

OUR VALUE CREATION STORY
HOLDING TRUE TO OUR PURPOSE

2022 23





Our Vision

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

Our 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.

“

The challenging operating environment of the past year has reinforced our commitment to the Cargills philosophy of community development. By growing with our partners, we have been able to create shared value, give back to our communities, and support the national economic recovery efforts. We continued to invest in building markets across the country, expanding production capacity, strengthening distribution channels, and driving digitalisation across our business units. Despite the challenges which prevailed, including high market interest rates and difficulty in importing capital goods, the Group invested Rs. 10.8 Bn. during the reporting period.

”

Louis Page

– Chairman

“

The Management is confident the Company will be able to navigate through this turbulent environment. The investments we have made in the past, as well as the selective investments we will continue to make, will position the Company to grow and expand its reach within the Sri Lankan market and beyond.

”

Imtiaz Abdul Wahid

– Group Managing Director

04

PREAMBLE**04 THE CARGILLS JOURNEY****13 OUR LEGACY****16 HIGHLIGHTS**

16	Financial Highlights 2022/23
18	Business Impact Highlights 2022/23

20 OUR BUSINESS

22

**CHAIRMAN'S
MESSAGE**

CREATING
SHARED
VALUE, GIVING
BACK TO OUR
COMMUNITY,
AND
SUPPORTING
THE NATIONAL
ECONOMIC
RECOVERY

24

**MANAGING
DIRECTOR'S
MESSAGE**

DRIVING
PRODUCTIVITY
TO PROVIDE
AFFORDABLE
NUTRITION

30

**TAKING
STOCK**

A DISCUSSION
ON HOW WE ARE
FARING IN LIVING
OUR PURPOSE

30 A REVIEW OF OUR OPERATIONS

31	Operating Segments
54	Shared Services

**56 COMMUNITY FRIENDLY
NATIONAL DEVELOPMENT**

57	Our Approach to Sustainability
59	Reducing the Cost of Living
68	Bridging Regional Disparity
98	Healthy, Safe and Affordable Nutrition
116	Enhancing Youth Skills
126	Building Equality, Diversity and Inclusivity
150	Playing our Part for the Planet

162

STEWARDSHIP

162 BOARD OF DIRECTORS

167 CORPORATE GOVERNANCE

187 ENTERPRISE RISK MANAGEMENT

191 ANNUAL REPORT OF
THE DIRECTORS ON THE
AFFAIRS OF THE COMPANY

195 STATEMENT OF DIRECTORS'
RESPONSIBILITY

196 INDEPENDENT ASSURANCE REPORT

199

FINANCIAL STATEMENTS

200 INDEPENDENT AUDITOR'S REPORT

203 STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE
INCOME

204 STATEMENT OF FINANCIAL
POSITION

205 STATEMENT OF CHANGES IN
EQUITY

207 STATEMENT OF CASH FLOWS

208 NOTES TO THE FINANCIAL
STATEMENTS

255

ANNEXURES

256 ABOUT THE REPORT

257 Stakeholder Engagement

259 Materiality

259 GRI Content Index

260 FIVE YEAR FINANCIAL SUMMARY

261 INVESTOR RELATIONS
SUPPLEMENT

263 GROUP REAL ESTATE PORTFOLIO

264 NOTICE OF ANNUAL GENERAL
MEETING

ENCLOSED – FORM OF PROXY

INNER BACK COVER –
CORPORATE INFORMATION

Scan to
view the PDF



THE CARGILLS JOURNEY

From a traditional retailer
to a leading food company
serving the needs of the
community

Our business model was built step by step, transforming Cargills from a traditional retailer to a food company serving the needs of all communities across the country. Prior to 1983, the business was limited to 4 upmarket department stores in Colombo, Nuwara Eliya, Kandy, and Bandarawela, catering to an urban demographic. At its inception in 1844, Cargills was a general warehouse, import, and wholesale business.



Cargills Fort building in Colombo (top) and the Cargills building in Kandy (bottom)

Today, Cargills is Sri Lanka's largest food company, renowned for its role in building communities and creating sustainable markets for local producers. This change in the business model started in 1983, when the first "Cargills Food City" supermarket was opened at Staple Street in Colombo. Though many in Sri Lanka see Cargills as the pioneer of modern trade in the country, in reality, there were a handful of standalone supermarkets before us. However, recognising the opportunity in the market, Cargills entered the supermarket industry and more importantly, took on the mantle of taking supermarkets beyond Colombo, introducing the concept to communities across the country.



Opening of the 1st supermarket at Staple Street Colombo 02, on the 26th of October 1983

This marked the Company's first step into the food industry. During the years that followed, we gradually expanded the supermarket business to different parts of the country. However, the real turning point came in 1999. During a chance encounter with farmers in rural Hanguranketha, located in the central hills of Sri Lanka, we heard of the struggles faced by the farming community. We understood the farmers' dependence on middlemen to access the market. They also lacked access to credit to purchase inputs. The strong influence wielded by middlemen meant that farmers lacked power to negotiate and received a low price for their produce. Weak logistics and handling practices also caused a significant amount of post-harvest losses. In order to address these supply chain inefficiencies, we began to purchase directly from the farmers, giving them direct access to the market. By eliminating multiple layers of middlemen from the supply chain, we were able to provide a better price to the farmer. We set up our first vegetable collection centre in Hanguranketha that same year.



Cargills collection centre (top) and a farmer handing over the produce to a Cargills agriculture extension officer (bottom)

We invested in supply chain logistics, improved handling, and introduced refrigerated transport and storage to maintain freshness. These investments reduced post-harvest losses substantially. Taking a step further, we started our farmer extension services, which to date provide technical inputs to farmers. Our innovative approach to building up the capacity and profitability of the farming community has been recognised locally and internationally. Our model was studied by the World Bank and the Gates Foundation, which found that the benefits arising from our supply chain included higher prices for the farmer, lower prices for the consumer, and reduced wastage.

"We propose that a case study be developed about Cargills which highlights the information supply and technical support networks which have been developed to benefit smallholders, consumers and Cargills alike. Special attention will be given to the multiplier impact that Cargills has had on the broader agricultural sector in Sri Lanka. Lessons will be drawn from this country-wide success story for the benefit of private and public sector initiatives in both South Asia and Sub-Saharan Africa."

- WorldAginfo project report - Bill and Melinda Gates Foundation, June 2007



Gates Foundation officials
during their field visit meeting
farmers and visiting a
collection center

This journey that commenced in 1999 with a single truck transporting produce from Hanguranketha to Colombo has evolved to become the largest agriculture related supply chain in the country. Today, we are the single largest collector of fruits and vegetables in Sri Lanka.

“Another example of a leap-of-faith goal comes from Cargills Ceylon PLC, the biggest producer and retailer of food in Sri Lanka. Cargills has embarked over the last decade on an innovative approach to building up the capacity and profitability of the farming community in Sri Lanka.”

- Reinventing Management: Smarter Choices for Getting Work Done, Julian Birkinshaw, 2010, (Professor of Strategy and Entrepreneurship, London Business School)

In 1993, we ventured into the smallgoods processing industry, acquiring the “Goldi” brand and a processing facility to support our retail operation. We had identified destination categories within our supermarkets. Fresh meat and processed meats were such destination categories, which had a loyal customer base. The acquisition helped us retain this customer

base when competitors set up in close proximity to our stores. A venture which started due to circumstance has now developed to become the leading smallgoods processing business in the country serving supermarkets, institutions, and the general trade, with a limited range of exports.



The Goldi
processing facility

When we entered the Quick Service Restaurants (QSR) business in 1996 with the introduction of the KFC franchise to Sri Lanka, we had a vision to develop the poultry industry. Today, over 90% of raw materials used in our QSR business are sourced locally, building markets for local poultry farmers and raw material suppliers. We customised our menu to bring excitement to the local consumer, going beyond the traditional KFC offering and introducing new products such as the KFC biryani and the KFC Kottu, which became local favourites. It was the first time a KFC franchisee had added biryani to the menu. Today, KFC is the market leader in Sri Lanka's QSR industry.



The first KFC outlet at the Majestic City shopping complex

When a multinational decided to move out of Sri Lanka in 2002, we acquired their ice cream facility and converted it into a fresh milk-based ice cream operation by linking up with smallholder dairy farmers. This marked our entry into the dairy sector. We aspired to replicate the successful dairy farming model of India which empowers smallholder farmers. Two decades later, Cargills has become the leading milk collector in Sri Lanka. The key to our success has been our innovation and focus on value addition, which has expanded the market for dairy producers across the island. Not only did we make ice cream with fresh milk, but we pioneered the introduction of fresh fruit to ice cream with the launch of products such as Fruit & Nut and Mango ice cream. Through value addition, we were able to transform the local ice cream industry from one which was producing approximately 12 million liters in 2002 to a market of approximately 80 million liters per annum, with our brands commanding over 40% of the market share. Eight years later in 2010, we acquired Kotmale, which was, at the time, a small value-added dairy company. Kotmale has since evolved to become the largest value-added dairy company in the country today.



Dairy facility in Banduragoda

In 2002, we acquired the KIST business, which was primarily involved in manufacturing jams, cordials, and sauces. While we maintained and developed the existing product lines, the turnaround of the KIST business came with the introduction of fruit nectars to the market, which we commenced shortly after our acquisition. We focused on developing fruit-based beverages using fruits which are unique to Sri Lanka. Our innovative approach has established KIST as the largest fruit-based beverage company in the country today. Subsequently, we acquired a water bottling plant and also introduced energy drinks and carbonated drinks to our portfolio, making KIST a complete beverage company.



KIST processing facility in Katana

In 2005, we decided to document our journey and share our learnings with the youth by setting up the Albert A. Page Institute (AAPI). The Institute would go on to become the training academy for our team, professionalising and upskilling youth in the food retail industry. We introduced training programmes and accreditations from the US-based Independent Grocers Alliance (IGA) to expose our team to global training programmes and certifications. In 2008, we set up the *Sarubima* fund, a dedicated farmer welfare fund to support our agri and dairy farmer network. Over the years, the Sarubima Fund has evolved into a large entity through which Cargills empowers farming communities by providing educational scholarships for children, resources for upskilling and professional advancement, credit insurance for farmers, and investment in local infrastructure.



Scholarship distribution ceremony of the *Sarubima* fund

We became the first private enterprise to venture into the Northern Province in 2004 with opening of the Cargills Food City Express in Vavuniya. Three years later in 2007, we opened our first outlet in Trincomalee, becoming the first private company to commence operations in the Eastern Province. After the end of the civil war, we accelerated our investments in the North and East, with the intention of supporting the peace which had been achieved by building sustainable livelihoods for the communities in the region. We established retail outlets as well as a processing facility in Kilinochchi, which expanded the market for farmers and suppliers in the region. We also set up vegetable and milk collection centres and made substantial investments in logistics to link the agricultural community of the North and East with markets across the country. In 2013, we established the first shopping and entertainment complex in the North with the Cargills Square mall in Jaffna. Through this initiative, we were able to take an international franchise to the North for the first time by setting up a KFC restaurant.



KIST Kilinochchi processing facility (top) and
Cargills Square mall Jaffna (bottom)

The Cargills Bank was first conceptualised in 2011 and launched in 2014 with a vision to be the most inclusive bank in the country by leveraging the distribution and brand strength of Cargills. Lack of access to credit was one of the cries of the farming community during our 1999 encounter with farmers. With the opening of the Bank, our intention was to support the farmers and small and medium entrepreneurs who face significant challenges in accessing credit. With access to the extensive Cargills Food City network through an Agency Banking arrangement, the Cargills Bank provides added convenience and banking hours to customers. The bank benefits from the numerous partners and touchpoints across the Cargills Group including farmers, customers, distributors, general trade shops, service providers, suppliers, and team members.



A customer making a banking transaction
at a Cargills Retail outlet

In 2018, we established the Cargills Foundation to identify and implement new initiatives in areas beyond our core businesses. The Foundation's first initiative, the Early Childhood Education (ECE) programme, commenced in 2019 as we saw a need to support and advance preschool education in Sri Lanka. The ECE programme uses a blended learning approach to expose preschool-aged children to English as a second language, along with the basic concepts of STEAM (Science, Technology, Engineering, Arts and Mathematics).



Cargills Foundation's Early Childhood Education
programme for preschools

When the pandemic struck in 2020, we were faced with a new set of challenges. While our first priority was to build the confidence of our team, we quickly re-engineered our business to facilitate online orders and deliver essential goods to our customers. This led to the launch of our e-commerce business Cargills Online. During this period, we also introduced the first supermarket on wheels – a container filled with essential goods fitted to a truck – to take groceries to the customer's doorstep.



Cargills Online e-commerce
delivery fleet

Along this journey, we have grown our reach and scale across the country while remaining firmly committed to environmental sustainability. As a leading player in the FMCG sector, we have pioneered plastic recycling initiatives, such as the “Paving with Plastics” programme where we use Plastic Modified Asphalt Concrete (PMAC), made from non-recyclable waste plastic from our processing facilities, to pave car parks. We are also the first in the dairy industry in Sri Lanka to undertake a voluntary assessment of our carbon footprint, reaffirming our position as a responsible manufacturer.



First ever car park in Sri Lanka built with Plastic Modified Asphalt Concrete (PMAC) in Walgama, Southern Sri Lanka

Later this year, we will mark another milestone in our journey as our supermarket business, the largest consumer retailer in Sri Lanka, celebrates its 40th year. Earlier this year, we opened our state-of-the-art distribution centre to support the expansion plans of the company and to streamline our logistics. The distribution centre will support several hundred suppliers, including small and medium enterprises, access markets across Sri Lanka.



The Cargills distribution centre in Katana

Our journey from an upmarket department store to a leading food company has impacted communities across the country. While the journey ahead will undoubtedly have its own set of trials and tribulations, we will remain firmly committed to our philosophy of building people and communities and taking hope where it is needed the most.

“Today we are more than a retailer, more than a manufacturer, we do more than buy, sell and produce. We build people and communities and take hope to where it is needed the most. Today we are proud that CSR is our BUSINESS”

– Ranjit Page – Deputy Chairman/CEO of Cargills (Ceylon) PLC, at the World Bank, Washington DC, “Building effective Public-Private Partnerships” forum, 2007

OUR LEGACY



1844

Mr William Milne and Mr David Sime Cargill started a warehouse, import and wholesale business in Colombo, which later became known as the "House of Cargills"



1946

The House of Cargills officially became incorporated as a Public Limited Liability Company



1981

Ceylon Theatres acquired a controlling interest in Cargills under the leadership of late Mr Albert A Page



1996

Cargills secured the franchise license of the vastly popular international Quick Service Restaurant chain "KFC" and opened it to the Sri Lankan market



1993

Cargills invested in its first manufacturing facility with the acquisition of the Goldi meat processing facility



1983

Cargills established its first supermarket at Staple Street in Colombo, under the "Cargills Food City" brand



1999

Established the first fruit and vegetable collection center in Hanguranketha, marking the beginning of the direct sourcing model with smallholder farmers.



