank
Nations Trust Bank
Pan Asia Bank People's
Bank Sampath Bank
Seylan Bank
Standard Chartered Bank
State Bank of India

Subsidiary Companies
Cargills Agrifoods Limited
Cargills Agro Development Company (Private) Limited
Cargills Distributors (Private) Limited
Cargills Enterprise Solutions (Private) Limited
Cargills Food Processors (Private) Limited
Cargills Food Services (Private) Limited
Cargills Foods Company (Private) Limited
Cargills Frozen Products (Private) Limited
Cargills Quality Confectioneries (Private) Limited
Cargills Quality Dairies (Private) Limited
Cargills Quality Foods Limited
C P C Lanka Limited
Dawson Office Complex (Private) Limited
Frederick North Hotel Company Limited
Kotmale Dairy Products (Private) Limited
Kotmale Holdings PLC
Kotmale Milk Foods Limited
Kotmale Milk Products Limited
Kotmale Products
Limited Millers Limited
The Empire Investments Company (Private) Limited

Associate Companies
C T Properties Limited
Cargills Bank Limited

* Mr. Anthony A Page - ceased to be a Director at the conclusion of the AGM held on 27 Aug 2018 on having attained 70 years of age on 21 March 2018 and not seeking re-election.

**Messrs. Sidath Kodikara and Prabhu Mathavan resigned from their position as Director on 31 January 2019.

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CREATING VALUE SINCE 1928
A MEMBER OF C T HOLDINGS PLC

www.cargillsceylon.com

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

SINCE 1844
Cargills