2002

Cargills entered the dairy industry with the acquisition of an ice cream facility in Banduragoda and launched the dairy ice cream brand "Magic". Cargills started the dairy farmer outgrower programme to support the collection of fresh milk. Cargills also diversified into agri-processing with the acquisition of the food brand "KIST" that same year.



2008

Cargills Sarubima was modelled after the fair trade concept of investing back into the communities



2010

Cargills acquired the dairy brand "Kotmale" to further expand the dairy business and entered the confectionery market with the acquisition of a biscuit facility



2013

Cargills secured the franchise license for TGI Fridays and opened the first restaurant in Colombo.

The Company also launched the first Cargills Square mall in Jaffna.



2014

Cargills Bank officially commenced operations, marking our entry into the financial services sector.



2022

Launched the Cargills AAPI e-learning platform for training and development of team members.

Opened the 500th Cargills Food City Outlet



2023

Opened the state-of-art distribution center in Katana



2017

Expanded the Kotmale Dairy plant, making it Sri Lanka's first fully integrated dairy processing facility



2018

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



2019

The Cargills Foundation was established to oversee the social development initiatives of the Group.

Expanded the Kotmale Cheese processing plant

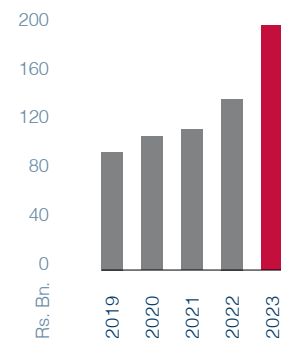


2020

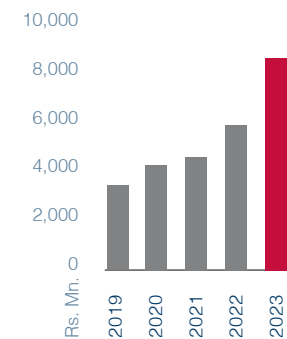
Launched Cargills Online, the Group's e-commerce platform

FINANCIAL HIGHLIGHTS 2022/23

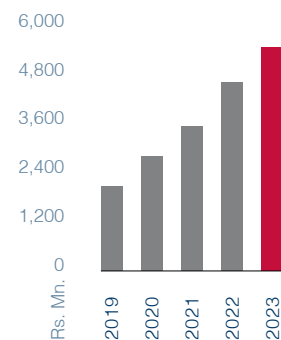
**Revenue –
Group**



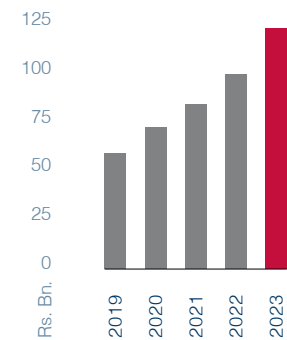
**Profit before
taxation – Group**



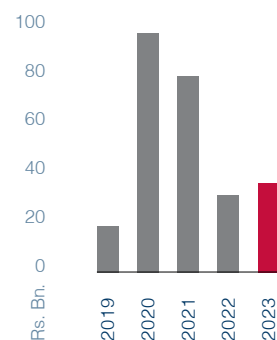
**Profit after taxation –
Group**



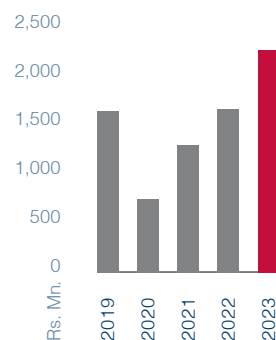
**Total assets –
Group**



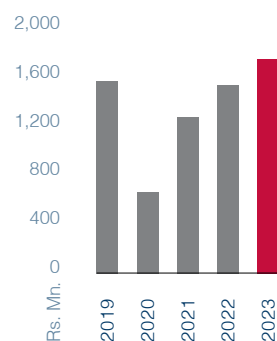
Revenue – Company



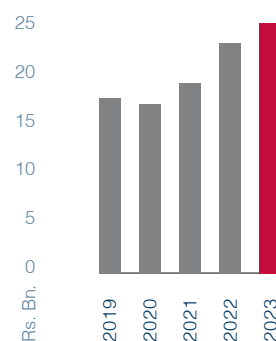
Profit before taxation – Company



Profit after taxation – Company



Total assets – Company



	Group			Company		
	2023 Rs. '000	2022 Rs. '000	Change %	2023 Rs. '000	2022 Rs. '000	Change %
Operations						
Continuing operations						
Revenue	195,617,899	136,691,993	43.11	36,062	31,013	16.28
Profit from operations	13,759,535	9,058,383	51.90	2,908,892	1,890,285	53.89
Profit before taxation	8,516,642	5,818,434	46.37	2,226,541	1,637,028	36.01
Profit after taxation	5,380,845	4,538,720	18.55	1,712,886	1,504,329	13.86
Financial position						
Non-current assets	82,676,336	71,265,687	16.01	20,165,941	20,158,404	0.04
Current assets	38,110,346	27,178,089	40.22	4,707,285	2,923,751	61.00
Current liabilities	59,656,935	41,001,806	45.50	8,028,976	4,199,696	91.18
Non-current liabilities	30,211,940	28,320,455	6.68	4,963,394	6,280,719	(20.97)
Capital and reserves, minority interest and other equity	30,917,807	29,121,515	6.17	11,880,856	12,601,740	(5.72)
Per share data (Rs.)						
Basic earnings per share	20.82	17.63	18.12	6.65	5.84	13.87
Dividends per share	8.50	6.10	39.34	8.50	6.10	39.34
Net assets per share	105.08	98.94	6.20	46.11	48.91	(5.72)
Market value per share	233.00	182.50	27.67	233.00	182.50	27.67
Cash flow						
Net cash generated from/(used in)						
- Operating activities	7,580,046	14,166,421		(3,028,943)	(846,072)	
- Investing activities	(9,469,239)	(11,437,225)		3,137,753	(635,597)	
- Financing activities	2,378,614	(1,212,727)		(238,431)	1,854,563	

BUSINESS IMPACT HIGHLIGHTS 2022/23



TRUSTED BRAND LEGACY

AAA Brand

Cargills Food City among the Top 10 brands in Sri Lanka with a brand value of **US\$ 115 Mn.** and **AAA Brand rating**

Brand of the Year

Voted **Supermarket Brand of the Year** by consumers at SLIM-KANTAR People's Awards in March 2023

Cargills Quality Dairies received the

Silver Award

at the **Presidential Environment Awards 2021-2022**



PEOPLE DEVELOPMENT

11,033

permanent employees

50:50 gender equality

Achieved 50:50 gender equality at Group level

68.5%

employees outside Western Province

8%

employees with **15+ years of service**

Rs. 17,730,255/-

Revenue per employee





REDUCING THE COST OF LIVING

32 new Cargills Food City outlets opened, bringing the total to **512** outlets

All **25** districts

Only supermarket chain present across all 25 districts in Sri Lanka

Lowest price

for high quality produce and essential consumer goods among all local supermarket chains

100%

locally sourced agricultural produce

Opened a fully automated distribution centre



ENHANCING YOUTH SKILLS

10,000+ students and **1,343** teachers empowered through Early Childhood Education (ECE) Programme

294 new preschools joined the Cargills ECE programme

SLT-MOBITEL PEOTV and Charana TV partner with Cargills Foundation to develop English Language skills among young learners

Partnered with state universities to support R&D



BRIDGING REGIONAL DISPARITY

The Agriculture Modernisation Project engaged

620 new farmers

The Dairy Enterprise Development Initiative, upskilled 1,330 dairy farmers

Rs. **24,530,000/-**

gifted to 774 students through **Sarubima** scholarships

Rs. **8,802,270/-**

invested in **community development** projects

800+ SMEs

registered under the "Village to Home" entrepreneurship development programme

Rs. **84,935,299/-**

invested in dairy farmer welfare activities

Rs. **11,796,657/-**

invested in community meals programmes



HEALTHY, SAFE AND AFFORDABLE NUTRITION

283 MT

of GAP-certified Good Harvest produce, **110MT** of agrochemical free BeeSafe produce, **39MT** of Organic Rice and **36MT** of Agriculture produce purchased

58 Million Litres

of fresh milk procured

27

healthier value-added food and beverage options introduced to mass market



PLAYING OUR PART FOR THE PLANET

4,425,160 kWh

renewable energy consumption with **Rs. 241 Mn.** investments in renewable energy

101,719 m3

of water recycled or treated

370 MT

of waste plastic recycled

137 m3

waste oil collected for conversion to bio diesel

3,414

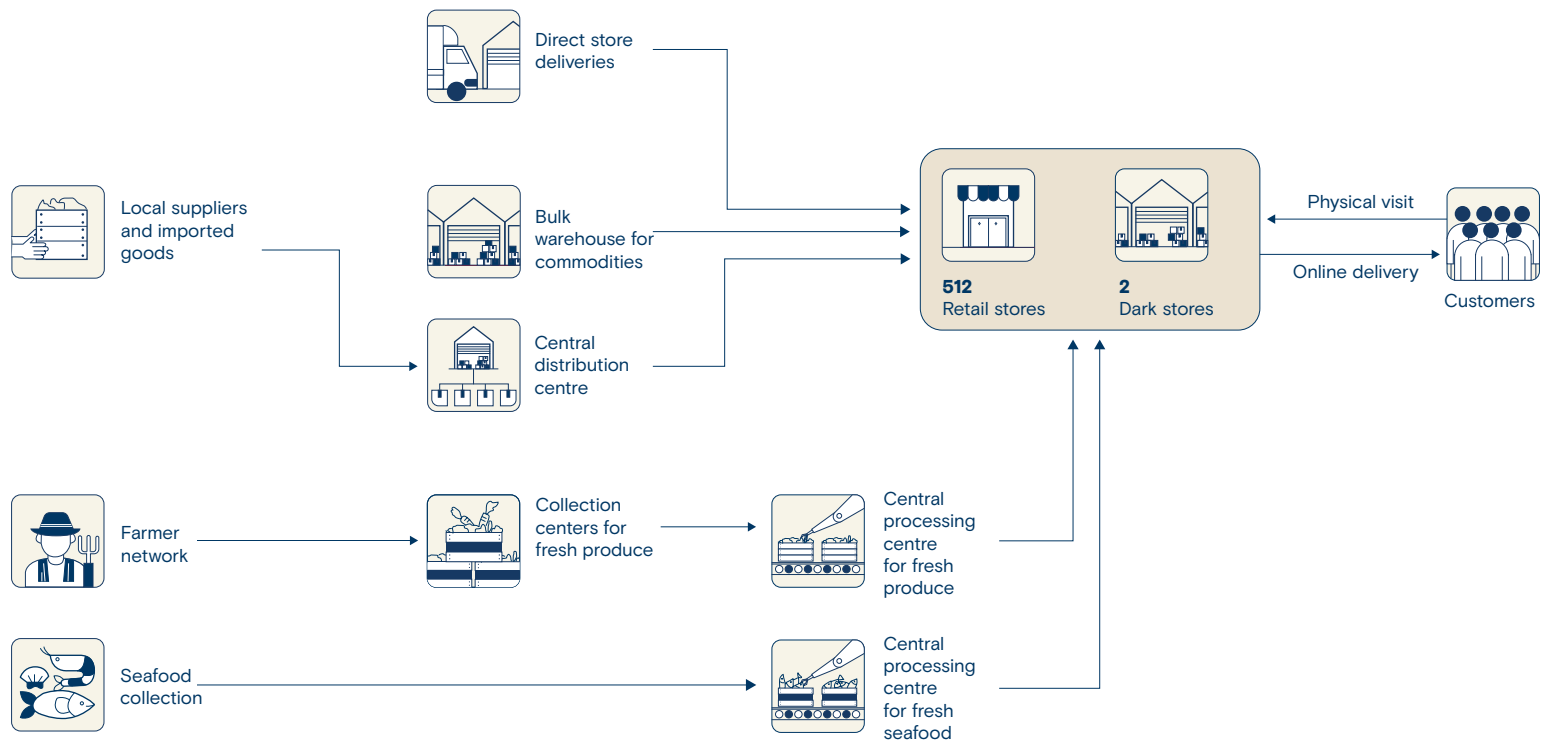
trees planted under "Breath of Life" initiative

OUR BUSINESS

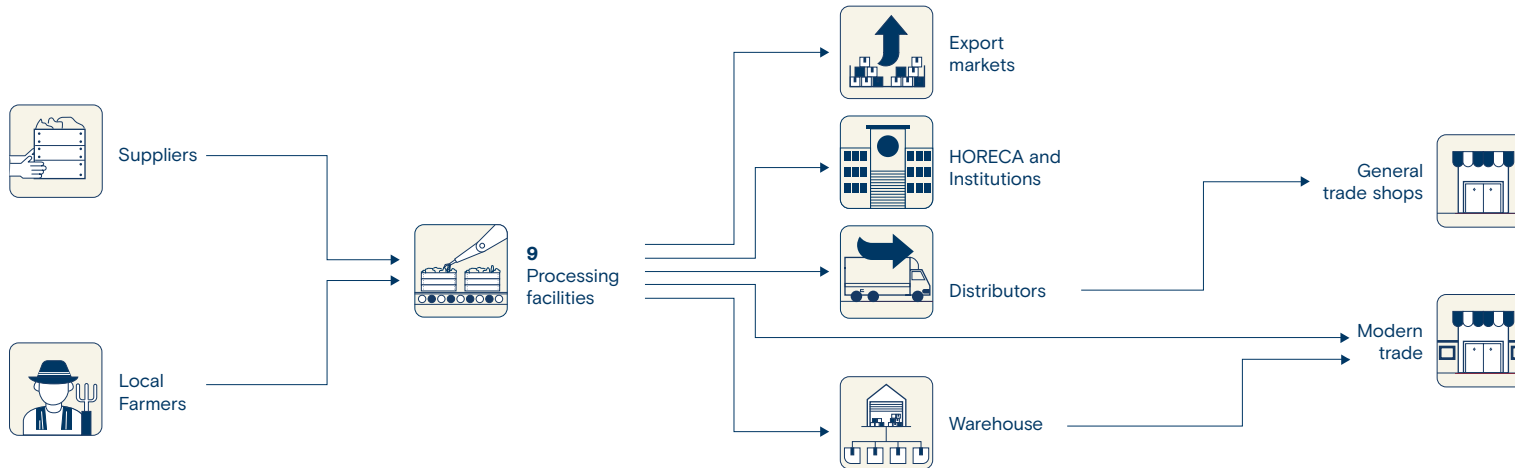
20

Cargills
(Ceylon)
PLC
Annual
Report
2022/23

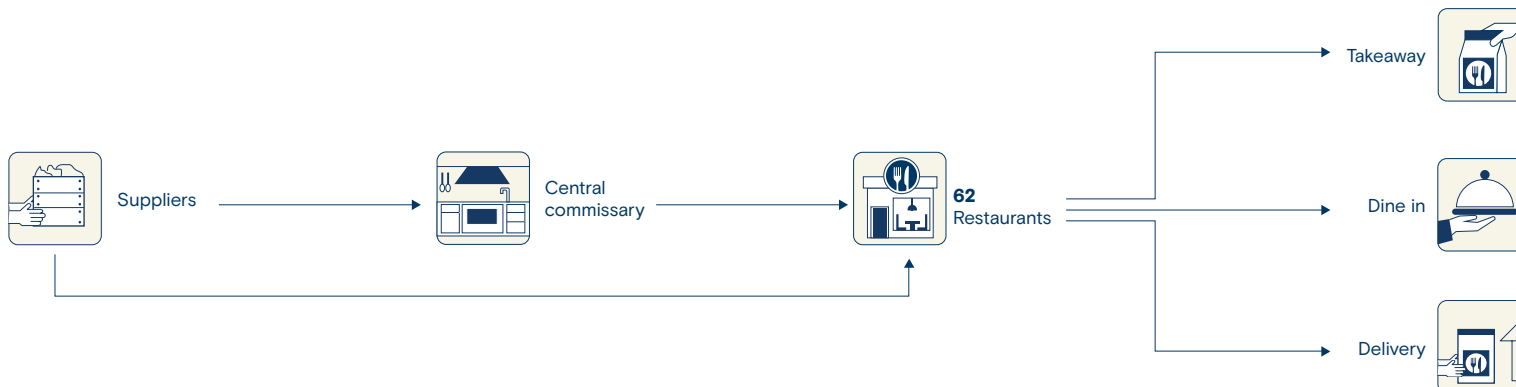
RETAIL OPERATIONS



FOOD AND BEVERAGE MANUFACTURING AND DISTRIBUTION OPERATIONS



RESTAURANT OPERATIONS



CREATING SHARED VALUE, GIVING BACK TO OUR COMMUNITY, AND SUPPORTING THE NATIONAL ECONOMIC RECOVERY

Dear shareholder,

I am pleased to share the Annual Report and Financial Statements of Cargills (Ceylon) PLC for the year ended 31 March 2023.

Sri Lanka faced its worst economic crisis in the post-independence era during the past year. The year began with an economic crisis, which spilled over to a social and political crisis. The economic contraction and the subsequent tightening of monetary and fiscal policies have had a significant impact on individuals as well

as businesses, reducing disposable incomes, lowering investment, and driving up the cost of doing business. The consumer was severely burdened by higher prices as inflation reached record highs of 70% during the reporting period. However, a series of reforms that have been put in place by the Government and the Central Bank of Sri Lanka (CBSL) have now stabilised the economy and restored a sense of normalcy. We welcome the Government's commitment to reforms and encourage policies that will set Sri Lanka on a path towards long-term

sustainable growth. Improved foreign exchange liquidity, declining price levels, a pickup in tourism and migrant remittances, an appreciation of the Sri Lankan Rupee, and a normalisation of local and global supply chains have created renewed confidence in the Sri Lankan economy in recent months. These factors along with the recent announcement of the IMF Extended Fund Facility programme could lead to a rebound in economic growth.

Challenges have reinforced our commitment to give back to the community

The challenging operating environment of the past year has reinforced our commitment to the Cargills philosophy of community development. By working closely with our partners, we have been able to generate shared value, give back to our communities, and support the national economic recovery efforts. We continued to invest in building markets across the country, expanding production capacity, strengthening distribution channels, and driving digitalisation across our business units. Despite the challenges which prevailed, including high market interest rates and difficulty in importing capital goods, the Group invested Rs. 11.1 Bn. during the reporting period.

While continuing to make selective investments to grow the business, we have remained focussed on consolidating our strengths, rationalising expenditure, and improving productivity across all business units and shared services. As a result of this focus, we have managed to maintain market leadership in our categories and sustain margins despite the impact of rising input costs and operating expenses.

Rs. 15.8 Bn. generated for the farming community as direct income

The Group continued to work closely with the farming community, which is an integral part of our business model, to improve their capacity and reduce the cost of production. The farming community had been severely impacted by the ban on chemical fertiliser, which was subsequently reversed. Moreover, we increased

our local sourcing capabilities and support to local Micro, Small and Medium Enterprises (MSMEs) during the year. The Cargills Group is one of the largest contributors to the economy and remains the single largest collector of fruits, vegetables, and fresh milk in Sri Lanka. Our purchases alone generated a direct income of Rs. 15.8 Bn. for the local farming community during the year under review. While adding value to local production, we also continued to support capacity building initiatives of the farming community and reinvested back into the community through our very own *Sarubima* fund. The Group provided Rs. 25 Mn. worth of scholarships to children of the farming community during the reporting period under the *Sarubima* Fund initiative.

Financial Performance

The Group posted a revenue of Rs. 195.6 Bn. (up 43% YoY), an EBITDA of Rs. 20.2 Bn. (up 41% YoY), an operating profit of Rs. 13.8 Bn. (up 52% YoY) and a profit after tax of Rs. 5.4 Bn. (up 19% YoY) for the year ended 31 March 2023. Corporate income taxes were revised upwards during the reporting period to 30%. Net finance costs of the Group increased 76% due to higher market interest rates which prevailed during the year under review. The Group's net debt position increased as the Management made a conscious decision to increase inventory holdings, which were financed through short-term working capital facilities, in order to ensure sufficient stock of goods and raw materials for continuous operations. As supply chains have now normalised, and current market interest rates are in decline, we anticipate a decrease in financial costs which should aid profitability in the coming year.

Dividends

The Group declared an interim dividend of Rs. 3.50 per share for the reporting period, which was paid on 08 December 2022. This is an increase from the interim dividend of Rs. 2.00 per share for the previous financial year. Subsequent to the reporting period, on 16 May 2023, the Board of Directors proposed a second interim dividend of Rs. 8.50 per share for the reporting period. This is an increase from the final dividend of Rs. 5.00 per share for the previous financial year.

Appreciation

I would like to express my heartfelt gratitude to our teams. Many of our colleagues braved long fuel queues to ensure continuous operations, which helped the Company serve the needs of our customers seamlessly and enabled us to deliver a steady market to our suppliers and the farming communities throughout the year. I extend my appreciation to our shareholders for your faith in the Cargills philosophy and wish to thank our valued customers and partners for your continued trust in us. Finally, I express my sincere thanks to my colleagues on the Board for their counsel and support in steering our Company to new heights. Through the pandemic and the height of the economic crisis, Cargills has continued to invest in the community, reaffirming our confidence in Sri Lanka. We will continue to uphold this commitment and believe in the future of our country.

Yours Sincerely,

(Signed)
Louis Page

Chairman
5 July 2023

DRIVING PRODUCTIVITY TO PROVIDE AFFORDABLE NUTRITION

External Events

The Sri Lankan economy contracted 7.8% in 2022, the sharpest contraction seen in recent times. All key sectors, including agriculture, industries, and services, recorded a contraction. A severe shortage of foreign exchange caused disruptions to the supply of essential commodities and electricity during the first half of the reporting period. This also led to a reduction in the availability of raw materials for the manufacturing industry, causing significant production-related disruptions. As a result of the worsening external sector situation, Sri Lanka declared a standstill on its foreign currency obligations in April 2022 for the first time in its history. These disruptions caused significant hardships to consumers and businesses. Restricted mobility and power outages brought

economic activity to a grinding halt while inflation rose sharply due to the impact of the currency depreciation and import controls which restricted supply. The Central Bank increased its policy rates by 700bps in April 2022 in a bid to stabilise the economy. A series of reforms, including monetary and fiscal tightening which commenced thereafter, have since been able to restore some stability in the economy. The second half of the reporting period saw an improvement in the availability of goods, reduced disruptions to the electricity supply, and an easing of inflation. Though there was a greater sense of stability during the second half of the reporting period, increases to personal income taxes which came into effect from January 2023 and high market interest rates further dampened consumer spending.

Sustainability

As a leading player in the agriculture and food processing sectors, we have undertaken pioneering initiatives to move towards sustainable agriculture, cleaner energy consumption and eco-friendly packaging and waste management with the objective of reducing our carbon footprint and protecting our planet for future generations. As a signatory to the UN Global Compact (UNGC), we remain committed to upholding the principles of the UNGC. We also align our operations and investments with the UN Sustainable Development Goals.

The new distribution centre, which was opened in February 2023, is equipped with 1 megawatt of solar power and a rainwater harvesting system, and the parking lot at this facility has been paved with Plastic Modified Asphalt Concrete (PMAC) using 4,550 kg of non-recyclable waste plastic. During the reporting period, our dairy facility in Banduragoda was awarded the Silver Trophy at the Presidential Environmental Awards 2021/2022. We believe this is a testament to the holistic approach we have taken to safeguarding our environment.

Corporate Governance

Transparency in governance has been a cornerstone of the Cargills Group. We take our responsibility towards the customer and our community seriously and the Group maintains stringent policies against bribery and corruption. We expect all team members to share our commitment to integrity and adhere to our policies against corrupt conduct and unethical behaviour. At the same time, as a leading provider of employment in the country, Cargills is committed to providing equal opportunities for all employees irrespective of gender, race, religious beliefs, physical abilities and social backgrounds.

Technology

Though we took a cautious approach to our investments during the reporting period due to high borrowing costs, the Group continued its digitalisation initiatives across all business units, highlighting the importance placed by the Management on driving technology adoption across the Company. The Sales Force Automation (SFA) system was upgraded during the year to strengthen the distribution of our branded products across the general trade, which account for over 60% of total business for the FMCG sector. Moreover, we have also made investments to digitalise the agriculture and dairy supply chains of the Group, which play an integral part in our business. These investments will lead to traceability of produce and milk collected by the Company, reduced wastage in the supply chains, and improved efficiencies which will drive cost savings and greater benefits for the consumers and producers. Our data analytics team was expanded during the reporting period as the Group continued to invest time and effort in harnessing the potential of the vast amounts of data collected through our day-to-day operations.

People

The economic crisis has caused a significant amount of skilled and unskilled worker migration from Sri Lanka. While some have already migrated, many others continue to seek opportunities overseas. While recognising the stark reality faced by all businesses, we have taken measures to actively promote the development of our colleagues and provided all necessary support to ensure their well-being during the economic crisis. The Group continued to offer learning and development opportunities to team members across the Company through the Cargills AAPL e-learning platform. While some training takes place on the job, the e-learning platform offers access to vast amounts of job-related training programmes and courses as well as material to improve soft skills. Numerous team engagement initiatives were recommenced during the year after a hiatus of two years due to pandemic restrictions.

Senior Management Appointments

Our efforts to develop the next level of leadership across the Company have progressed considerably over the last two years. Each of the core operating segments are now headed by a Managing Director, who is responsible for overall business operations as well as business development. We are proud to note that most of the senior teams across the Group consist of colleagues who have been developed from within the Company.

Operational Review

Retail

As the largest consumer retailer in the country by both reach and turnover, Cargills Retail continued to deliver on its promise of value and convenience to the consumer. During the reporting period, 32 new outlets were added, including the 500th outlet in October 2022. We leveraged on this vast store network to provide ration packs and food vouchers to communities in need by partnering with the UN World Food Programme (WFP), the Indian High Commission, and other organisations. Temporary “pop-up” stores were also set up to distribute essential food to communities in underserved areas in order to meet the immediate food security challenges faced by these communities due to the economic crisis.

The opening of the new Distribution Centre (DC) in Katana was another key milestone of the reporting year. The new DC was built with a Rs. 4.4 Bn. investment and spans 325,000 square feet making it the largest distribution centre operated by a food company in Sri Lanka.

It has the capacity to distribute 50,000 cubic feet per day and will streamline the logistic operations of the Group, bringing improved efficiencies to the supply chain.

The retail business experienced a significant increase in operating costs during the reporting period, due to higher cost of electricity, interest, rates and fuel, as well as higher taxes. The operating environment was extremely volatile during the first five months of the year, with many challenges including curfews which led to outlet closures for four days, shortages of diesel for distribution of goods, power cuts, and product shortages. Steps were taken to increase inventory and stock outlets with sufficient levels of essential products. This led to a significant increase in the working capital requirement, which was financed at the prevailing high market interest rates. The next seven months saw a more stable environment with greater availability of products, improved availability of fuel, and a reduction in the frequency and duration of power cuts.

Prices of goods increased sharply from March 2022 and peaked around September and reduced to some extent thereafter. High inflation coupled with the increase in personal income taxes had a considerable impact on customer demand. We also noticed some customers migrating to lower priced items. At the same time, there has been some customer conversion to modern trade, as supermarkets were relatively better stocked than smaller general trade shops. As supply chains have now stabilised, we are taking steps to normalise inventory holdings.

The sector recorded topline growth of 41.2%, during the review year driven by both transaction and basket value growth. While baskets have been inflated by higher prices, transactions have grown due to more conversion from general trade and an increase in the frequency of purchases as customers reduced the weight of the basket due to the high cost of living. Despite rising operating costs, the Retail sector recorded an improvement in operating margins, on account of strong turnover growth and a number of cost optimisation measures adopted by the team. The increase in net finance costs was substantial due to high market interest rates. It should also be noted however, that the net finance costs were impacted by a higher base from the previous reporting period due to a large exchange loss on trade payables.

Food and Beverage Manufacturing and Distribution (FMCG)

The FMCG sector of the Group consists of dairy, convenience food, beverages, culinary, and confectionery categories. The sector recorded a 48.1% growth in topline during the reporting period as selective price increases were taken to offset the sharp increase in input costs. Though volumes were impacted from November 2022 onwards, all categories recorded volume growth during the first five months of the reporting period. Margins contracted as a result of higher input costs, increased factory overheads, and higher distribution costs. Higher input costs were driven by rising global freight rates and commodity prices, and the depreciation of the Sri Lankan Rupee. Raw material availability was also a key concern for the manufacturing sector. Steps were taken to increase inventory holdings and some key ingredients were directly imported to improve raw material availability.

Sri Lanka's sovereign rating downgrade caused many challenges in obtaining Letters of Credit (LCs) for imported goods. However, this situation improved with banks resuming LCs in recent months due to improved foreign exchange liquidity in the market.

Some prices have been revised downwards in recent months as input costs have started to decline. Nevertheless, prices of most inputs are still significantly higher on a year-over-year basis. While declining input prices will support a pickup in gross margins in the near term, we expect pressure from overheads and distribution costs to remain elevated. The normalisation of local and global supply chains in recent months has also supported a reduction in the working capital requirement, which should support profitability of the business. Numerous productivity enhancement measures have been undertaken across our processing facilities to curtail rising cost pressures.

Dairy

The largest within our manufacturing business, the dairy sector saw an increase in the farmgate prices of fresh milk due to intense competition between collectors and rising cost of production. Higher cost of feed and fuel drove up the cost of production for farmers. Availability of feed was also a concern during the reporting period, which impacted milk production. Competition among collectors intensified due to the shortage of imported milk powder in the market. Over the years, Sri Lanka's milk supply has not grown commensurately with the demand for milk due to weaknesses in milk production, which had added significant pressure on fresh milk prices.

Despite higher farmgate prices and supply chain bottlenecks due to the lack of fuel availability, we continued the collection of milk by leveraging the strength of our vast supply chain. At the end of the reporting period, we operated 36 milk chilling centers across the country and over 1,000 milk collection points, and over 13,800 smallholder dairy farmers supplying to us on a daily basis. We continued to provide our farmer base with a stable marketplace, in addition to supporting them with access to animal feed, veterinary services, and other technical services to improve milk production.

Price increases and the power cuts which prevailed until February 2023 impacted the take-home ice cream category. Impulse ice cream products fared better given that per unit prices are lower, which makes them more affordable and attractive in a rising inflation environment. We also witnessed higher demand for UHT milk on account of changing consumer preferences and the milk powder shortage. We leveraged our Sales Point Distribution (SPD) channel which includes trishaws, vans, and parlor trucks, to drive the out-of-home consumption.

While there is a notable impact to consumer spending since November 2022, we are pleased to note that the strength of our brands – Cargills Magic and Kotmale – coupled with our distribution network, supported sales growth and minimised the impact on volumes. Both brands are now well-established national brands serving over 65,000 general trade shops in addition to the modern trade and the HoReCa channels.

Convenience Food

The convenience food segment is our processed meats business. It also engages in supplying fresh meat to the Cargills Retail channel while the processed meats are supplied to the modern trade, general trade, and the HoReCa channels. We also export a limited range of products and have plans to further expand our export range during the coming year. During the period under review, we invested in a breeding farm to cater to a growing export opportunity and to further strengthen our supply chain. The Management is pleased to note that the processed meats business has grown to become the market leader in the category.

The category recorded a strong performance during the first half of the year, as sharp increases in prices of seafood and fresh meat drove consumers to sausages and meatballs, which were viewed as a cheaper protein alternative. However, from October 2022 onwards, with seafood and fresh meat prices stabilising, we saw an impact on demand. We have introduced new variants, such as smaller pack sizes of existing products to recover volumes and make products more affordable to the consumer. In recent months, we have reduced the prices of key SKUs to improve affordability to the consumer, which have supported a recovery of volumes.

Beverages, Culinary, and Confectionery

The KIST brand has a presence across beverages, culinary, and confectionery categories. Though KIST was traditionally renowned for cordials, jams and sauces, the brand has been extended across multiple new product variants with tremendous success. Within the beverage category, KIST is now the market leader in the fruit-based beverages sub-category. Innovation and new product development has been a key driver of our success. Recent introductions such as the KIST Ride energy drink have become an instant success in the market. Similarly, within the confectionery range, we have focused on value-added confectionery which fills a gap in Sri Lanka's market by producing international quality products at competitive prices.

To address challenges arising from imported raw material availability, we have increased our local procurement by engaging closely with local producers. We have expanded our local sourcing of mango and tomato by increasing the number of farmers we work with while our agriculture modernisation programme has supported the existing farmer base to improve their productivity. We are confident of being able to secure the entire tomato requirement through local production in the near-term. In order to minimise the impact of these set backs on the consumer and other stakeholders of the company, steps have also been taken to consolidate our general trade sales force to maximise productivity, improve the product mix, and drive frequently selling SKUs in order to improve profitability. Furthermore, we will look to improve utilisation of spare capacity at our facilities.

Distribution

As a trading Company dependent on imported products, Millers was restricted to a limited range of agency lines due to the ongoing import restrictions. As a result, the business was dependent on the sales from milk powder (Bonlac and Milca brands) and the canned fish categories.

Restaurants

The restaurant business continued the growth trend of last year despite the turbulent macro environment. There were many challenges including import restrictions which affected the availability of flour and cooking oil, prolonged power cuts which increased operating costs, temporary road closures due to the social and political upheaval which impacted footfall, and higher taxes. Availability of chicken was also a concern as the rising cost of animal feed reduced the chicken supply in the market. Despite these challenges, the restaurants segment which consists of 61 KFC outlets and one TGI Fridays outlet recorded a 52.0% growth in revenue compared to the previous year. Transactions recorded a strong pickup as our value for money offerings provided customers with affordable dining options. Selective price revisions were undertaken; however, they were not adequate to offset the increases in input costs as the Management focused on ensuring affordability and driving volumes. In order to mitigate the impact of rising input costs, our restaurant business also resorted to direct importation of key ingredients. The Management is pleased to highlight that the expansion of the restaurants segment is completely funded by

internally generated cashflows. It is noteworthy that the restaurants segment surpassed Rs. 1 Bn Profit After Tax for the first time in its history, during the reporting period. Outlets in the Colombo suburbs and outside of Colombo continued to show tremendous growth potential. We added five new KFC outlets during the reporting period, extending our reach to 17 districts and all nine provinces of Sri Lanka. The TGI Fridays restaurant, which has been relocated to the One Galle Face mall in Colombo 01, has seen a turnaround and is now profitable.

Real Estate

The Group owns several properties in strategic locations of the island and has continued to look at ways to unlock the value of such properties by developing. In 2012, we introduced the Cargills Square Concept – mini malls hosting Cargills Food City, KFC, and Ceylon Theatres as anchor tenants, with the objective of providing affordable entertainment and shopping experiences for customers in areas outside the Colombo city limits, where there are gaps for family-friendly leisure/entertainment. The success of the original Cargills Square set up in Jaffna in 2012, prompted the opening of a second in Gampaha in 2017 and the third Cargills Square in Dematagoda in 2020. The fourth Cargills Square was opened in Katubedda in May 2023 with an investment of Rs. 1.5 Bn. The malls in Dematagoda, Jaffna, and Gampaha recorded commendable occupancy levels during the reporting period. The Cargills Square mall in Bandarawela will be opened later in 2023.

Strategic Focus

To curtail the impact of the high cost of living and to make our products more affordable to the customer, the Management has taken numerous measures to improve productivity across all businesses and shared services. Our team continued to focus on driving their strengths, reengineering processes, improving capacity utilisation, rationalising unproductive assets, streamlining logistics and distribution, and digitalizing back-end operations.

In addition to productivity enhancing measures within the Group, we have also invested in strengthening our partners, such as the dairy and agriculture farmers who engage with us on a daily basis. The farming community has faced many recent setbacks which have affected their productivity and incomes. The Company is investing resources behind agriculture and dairy development, to increase food production and drive down prices. Through these efforts, the Management is confident of reducing the cost to the consumer and improving profitability during the year ahead.

Outlook

The Management is pleased to note that there is renewed optimism and confidence in the Sri Lankan economy. The appreciation of the currency in recent times, a pickup in tourism and remittances, declining inflation which is expected to move into single digit territory by the end of 2023, and a reduction in market interest rates bode well for an economic rebound in the current year. Interest rates were revised downwards by 250bps in June 2023 and expectations are for further reductions during the months ahead. The improved stability is likely to attract more tourism, which is a key driver of foreign exchange for Sri Lanka. With the government embarking on a series of state-owned enterprise reforms, there is also increased interest among foreign investors. The IMF programme which was secured in March 2023 is viewed as a strong vote of confidence in the Sri Lankan economy and the Government's debt sustainability plan.

Improved availability of fertiliser has led to an increase in agriculture production in the market. This is a positive sign for the rural economy, as higher production levels will drive more income back to the farming community. Better pass-through of lower global commodity prices as well as improved local agriculture production, boosted by a strong Maha season harvest, have brought down the prices of fresh produce in the market in recent months. We also expect a relaxation of the import controls placed by the Government as foreign exchange liquidity improves, which will further support price stability.

We believe the combination of these favourable conditions will lead to a better business environment and a pickup in consumption towards the latter part of 2023, though consumer demand may remain subdued in the near-term. The Management is confident the Company will be able to navigate through this turbulent environment. The investments we have made in the past, as well the selective investments we will continue to make, will position the Company to grow and expand its reach within the Sri Lankan market and beyond.

Appreciation

I extend my sincere appreciation to our team, for their commitment to serve our customers and the wider community. I also wish to thank our partners and customers, for their continued trust in the Cargills brand and in our team.

Thank you,



Imtiaz Abdul Wahid
Group Managing Director
5 July 2023

A REVIEW OF OUR OPERATIONS

OPERATING
SEGMENTS

31

SHARED
SERVICES

54

OPERATING SEGMENTS

Overview

Over the years, the Cargills Group has diversified its operations to meet the varying needs of the consumer market. Today, the business has developed into Sri Lanka's premier source for assorted agriculture, processed food, beverages, pharmaceuticals, and other dry goods. Our investments in local agriculture, processing, sourcing, and procuring have helped preserve the country's foreign exchange, while providing the population with affordable nutrition that lives up to international standards. The organisation has established a comprehensive network of retail and dining establishments, bringing about efficiencies in other areas such as replenishment, inventory management, delivery, and end-to-end logistics.

Navigating Through Challenges

Supply chains encountered major disruptions during the year under review, as a consequence of the fuel deficit, electricity cut-offs, and unrest across the nation arising from the economic crisis, which caused curfews and periodic limitations to movement. Delivery of goods, in particular fresh food transportation, was impeded by the fuel shortage and resultant challenges. To facilitate undisrupted supply across the country and to meet consumer demands sufficiently, the Company made dedicated efforts to manage logistics by adding trucks supplementary to the routine transport fleet during this time. Steps were implemented to equip outlets with ample amounts of necessary produce, building consumer confidence and trust as product availability became a major consumer pain point during this period. The negative impacts of the regular power outages felt across all operations were managed to an extent by switching to grid-independent power generators, albeit the increase in operating costs due to the escalating cost of fuel.

Members of the Cargills Team across the island demonstrated remarkable resilience and commitment in the face of challenges, ensuring that the operations of the Company remained consistent and seamless despite the many obstacles. In the midst of limited availability of fuel, the manufacturing plants within the Group took measures to augment fuel storage capacities, which facilitated uninterrupted manufacturing and processing of products. However, both primary distribution (from factory to distributors) and secondary distribution (from distributors to stores) were affected by the fuel deficit, resulting in limited quantities of stock availability despite our best efforts.





Food Retailing

Cargills Retail is Sri Lanka's most expansive modern retail presence, with 512 outlets spread far and wide to cover all 25 districts of the island. Cargills Foods Company (Pvt) Ltd oversees the management of this operation, which benefits from a decentralised set up consisting of 1 Central Distribution Centre, 13 Collection Centres, 2 Central Processing Centres, and a 24-hour delivery system inclusive of a cold-chain.

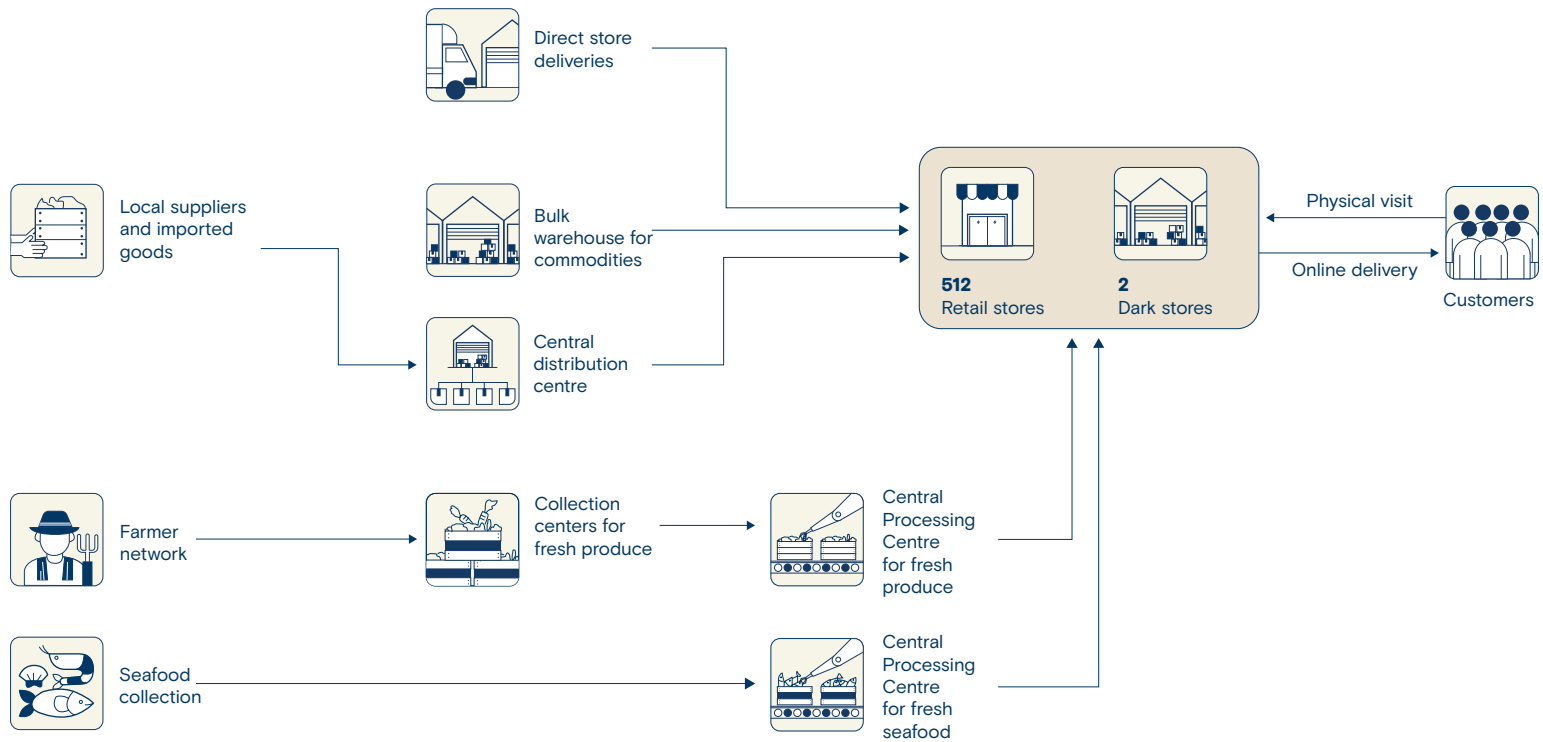
Retail Outlet Growth

Retail	Description	Opened During FY 2022/23	Total
Food City	Modern retailing experience providing consumers access to high-quality, affordable produce, products and over the counter medicine	17	290
Food Hall	An extended supermarket with a café, bakery, salad and juice bars alongside live action stations for a unique gourmet food experience	–	1
Express	Select Cargills outlets at strategic locations with 24*7 accessibility all year round for enhanced customer experience	15	221
Total		32	512

Produce Collection Centres		Processing Centres
1.	Nuwara Eliya	Vegetable and Fruit Processing Unit (VPU)
2.	Bandarawela	Fish Processing Unit (FPU)
3.	Boralanda	
4.	Thambuttegama	
5.	Thanamalwila	
6.	Ruwalwela	
7.	Tispane	
8.	Dambulla	
9.	Hanguranketha	
10.	Norochhole	
11.	Alaveddy	
12.	Nadunkerny	
13.	Kilinochchi	



RETAIL OPERATIONS



REVOLUTIONISING SUPPLY CHAIN MANAGEMENT

As a major player in the Sri Lankan food retail industry, Cargills is dedicated to continually enhancing supply chain logistics across Sri Lanka, focusing on building markets, empowering local entrepreneurs, and driving economic activity at the grassroots. In a bid to further augment its operations during the year under review, Cargills opened a new distribution center (DC) in Katana which is the largest of its kind operated by a food retailer in Sri Lanka. The investment amounting to Rs. 4.4 Bn. yielded a 325,000 square-foot facility across a 28-acre expanse, capable of handling 20,000 palates, powered by cutting-edge technology and systems conforming to global standards.

This will not only coalesce all of Cargills' food distribution activities across a supplier base of more than 900 vendors, but will also enhance efficiency within the Group's logistics operations, from demand planning to cost reductions, with benefits directly passed on to consumers as well as suppliers. Powered by an extensive distribution fleet covering 47 rounds across Sri Lanka every day, this centralised distribution centre is now better equipped to provide our growing SME vendor base with direct access to markets. The strategy also acted as a proactive measure to counter the import constraints that came into effect during the economic crisis, with Cargills placing greater focus and effort into local sourcing and promoting homegrown products among consumers, thus

addressing price inflations and maintaining supply chain efficiencies despite unprecedented challenges.

Reaffirming our strong environmental commitment through best practices, the car park of the facility was paved with Plastic Modified Asphalt Concrete (PMAC), re-purposing 4,550kg of non-recyclable waste plastic from our manufacturing facilities. The facility is also equipped with a 1MW solar power system as well as a rainwater harvesting system.

The distribution centre has been designed with the intention of expanding in the future to further benefit our base of approximately 20,000 farmers, creating export opportunities for local food producers by leveraging the enhanced supply chain infrastructure.

Cargills Online

Cargills led the charge with creating supermarket convenience to customers during the pandemic era by making swift adoptions to create the e-commerce website and the Cargills Online mobile application to provide undisrupted supply to customers despite mobility restrictions. With some consumer patterns of the pandemic era continuing to further develop and evolve, the Cargills Online operation continued to be strengthened during the year under review to meet the evolving needs of the consumers.

Cargills Online, the e-commerce arm of the Cargills Retail sector, continued to grow its presence in the online market during the reporting period. The e-commerce business operates through 2 dark stores which service online orders within the Colombo District and adjacent cities. We have launched many pioneering initiatives to grow the e-commerce market, including daily free delivery campaigns, promotions for fresh produce, providing high

quality fresh produce, and increasing the standards of packaging to encourage more people to the e-grocery market. To improve the customer experience, we curate delivery schedules around the most convenient times for the customer and ensure a high quality after-sales service. To continuously grow and meet the needs of our customers, Cargills Online frequently conducts surveys and focus group discussions which helps us understand the pulse of the online consumer. Qualitative insights are backed by quantitative findings by the data analytics team, enabling us to make fast and proactive business decisions to suit the needs of the modern e-commerce consumer.

We also leverage data analytics to understand consumer preferences and customise communication of offers and promotions via different communication channels.

2022/23 Highlights

Cargills continued to expand its retail footprint across the island, growing in line with a prudent expansion strategy of brick-and-mortar presence supplemented by Cargills Online, which also continued to service an emerging market segment with fast-evolving purchasing habits.



Food and Beverage Manufacturing (FMCG)

The Food and Beverage Manufacturing Sector of Cargills consists of dairy, beverages, condiments and culinary, convenience food products, and confectionery. Cargills food and beverage brands are widely distributed across Sri Lanka, reaching close to 67,000 general trade stores in addition to the Cargills Retail network as well as the HORECA (Hotels, Restaurants and Catering) sectors, while also exporting limited volumes to the US, EMEA, and Asia. In order to ensure a seamless dairy product supply, Cargills has integrated dairy farmers through more than 1,000 collection points connected to 36 Cargills Milk Chilling centres. As for the meat processing sector, the Company draws from multiple medium and large-scale suppliers in the poultry and livestock industry.

The Food and Beverage Manufacturing business of Cargills operates via nine key central production centers and locations across the island.



UHT Storage in
Banduragoda
Dairy Factory



Dairy

3 manufacturing plants in
Banduragoda, Kelanimulla and
Bogahawatte

KIST Product Range

(Beverages, Confectionaries,
Condiments and Spices etc.)

5 manufacturing plants in
Katana, Kilinochchi, Matale
(Confectionaries), Knuckles (Water) ,
Katana (Spices)

Convenience Food

(processed meats)

Ja Ela

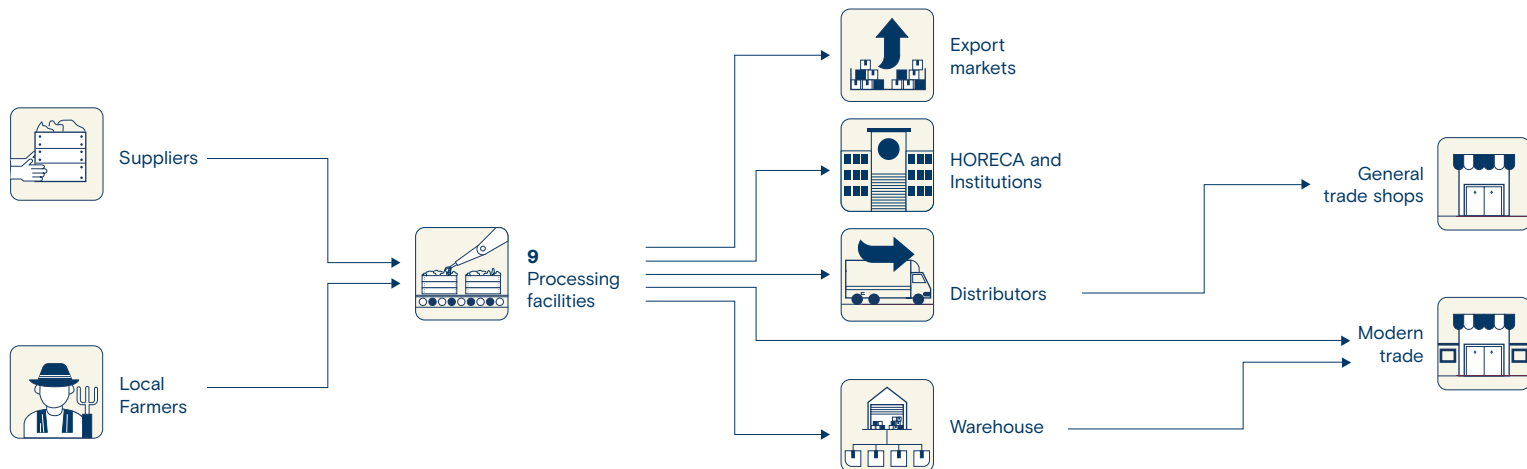
The food and beverage manufacturing
plants of Cargills form the nucleus
of its production operation. The
manufacturing units adhere to industry-
recognised quality assurance protocols.



FOOD AND BEVERAGE MANUFACTURING AND DISTRIBUTION OPERATIONS



21.1%



Dairy

Standards

Cargills Quality Dairies (Private) Limited Banduragoda

- ▶ FSSC 22000 (Version 5.1) - Food Safety System Certification
- ▶ ISO 22000:2018 - Food Safety Management System
- ▶ HACCP
- ▶ GMP
- ▶ ISO 9001:2015 - Quality Management System
- ▶ ISO 14001:2015 - Environment Management System
- ▶ Halal Accreditation Council Sri Lanka Certification
- ▶ Environment Protection License

Kotmale Dairy Products (Private) Limited

- ▶ ISO 22000:2018 - Food Safety Management System
- ▶ ISO 9001:2015 - Quality Management System
- ▶ Halal Accreditation Council Sri Lanka Certification
- ▶ Environment Protection License

Brands

Magic, Kotmale, Heavenly –

most widely consumed dairy brands with market-leading positions in the ice cream and value-added dairy markets

Products

- ▶ Dairy Ice Cream
- ▶ Fresh and Flavoured Milk
- ▶ Yoghurt and Yoghurt Drinks
- ▶ Curd
- ▶ Cheese
- ▶ Butter



Beverage and Culinary

Standards

Cargills Agrifoods Limited

- ▶ ISO 22000:2018 – Food Safety Management System
- ▶ HACCP
- ▶ GMP
- ▶ ISO 9001:2015 – Quality Management System
- ▶ SLS certifications:
 - SLS265 – Jams
 - SLS214 – Fruit cordials
 - SLS221 – Artificial cordials and flavoured drinks
 - SLS730 – Squash concentrates
 - SLS260 – Tomato sauce and Tomato ketchup
 - SLS835 – Chilli sauce and Hot chilli sauce
 - SLS729 – Ready to drink fruit beverages

- ▶ Halal certification for entire product portfolio
- ▶ Environment Protection License

CPC Lanka Limited

- ▶ ISO 22000:2018 – Food Safety Management System
- ▶ HACCP
- ▶ GMP
- ▶ ISO 9001:2015 – Quality Management System
- ▶ SLS894 – Certification for bottled drinking water
- ▶ Environment Protection License

Brands

KIST –

One of the most loved, trusted, and long-established food brands in the country

Products

- ▶ Jams
- ▶ Sauces
- ▶ Cordials
- ▶ Fruit-based Nectars
- ▶ Fresh Juices
- ▶ Energy Drinks
- ▶ Mineral Water
- ▶ Condiments



Processed Meats

Standards

Cargills Quality Foods Limited

- ▶ ISO 9001:2015 - Quality Management System
- ▶ ISO 22000:2018 - Food Safety Management System
- ▶ ISO 14001:2015 - Environment Management System
- ▶ Environment Protection License

Brands

Goldi, Sam's, Finest –

Cargills Quality Foods is the largest processed meats company in Sri Lanka

Products

- ▶ Fresh and Processed Meats
- ▶ Fresh and Processed Seafood
- ▶ Ready to Eat Convenience Foods



Confectionery

Standards

Cargills Quality Confectionaries (Private) Limited

- ▶ ISO 22000:2018 Food Safety Management System
- ▶ HACCP
- ▶ GMP
- ▶ Halal certification for the entire product portfolio
- ▶ Environment Protection License

Brands

KIST, KIST Magic

Products

- ▶ Biscuits and Confectionery



2022/23

Highlights

A number of infrastructure, machinery and system upgrades were carried out across the Cargills manufacturing facilities during the year under review.

Convenience Food sector

During the year under review, the Company acquired a breeding farm to support the supply chain of the processed meats business, with a view to further expanding the exports of processed meats.

Dairy Sector

Cargills Quality Dairies improved their production capacity by replacing the old ice-cream cone filling machine with a high-capacity machine complete with robotic arms. The UHT mixing storage capacity was also enhanced to achieve a 50% increase in production capacity.

To monitor the safe and fast delivery of raw milk to the Kotmale Plants, milk bowsters were equipped with GPS tracking systems. Additionally, Kotmale introduced a new Multivac Packaging system for its cheese varieties to enhance food safety and final product quality during the reporting period. A new Mozzarella cheese production line was also installed at Bogahawatte, while a further building was added to increase storing capacities of raw materials and packing materials. The year in review also saw the expansion of our milk chilling and storage capacities at the Kelanimulla Plant.

KIST Beverages

A flow meter has been installed to monitor the output of the KIST Nectar lines, and the Carbo-Cooler unit of the carbonated beverage production line was modified to improve carbonation efficiency. Product safety and quality was ensured by introducing a digital scanning system to enhance seaming accuracy and for continuous monitoring of the canning line, to avoid fermentation and low fizziness of the carbonated beverages.

KIST Confectionaries

A new cooling unit was added to the production line, doubling the current output of the chocolate enrobing line and the number of products being enrobed.

Additionally, the plant introduced a plastic (PET/PVC) tray removal project to reduce the use of plastic whilst maintaining the quality and appearance of the product, thereby also reducing the cost of packaging.

GHG Emissions

Facility	Scope 1 GHG emissions	Scope 2 GHG emissions	Scope 3 GHG emissions
Cargills Quality Dairies	9,367.76 tCO ₂ e	8,077 tCO ₂ e	5,267 tCO ₂ e
Cargills Agri Foods	1,769 tCO ₂ e	1,110 tCO ₂ e	983 tCO ₂ e
Cargills Quality Confectionaries	585.53 tCO ₂ e	781.53 tCO ₂ e	
Cargills Quality Foods	2,188.07 tCO ₂ e	1,845.64 tCO ₂ e	694.55 tCO ₂ e
Cargills Foods Company (retail chain)	43,172 tCO ₂ e	48,486 tCO ₂ e	

95% of all refrigerants consumed at Cargills Quality Dairies is with zero Ozone Depleting Potential (OPD) owing to the use of ammonia gas, which has the highest refrigeration efficiency.

Cargills Quality Dairies made significant progress in managing Green House Gas emissions in its operations during the year, with some strategic investments paving way for reduced impact in the year under review. The old ice cream cone-filling machine was replaced with a high-capacity, energy efficient machine, and the UHT mix storage capacity was increased due to the installation of a new UHT mixing plant in January 2022. This led to a 50% increase in production capacity. In the previous year, a bulk LP gas storage facility was also installed, which reduced the amount of previously unusable and wasted LPG stored in cylinders.



Trading and Distribution

Millers Limited, the Trading and Distribution arm of the Cargills Group, provides logistics for the importation, storage and transport of a range of frozen and ambient temperature products to over 30,000 retailers across the country. In addition, the Company holds the rights to distribute Kodak Digital Imaging products as well as Noritsu Photographic Printing Equipment from Japan. Through an automated distribution and field sales network, Millers brings the goodness of some of the leading international FMCG brands such as Bonlac, Milca, Kraft, Cadbury, Oreo, Toblerone, Rauch, Lorenz to Sri Lankan consumers, through an efficient logistics process.





2022/23 Highlights

In the year 2022, the Sri Lankan economy was severely affected by US Dollar deficiency and the resultant implementation of government restrictions on a wide range of imports. As a result, Miller's trading business was also significantly impacted as imported products account for the majority of the portfolio. This caused Miller's to focus its business more on the limited range of commodities that were not impacted by the new regulations during the year under review. Among these commodities, the Company primarily concentrated on Bonlac and Milca milk powder and canned fish categories as these were deemed essential consumer products. Despite dealing with a limited range of goods, Millers was able to maintain steady business growth and expanded its assortment with the addition of two new international brands, namely Sanitol detergents and San Dele range of pasta through prudent optimisation of available resources.

Restaurant Operations

Cargills is the exclusive franchisee of KFC and TGI Fridays in Sri Lanka. Since its introduction in 1996, KFC has developed into one of the most well-known international eating establishments in Sri Lanka, with 62 restaurants established across the country as at the end of the reporting period. Cargills' creative fusion menu, featuring local elements to better cater to the Sri Lankan palate, has been fundamental to the success of KFC, and many of these Sri Lankan-inspired dishes have now been added to the franchise's regional product catalogue. In 2013, Cargills launched TGI Fridays in Sri Lanka, to help meet the growing demands of the country's hospitality, entertainment and fast-food entities.





2022/23

Highlights

KFC expanded its presence in the island by adding 5 new outlets to its widespread network, providing employment to 900 Sri Lankan youth by the end of the review year. TGIF restaurant continued to consolidate its presence in Sri Lanka, counting a team of 15 staff members. In tandem with the evolving consumer trends in the post-pandemic era, the channel mix of the Cargills restaurants continued to be diversified, with delivery through our own fleet and third-party vendor partnerships providing greater contribution to overall business growth.

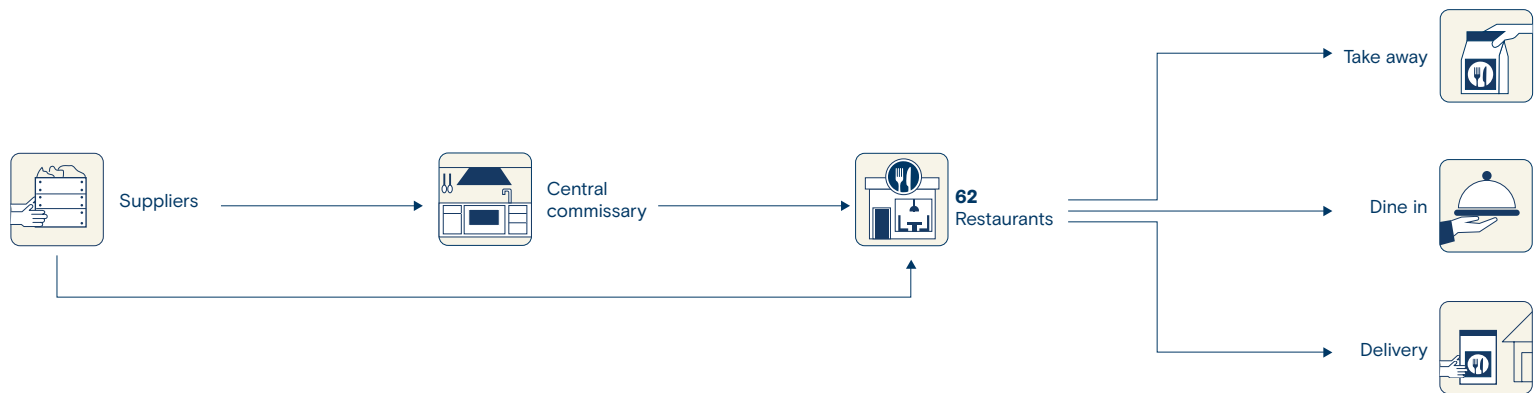
With the opening of 5 new locations during the reporting period, KFC now has a presence in all 9 provinces of Sri Lanka. Prior to this year, KFC did not have a presence in the Uva and North Central Provinces, which have now been addressed. In terms of districts, KFC has a presence in 17 of the 25 districts in the country.

49

Cargills
(Ceylon)
PLC

Annual
Report
2022/23

RESTAURANT OPERATIONS



Financial Services

Financial inclusion and access to economic resources are paramount to the advancement of Sri Lanka and are particularly important for agrarian farming communities. Cargills Bank was established in 2014, jointly owned by Cargills (Ceylon) PLC and our holding company C T Holdings PLC, with the aim of serving the agricultural and micro, small, medium enterprise communities whilst providing financial advice and assistance to these segments which are often overlooked by the traditional banking system. Our extensive range of services provided through the Cargills Bank network includes savings accounts, investments planners, credit/debit cards, consumer loans, agriculture and microfinance, SME and business banking loans, and even trade facilities. Customers can also avail of our digital banking services, providing 24/7 access and ultimate convenience. Furthermore, Cargills Bank accounts can be accessed through Cargills Food City outlets across the nation for further ease of access.





2022/23

Highlights

The Bank delivered commendable results in 2022 despite an unfavourable economic climate. While results were eroded by increased provisions for portfolio impairment, strong operational performance bolstered by an increase in the deferred tax asset carried on its Balance Sheet due to the corporate tax rate rising to 30%, resulted in the Bank recording a post-tax profit of Rs. 488 Mn. for the year. Fitch Ratings' credit rating for the Bank was downgraded from A+ (lka)/RWN during the year reflecting the deterioration of the operating conditions in the country, yet it still remains at A (lka)/RWN, which is on par with, and in some cases better than industry peers.

Acknowledging the economic impact of our decisions on customers, we proactively implemented measures to manage our loan portfolio responsibly. The Bank provided loan moratoriums and restructuring for customers to allow them to maintain their business operations and financial security. Additionally, we passed on the benefits of our lower-than-market interest rates on housing and personal loans to benefit fixed-income earners and enable continuity of loan payments.

Throughout the reporting period, Cargills Bank has been actively involved in the "Village to Home" initiative by Cargills Group to provide financial assistance, guidance, and services to the Micro and SME communities in the country, providing a platform to engage a wide network of customers. The Bank further demonstrated its commitment to SME development in challenging times by granting working capital loans, and moratoriums to Small and Micro businesses throughout the year. Additionally, we have been providing farmers in the agricultural and dairy industries with low-interest loans to incentivise growth in these sectors. The Bank increased its presence in local communities by launching eight Cargills Bank MINI branches within local Cargills Food City outlets, while two bank branches were opened in Negombo and Anuradhapura to further widen coverage and elevate reach and service levels. A mobile banking branch was also launched during the reporting period, supporting our farming network as well as enterprising micro entrepreneurs in the communities in which we operate.

Looking ahead, following the extended deadlines set by the Central Bank of Sri Lanka, the Bank is actively engaged in discussions to meet regulatory requirements for the listing on the Colombo Stock Exchange and capital augmentation in the ensuing year.

Real Estate and Property Management

For several years, Cargills has incorporated the development of properties for the placement of retail locations and restaurants as an integral part of its business model. In 2012, we introduced the Cargills Square Concept – mini malls hosting Cargills Food City, KFC, and Ceylon Theatres as anchor tenants, with the objective of providing entertainment and shopping experiences for customers in areas outside the Colombo city limits, where there are gaps for family-friendly entertainment. The success of the original Cargills Square set up in Jaffna in 2012, prompted the opening of a second in Gampaha in 2017 and the third Cargills Square in Dematagoda in 2020. These shopping and entertainment complexes are an investment for the youth of the country, to provide them with a safe and exciting place to enjoy themselves with family and friends.

Cargills has identified real estate development as a strategic focus of growth with the potential to achieve scale and attract additional equity capital for future developments. The Boards of Directors for Cargills and its controlling company, C T Holdings PLC (CTH), approved the consolidation of all properties assigned for development under The Empire Investments Company (Private) Limited. This serves as the Group's dedicated property development subsidiary. Empire Investments was acquired with a 53.43% stake by Cargills, while CTH holds 46.57%. This includes CTH's two properties that would be used for large-scale development projects, and the two ongoing Cargills development properties. The Company's restructuring efforts were geared towards capitalising on existing properties while concurrently establishing mini-malls in suburban locations, where the need for family-friendly multifaceted development projects presents lucrative investment opportunities.





2022/23 Highlights

The development of the Katubedda and Bandarawela projects continued during the year under review. The Cargills Square mall in Katubedda was completed and inaugurated in May 2023 (shortly after the end of the period under review). Construction work for Cargills Square in Bandarawela is nearing completion and is expected to be launched during the first half of the 2023-24 financial year.

SHARED SERVICES

Human Resources

The Group rolled out the first phase of a cloud HRIS (Human Resources Information System) to enhance the experience of all team members and improve the productivity and efficiency of the HR function.

Agri-Collection

Cargills is in the process of digitizing the entire procurement process of fresh fruits and vegetables from its extensive farmer network across collection centres located nationwide.

Sales

Distributors across the Group's manufacturing sector are in the process of rolling out a Distributor Management System (DMS), while Area Sales Managers and Sales Representatives of the Group are being onboarded onto a new Sales Force Automation. The combination of systems will enable the Sales Team to serve existing customers better and efficiently onboard new customers to grow market share.

Kfc.lk

A new website was launched for KFC to serve the chain's fanbase with "Finger lickin' good" food with a better user experience to build on the strong loyalty the brand has built over the years.

Cargills Online

The product roadmap for the year saw improvements to the user interface of both the mobile app and website as well as the substantial functionality upgrades aligned to the with customer feedback.

Cyber Security

Throughout the year, a number of tests were conducted in collaboration with the Group's cyber security partners to strengthen the security perimeter of all IT infrastructure and data assets.



COMMUNITY FRIENDLY NATIONAL DEVELOPMENT

OUR
APPROACH TO
SUSTAINABILITY

57

REDUCING THE
COST OF LIVING

59

BRIDGING
REGIONAL
DISPARITY

68

HEALTHY,
SAFE AND
AFFORDABLE
NUTRITION

98

ENHANCING
YOUTH SKILLS

116

BUILDING
EQUALITY,
DIVERSITY AND
INCLUSIVITY

126

PLAYING OUR
PART FOR THE
PLANET

150

OUR APPROACH TO SUSTAINABILITY

Cargills has long been a leader in sustainable and accountable corporate citizenship. Guided by a vision to catalyse meaningful change in the wider communities we serve, we have invested in six distinct fields to advance the well-being and prosperity of the nation:



**Reducing
the Cost
of Living**



**Bridging
Regional
Disparity**



**Healthy, Safe
and Affordable
Nutrition**



**Enhancing
Youth
Skills**



**Building Equality,
Diversity and
Inclusivity**



**Playing our Part
for the Planet**

Our strategic sustainability agenda sets the course for the Company's adherence to responsible business practices that are aligned with accountable environmental practices, meaningful social impact, and ethical governance procedures.

The sustainability agenda of Cargills is driven from the top where our leadership takes accountability not only for the financial profitability of the organisation but also for measurable performance standards against identified sustainability indicators. Our strategic investments in sustainable projects have uplifted communities and improved the lives and livelihoods of people across Sri Lanka.

The UN Sustainable Development Goals (SDGs) provide further guidance and direction to the sustainability strategy of Cargills, giving us an ideal course to contribute to the economic recovery and sustainable development of Sri Lanka. Cargills is a member 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. It is in line with such commitments that our Group-wide strategies, governance structures, corporate policies, commitment statements, and codes of conduct are developed so that sustainability and corporate responsibility are imbued into our everyday operations.





REDUCING THE COST OF LIVING

Cargills has been responsive and proactive in addressing the long-term challenge of rising living costs in Sri Lanka, particularly in underdeveloped communities. The pandemic heightened and further exposed the already existing socioeconomic gaps, which Cargills had already identified during the early years of rolling out its retail operation across the country. Thus, Cargills strived to reduce costs and increase efficiencies throughout its retail value chain, with the objective of making a meal more affordable for the average Sri Lankan consumer.

As the unprecedented economic crisis in Sri Lanka continued to deepen throughout the fiscal year of 2022/2023, the inflation rate in Sri Lanka was significantly accelerated by the lagged effects of expansive monetary policies and revised domestic fuel and gas prices, electricity tariffs, and global commodity prices. The considerable depreciation of the rupee greatly contributed to the heightened import inflation. Furthermore, an increase in global oil prices and the March 2022 fuel pricing regulations, along with the 2021 ban on chemical fertilisers, contributed to the higher prices and production costs across multiple sectors. Inflation peaked during the month of September with the Colombo Consumer Price Index (CCPI) and the National Consumer Price Index (NCPI) reaching 69.8% and 73.7%, respectively.

Inflation showed signs of reversing from October 2022 onwards, and consequently, headline inflation measured by the CCPI and NCPI dropped to 57.2% and 59.2% respectively year-on-year in December 2022, compared to 12.1% and 14.0% observed in the same period in 2021. By March 2023, the inflation rate moderated to 50.3% year-on-year according to the CCPI, due to tighter monetary and fiscal policies which were adopted in 2022, strengthening of the Sri Lankan rupee, improvement in agriculture production, and better pass-through of declining global commodity prices. Hyperinflation in Sri Lanka in 2022-2023 drove up the cost of living, placing a disproportionate burden on vulnerable individuals and communities.

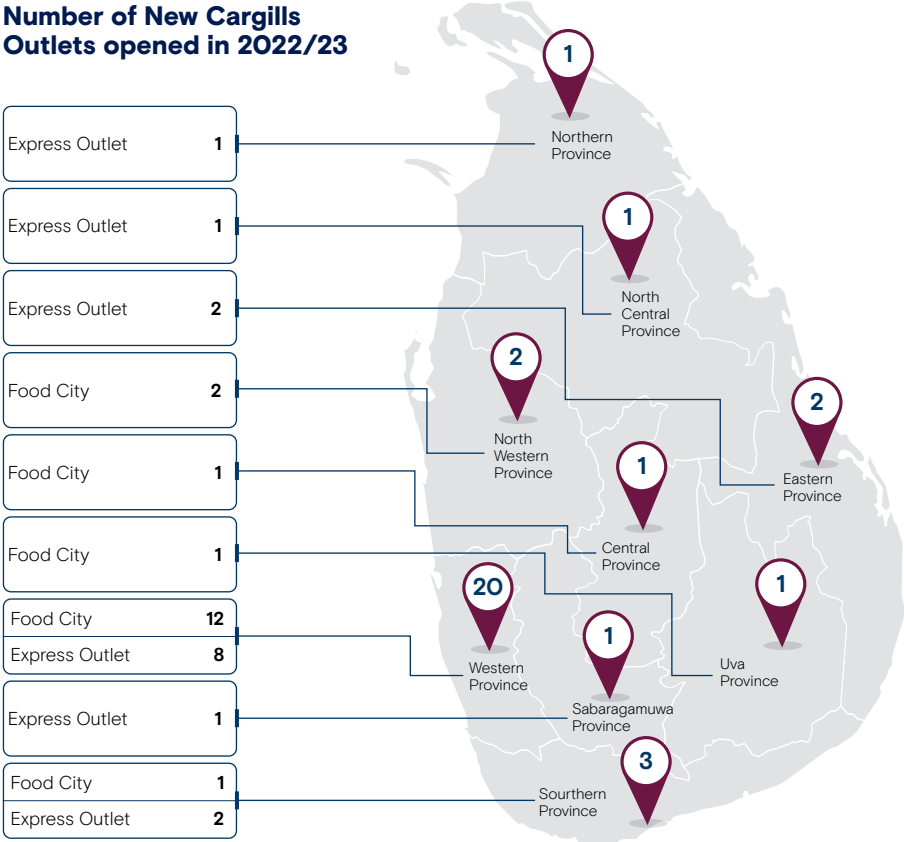




The Cargills' Commitment to Food Security and Affordable Nutrition

Cargills entered the Sri Lankan food retail landscape in 1983 and swiftly established its market dominance across the island by expanding beyond the urban and suburban areas, focusing on untapped markets. To distinguish itself, the company focused on providing affordable quality products, pricing innovation, and nutrition-centric service. The business embedded itself in local society by shaping supply chains, empowering farmers, and raising employment and income levels. Cargills also launched a 365-day Lowest Price Challenge in 2012 to curb the cost of living for local communities. This established the company as a business built on trust which creates direct and indirect job opportunities, and offers an enhanced retail experience.

Number of New Cargills Outlets opened in 2022/23



Optimising our Supply Chain



2022/23 Highlights

The year under review saw tumultuous conditions for the supply chains across the country. The fertiliser ban, rising input costs, and increasing fuel prices impeded production and transport alike. Moreover, declining agricultural and industrial production only worsened the diminished capacity and heightened demand due to import restrictions. These issues were compounded by the conflict in Eastern Europe, a region renowned as the “breadbasket of the world”, increasing the prices of imported agricultural commodities.

In response, Cargills devised several strategies to help minimise the impacts on stakeholders across its entire supply chain and to work towards the Company's vision to make food and nutrition affordable to all. Cargills provided a secure marketplace for local farmers and producers to not only sustain their product availability but also to ensure a wider choice for their customers.

The launch of the new Distribution Centre (DC) in Katana is a milestone achievement of the Company during the year under review. Thanks to the ambitious expansion of the Cargills Retail chain and the Group's burgeoning food manufacturing business, the DC endows improved operations with streamlined logistics. Currently, the Katana DC is one of the largest facilities of its kind operated by any single food company in Sri Lanka.

The Group was also able to leverage its growing distribution network island wide to ensure accessibility to essential food and house supplies for its consumers. The Company further endeavoured to realise this impact in the lives of those in vulnerable communities by partnering with the World Food Programme (WFP), the Indian High Commission, and multiple Non-Governmental Agencies (NGOs) as outlined on pages 63 to 64. Cargills partnered – with the WFP to source and distribute emergency food to districts endangered by food insecurity and presented beneficiaries of WFP food vouchers with redeemable offers at Cargills Retail stores. Furthermore, “pop-up” stores were created to further extend the food distribution effort.

Project Title	Overview	Targeted Groups	Cargill's Involvement	Project Locations
Feed a Child Programme	In response to the ongoing economic crisis and growing prevalence of household food insecurity, the Sri Lanka College of Paediatricians initiated the "Feed a Child" nutrition programme in collaboration with the Family Health Bureau and Red Cross Society Sri Lanka. This programme was launched in the Nuwara Eliya District, with one of the highest malnutrition rates in the country and has the potential to be extended to other areas in the future. Healthy food items were identified by experts, and Cargills contributes to the project as the retail partner facilitating the food packs. Under the programme each beneficiary (child) receives Rs. 3,500 worth of nutrition every two weeks, for a period of six months.	Children in Sri Lanka who are malnourished will be supported during this six-month period. Height, weight, and other relevant metrics of the beneficiaries will be tracked and registered in an online database monitored by the Family Health Bureau. The assistance of a local pediatrician will also be sought to ensure the healthy development of the children is properly monitored. An independent audit firm will be involved to audit financial records associated with the project.	As the retail partner, we are committed to delivering high-quality nutrition packs at a consistently low price while supporting the delivery of these items to the targeted areas. We also provide transparency and accountability for the project financials alongside single-point communication, easy access, and convenience for project coordinators to ensure smooth execution. To date, Cargills has also contributed 28,000 Kotmale Milk 180ml packs free of charge to the programme.	Nuwara Eliya and Anuradhapura Districts
Nutrition Programme by the World Food Programme (WFP)	The project aims to aid 590,000 beneficiaries living in vulnerable communities distributed across eight districts in Sri Lanka.	Financially disadvantaged households	To ensure the success of the project and increase reach, we established six temporary outlets and deployed two mobile supermarkets specifically for WFP beneficiaries, in addition to the Cargills' outlets in the vicinities	Island-wide

Project Title	Overview	Targeted Groups	Cargill's Involvement	Project Locations
Piyawara Nutrition Programme	The Hemas Outreach Foundation and the Hoppers Foundation, London collaborated to provide nutrition packs to pre-schools in some of the most impoverished districts in Sri Lanka.	Selected pre-schoolers attending the Piyawara Pre-Schools across Sri Lanka (Piyawara pre-schools is a flagship project by the Hemas Outreach Foundation in partnership with the Ministry of Women and Child Affairs focusing on Early Childhood Care and Development (ECCD) in Sri Lanka).	Nutrition packs were assembled and distributed to the nearest Cargills outlets for handover. 'Go Green' bags were provided free of charge as a sustainable packaging solution for each pack of nutrition.	Eastern, Uva and Northern Provinces
Indian High Commission Family Nutrition Programme	The Indian High Commission deployed a Nutrition programme to support selected households in vulnerable communities in Sri Lanka	Financially disadvantaged households/families	Nutrition packs were assembled and distributed to the nearest Cargills outlets for handover (the packs were provided at preferential, discounted rates)	Island-wide
Diviyata Diriyak - The Chamber of Commerce	The Chamber of Commerce in Sri Lanka collaborated with Divisional Secretariats to deploy a project to support identified families living in vulnerable communities with family nutrition packs	Lower income families selected by the Divisional Secretariat were the main focus	Dry ration packs were assembled and distributed to the nearest Cargills outlet - ready for handover.	Western and Sabaragamuwa Provinces

Maximising our Efforts for Local Sourcing

The imposition of import limitations by the government led to a dearth of both primary materials and finished products in the market. As an adaptable measure, the Group launched an in-house procurement initiative during the year in review, thereby engaging with suppliers and farm owners in all major commercial divisions to source raw materials and other supplies required for the Company's production processes.

Increasing Local Production

The dairy industry has seen a rise in production costs due to increasing feed prices. To help mitigate the impacts of this on the economic returns of farmers, during the year under review, Cargills adjusted its buying price in order to ensure farmers continue to enjoy fair prices for their efforts and produce. Best practices are continually shared amongst our farmers while our network provides technical support to upskill our farming communities for enhanced performance and production output by facilitating customised training programmes that address specific challenges and gaps identified.

The Agri Modernisation Programme of Cargills is a major driving force in realising these objectives, as it enables our farmers to develop strategies for off-season production, which allows them to avoid facing the negative consequences of seasonal price fluctuations. This not only increases market stabilisation, but also brings benefits to farmers and consumers throughout the year.

New Agriculture Projects Launched in 2022/2023

Cargills collaborated with strategic partners throughout the year to execute agricultural initiatives that guarantee sustainable, efficient farming and supply stability in the face of challenging operating conditions in the nation. A brief overview of these projects is provided in the sections below.

Project 1

GAP Promotion Project in partnership with the Food and Agriculture Organization (FAO) of the United Nations and the Department of Agriculture (DOA).

Objectives:

- Provide assistance to Sri Lankan farmers grappling with the economic crisis
- Promote the implementation of sound agricultural practices and modern technologies via a comprehensive extension programme
- Aid commercial vegetable growers in modernising a ¼-acre land with state-of-the-art technology

Implementor: FAO through the DOA

Funding organisation: Department of Foreign Affairs and Trade (DFAT), Australia

Locations:

- Monaragala, Wellawaya, and Thanamalvila Divisional Secretariats
- Mullaitivu, Mathai East and Thunukkai Divisional Secretariats
- Badulla, Walimada and Bandarawela Divisional Secretariats

Proposed crops: Vegetables

Extent: 570 farmers

Project 2

Nature Conservation Project titled 'Managing Together', in partnership with both the International Union for Conservation of Nature (IUCN), and the United Nations Development Programme (UNDP).

An integrated community-centred ecosystem-based approach into forestry, agriculture, and tourism sectors.

Implementer: IUCN together with the Ministry of Environment

Objectives:

- Strengthening resilience to climate change and disasters through enhanced environmental management
- Providing vulnerable and marginalised groups with resources to become resilient to climate change and natural disasters while benefiting from sustained natural resource management
- Ensuring effective environmental governance and Blue/Green infrastructure development

Project Area: Malwathuoya, Kahatagasdigiliya, Madawachchiya.

Providing Affordable Choice to Consumers through Price Management

Through our approach of directly buying from the farming community, the Cargills Retail sector was able to continue its promise of lowest prices to consumers as this approach eliminates the middlemen traders who otherwise take out a significant share of the farmgate price which the farmer would receive. Direct buying from the farmers and investments in crates and the cold chain to reduce post-harvest loss meant we were able to provide the consumer with a better price for produce by eliminating waste in the supply chain. These efforts continued during the year under review.

The Group reviewed efficiency and productivity of collection centres and made decisions to rationalise unproductive assets. The environment was not conducive to a “price challenge” such as the one in 2012 as prices were fluctuating frequently. The top of the mind concern for the customer was product availability and we took all measures possible to ensure product availability and to minimise out of stock situations. Whenever key SKUs went out of stock and suppliers were unable to meet requirements, we immediately shifted to new suppliers either locally or globally.

Revolutionising our Processes for Cost Optimisation

Several new measures were taken to improve back-end efficiencies while some are in the pipeline. We encouraged customers to bring reusable bags to the Retail outlets in order to reduce the use of polythene bags which are a drain on the country (as most of it is imported). This initiative reduced the demand for polythene bags, and led to purposeful cost savings.

During the peak of the fuel crisis, we reduced delivery frequencies from the warehouse to outlets for dry/ambient products and maximised the utilisation of trucks. Further, initiatives were taken to reduce electricity consumption in retail stores while continuing to provide an optimal shopping experience for customers and ensuring the continuous functioning of the cold chain. Factories were equipped with larger storage capacity for fuel as teams had to purchase additional fuel for backup generators. These initiatives ensured factory operations continued without significant disruptions.

Back end systems were automated wherever possible to reduce cost of stationery and reduce transport while some automation initiatives are in the pipeline. The Group is also investing further in solar rooftops for stores and factories to reduce the impact of higher electricity costs.

Building Food Security and Resilience at Local, Regional and National Level

The challenging effects of the fuel crisis and other difficulties the nation faced in the last year led to marked limitations in the availability of essential nutrition needs such as milk across the island. Despite the challenges, Cargills leveraged its wide coverage and distribution network across the country, to ensure that milk distribution continued without disruption; thus, enabling consumers uninterrupted access to essential nutrition. Furthermore, the Company also ensured that milk procurement from farmers remained consistent, ensuring that their revenue remained unaffected in spite of the challenges.

Additionally, the logistics services within the Cargills network were maintained with the utmost efficiency during the review year, enabling the collection and distribution of resources even in trying times. To gauge the value of such measures implemented over time, please refer to the Impact Assessment of Cargills’ Commitment to Agriculture Modernisation on pages 78 and 79.





BRIDGING REGIONAL DISPARITY

Over the years, Sri Lanka has experienced persisting regional disparities in terms of economic development. The western province, which has received disproportionate investments and attention, accounts for over 40% of the country's gross domestic product (GDP; Central Bank of Sri Lanka, 2021). This has created an imbalance, particularly between under developed and urban areas, in terms of income, educational attainment, and access to public services, thus exacerbating the already existing inequalities. The ongoing economic crisis too has had a massively depressive effect on such vulnerable communities where the majority of the population of Sri Lanka resides (80%), calling for urgent action to redress regional disparities.

Having identified this issue years ago, Cargills has implemented an integrated approach to community development and social empowerment, concentrating on measures such as material sufficiency, improved educational attainment, and increased focus on women empowerment for the purpose of creating a lasting foundation for the betterment of these communities.

The section herein provides more insight into the focused efforts and outcomes of programmes carried out by Cargills towards bridging regional disparities of Sri Lanka.



Value Delivered in 2022/23

Total value of Sarubima scholarships:

Rs. 24,530,000
among 774 beneficiaries

Total investment in community development initiatives

Rs. 8,802,270

Total incentives to dairy farmers

Rs. 84,935,299

Total invested in community meals programmes

Rs. 11,796,657

Contribution to SDGs



RE-ENGINEERING THE AGRICULTURE SUPPLY CHAIN

Cargills takes pride in its farm-to-table type supply chain established over a period of more than two decades. In the year 1999, Cargills made a strategic shift in its supply chain management to purchase directly from farmers by establishing a collection centre in Hanguranketha, giving them direct access to the mass market, bypassing the middlemen. Over the years we have built a full-fledged total supply chain solution with credit for inputs, stable and consistent produce handling, modern storage and transportation solutions, and guaranteed market access for producers that reduced post-harvest surplus waste and increased producer income.

The supply chain operation, which began with the transportation of 500 kg of fresh produce from Hanguranketha, is today a national-scale initiative with collection centres spread across the island, handling over 100,000 kg of fresh produce and approximately over 160,000 Litres of milk daily. Each collection centre is managed by qualified Agriculture Officers and Graduates who continue to disseminate new technologies and extension services, nurturing our long-standing relationships with the farming communities.

The Agriculture Officers also provide field supervision and technical support to farmers to ensure a seamless, time-bound supply-chain operation; produce is harvested at the most optimal stage and transported to Collecting Centres on the same day. Quality parameters are evaluated, and washing of produce is conducted at Collecting Centres if needed. Temperature-controlled trucks then transport the produce to a Central Processing Centre the same day, and crates are used to minimise any damage during transportation. Upon receipt, the Processing Centre distributes the produce to Cargills Retail Outlets, ensuring customers receive fresh, unharmed produce.

The impact of our business model has enabled to reduce the dependency on the traditional system of middlemen resulting in a lower retail price for consumers, and a higher proportion of the retail price being shared with the farmers.



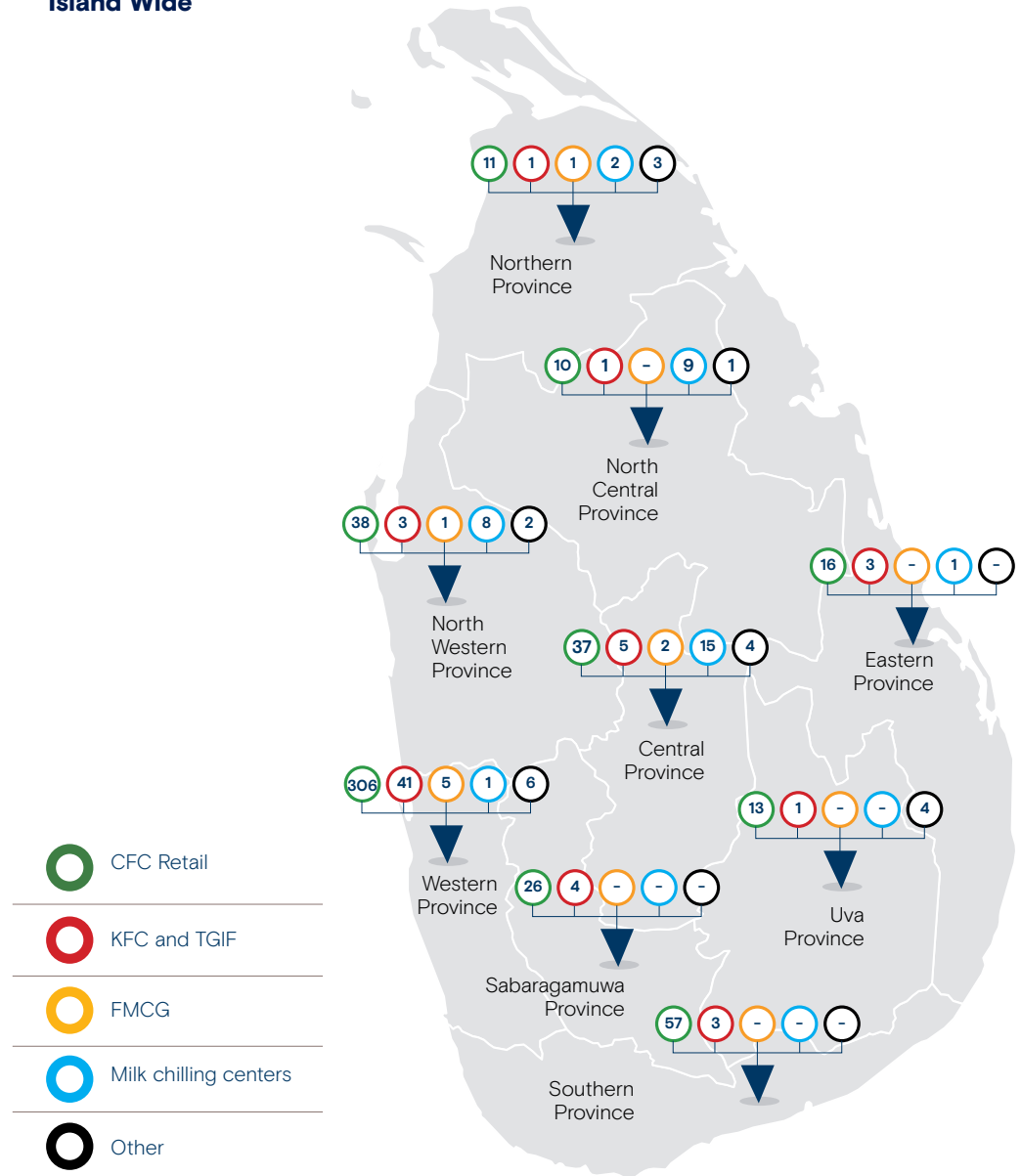
2022/23 Highlights

With a presence of 512 Cargills Retail outlets covering all 25 districts of Sri Lanka, including 98 Food City outlets and 110 Cargills Express outlets located outside the Western Province, Cargills ensured easy accessibility and reach to the rural and semi-urban communities island-wide. Our dedication to ensuring faster, more convenient island-wide circulation of fresh produce and food items was further strengthened by our e-commerce channel that allowed customers improved access and efficiency. Additionally, 21 KFC restaurants outside the Western Province provided international fast food experiences to people of all socio-economic backgrounds.



The island wide presence of the Cargills Retail network builds markets for producers as well as suppliers all across the country, in particular, small and medium enterprises (SMEs) who supply to the Group. Many small suppliers across the country have grown in scale over the years due their continuous engagement with the Group. The Cargills dairy unit managed 36 milk chilling centres in 6 provinces to create market access and increased earning potential for nearby dairy farmers. We added 2 new milk chilling centres during the year in the Polonnaruwa and Anuradhapura districts. Furthermore, 13 vegetable collection centres, all located outside the Western Province, supplemented the efficacy of the Cargills supply chain in the year under review.

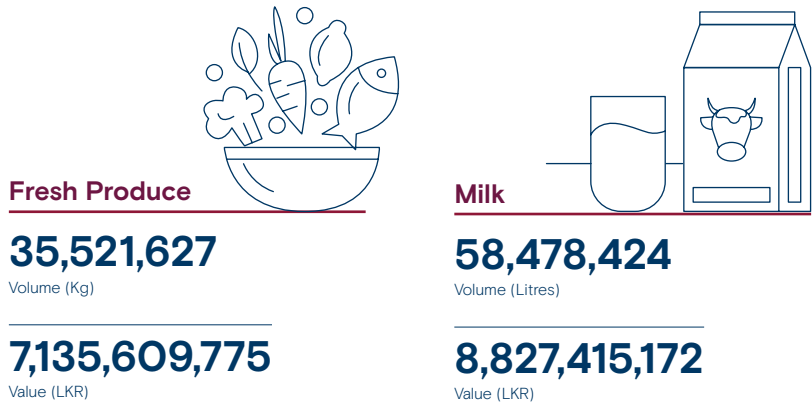
Summary of Cargills Outlets and Reach Island Wide



**Cargills -WFP
Nutrition Programme
Outlets in Rural
Communities**



In addition, during the review year, six temporary outlets were established as part of the World Food Programme's (WFP) nutrition project to deliver food packs to vulnerable families in rural communities.



A total volume of 35.5 million kg of fresh produce to the value of Rs. 7.1 Bn. was added to the Cargills supply chain during the year under review, with a total milk collection of approximately 58.5 million. Litres to the value of Rs. 8.8 Bn., enriching the supply chain while providing direct benefits and returns to our farming communities. Cargills directly enabled the livelihoods of a growing network of 5,354 agri farmers and 13,884 dairy farmers through its collections and supply chain operations during the year under review.

According to a report from the Department of Census and Statistics (National Account Estimates, 2022), Sri Lanka's Agriculture activities experienced a 4.6% decrease in 2022, a significant contrast from the 0.9% growth observed in 2021. This shift can be attributed to the limited availability of agricultural inputs, particularly fertiliser and agrochemicals, as well as rising input and fuel costs resulting from the country's economic crisis that unravelled in 2022. In order to address the impacts of production cost increases and food security concerns, Cargills adjusted the buying price of dairy to mirror the increase in feed prices and other production costs during this time.

Cargills is deeply committed to the advancement of communities in Sri Lanka. Our nine manufacturing plants located in non-urban areas, bring meaningful employment opportunities to the youth. Moreover, the expansion of Cargills Retail outlets in various remote areas of the island ensures enhanced career prospects for these youths. With youth shifting away from traditional industries such as agriculture and farming, Cargills introduced a new precision agriculture model to entice this demographic to engage in agricultural activities, ultimately paving the way for a new generation of young farmers by providing impactful benefits to those involved. Additionally, the Dairy Development programme and Sarubima programme provide much-needed funds to help farmers better their yields, thus allowing communities to flourish.



The Agriculture Modernisation Project

For two decades, we have laid the groundwork to fortify our supply chain and thus enable more farmers to participate in the growth prospects. In 2019, Cargills Agro Development Co. (CADC) launched the Agriculture Modernisation Project to empower farmers and improve livelihoods through sustainable, nutrition-sensitive agricultural practices. Our initiative saw a select group of farmers and Cargills Extension Officers visit Indian high-tech farms and technical parks to gain valuable insights into Precision Agriculture techniques. On return to Sri Lanka, farmers applied the learnings, which enabled them to reduce water usage by 60% through micro irrigation and conserve soil moisture with polythene mulch. Agrochemical usage has also reduced.



Over 300 farmers including Government Agriculture Officers participated in a field-day programme at Thanamalvila

2022/23

Highlights

The Agriculture Modernisation Project saw a monumental expansion during the year impacting an additional 620 farmers in 4 locations throughout Sri Lanka. The farmers continued to reap the benefits of reduced cost of production, increased yield, and prudent resource management through the project. The farming communities continued to be receptive towards this initiative, with many citing the introduction of the Agricultural Modernisation Project as a key factor in motivating the younger generation to get more involved in the agricultural sector.



Value Delivered in 2022/23

New farmers joined

620

During the past year, three newly included farmer groups had the chance to experience the Cargills Agri Modernisation projects first-hand, with the opportunity to take part in learning and training activities. Several knowledge sharing programmes and field visits were also arranged for agriculture undergraduates, academia, and officers of other development agencies during the year in review.



Over 200 farmers including Government Agriculture Instructors from Manthei visited the farm in Thambuthegama for an awareness programme.



Over 140 new farmers including Government Agriculture officials precepted in a field day programme in Borolanda



Peradeniya University's academic staff, final year undergraduates, and local farmers were given a unique opportunity to benefit from a field demonstration and hands-on training programme on Precision Agriculture at Cargills farm fields in Hanguranketha. This programme was designed to help the community acquire knowledge and understanding of Precision Agriculture on-site.



As a part of our commitment to showcase the impacts of the programme, high-level representatives from the UN Food and Agriculture Organisation (FAO) and the Australian High Commission paid a visit to the Cargills Agri Project sites, allowing them to witness the tangible progress made by the farmers.

Case Study:

CADC

Cargills and Colombo Municipal Council Pioneer Urban Agriculture Project

Cargills and the Colombo Municipal Council (CMC) unveiled a model urban agriculture project which was launched on 29 July 2022 at the CMC Town Hall premises. The project uses modern agricultural techniques to cultivate different crop varieties, such as Beetroot, Kankun, Radish, Capsicum, Chilli, Ginger, Spinach, and Tomato. The CMC offers security to the site, access to land, water and electricity, while Cargills contributes resources such as seed, fertiliser, pesticides, weedicides, and harvesting labour. Harvested crops are donated to communities within the Colombo Municipality, promoting food security. The project demonstrated the utilisation of a number of modern agriculture techniques such as drip-irrigation with fertigation, polythene mulches, and insect proof netting to the urban population visiting the CMC premises, creating enthusiasm and interest among a demographic that would otherwise not engage or explore modern farming practices. The centrally located plot serves as a model for urban farming and is expected to encourage more people to use urban land spaces to cultivate their own crops and contribute towards achieving food security across Sri Lanka.



Impact Assessment of Cargills' Commitment to Agriculture Modernisation

The success of the Agriculture Modernisation Project was highlighted in a recent study titled "Impact Assessment of Rehabilitation of Degraded Agricultural Lands (RDAL) Project" (December 2021) carried out by the Department of Export Agriculture in the Faculty of Animal Science and Export Agriculture in the Uva Wellassa University of Sri Lanka. The RDAL project of the Food and Agriculture Organisation (FAO) of the United Nations strategically partnered with Cargills to promote sustainable land management (SLM) and introduce modern agricultural practices across identified RDAL project areas.

As per the study, Cargills has been recognised as an innovative financing partner referring to some of the criteria such as the stability of the Company to intervene in the long run, the predictability of the Company for financing resources over the time frame of the project and beyond, the complementarity of the project activities with the scope of the Company, the amount of resources the Company could bring down, the feasibility to set up the linkage (easiness and speed), and low resource mobilisation cost. The study also highlights the capacity building of farmers carried out by Cargills in collaboration with other implementing partner organisations, where selected farmers have benefitted greatly from interacting with successful farmers across the Cargills farmer network.



Receiving
GAP Farmer
Produce at
the Cargills
Collection
Centre



Impact Assessment of the RDAL Project:

1. Impact at Beneficiary Level

- Empowered more than 80 farmers by providing the required technology and training, with 26 farmers obtaining Good Agriculture Practices (GAP) certification, and other participants also in the process of doing so.
- All beneficiary farmers have been able to receive a stable and a higher price, as well as an assured market for their fresh produce.
- All beneficiary farmers have been able to cut down their cost of production to a significant level due to the reduction of chemical fertiliser use by about 80%, agrochemical use by about 40%, and the labour use by about 40%.
- A 10 – 20% increase in yield.
- Possibility of off-season cultivation with drip irrigation system and mulching.
- Significant improvement of total land productivity (economic and environmental).

2. Impact at Partner Level (Cargills)

- Enabled Cargills to improve the quality of the fruit and vegetable supply which is vital for their business.
- Contributed to the Cargills Agribusiness Philosophy; Food safety through farm prosperity.
- Helped to motivate and attract young farmers back to agriculture.
- Overcame capital investment challenges, with Cargills Sarubima and FAO funding 30% each of the total cost, and Cargills Bank providing low interest loans to farmers to meet the balance 40% investment where necessary.
- Enhanced capacities of Cargills field officers with trainings on GAP certification and Precision Agriculture.
- Opportunity to replicate the concept.
- Enabling project beneficiaries to improve their income levels, land productivity and overall standards of living in a sustainable manner.
- Produced tangible outputs/outcomes related to arresting land degradation and promoting SLM practices sustainably well within the project implementing period.

By collaborating with the identified innovative financing partner Cargills, the RDAL project has been able to make a significant impact on the livelihood of a large number of agri farmers by empowering them with the modern technology, financing and market facilitation while improving the land productivity issues and successfully mitigating the land degradation and subsequent soil and water pollution issues.

Transferring Technology and Technical Knowledge to the Grassroots

Our continuous engagement with farming communities has helped us to identify and address supply chain inefficiencies; key among these was the lack of technical and agricultural expertise that is necessary for farmers to make informed decisions on how to tackle larger, global trends such as changing crop patterns, yields, fuel price increases, and climate variations.

In the past decade or so, Sri Lankan agriculture has experienced significant disruption due to volatile rain patterns, temperature changes, soil deterioration, and other environmental factors. On top of this, production costs, labour fees, and other input costs are increasing, resulting in profitability faltering and a decline in farming families. Nonetheless, providing access to advanced technology and knowledge on techniques, production planning, and resource management have the potential to revive the sector. We at Cargills are proud to have played a part in this endeavour, through collaborative projects with research organisations, university departments, overseas agricultural companies, and Sri Lanka's Department of Agriculture via CADC.

2022/23

Highlights

In the year under review, Cargills continued to work with the farming communities to develop the sector and enhance efficiency through technological interventions. As part of our efforts this year, Artificial Insemination (AI) was introduced to dairy farmers as an important and efficient technique in dairy farming. AI gives farmers greater control over the genetics of their herd, allowing them to select characteristics such as increased milk yield, mothering ability, and disease resistance. Additionally, procedures for selecting bulls are easier and improved accuracy of insemination can lead to higher pregnancies and better reproductive management. AI also helps to maintain a consistent gene pool, reducing the chances of inbreeding and allowing farmers to access bulls from a wide variety of genetics quickly and easily. Ultimately, the use of AI offers dairy farmers many advantages over traditional breeding methods.

Jaffna Milk
Chilling Centre



Crown Seeds

Crown Seeds was established as a CADC initiative to enhance seed potato propagation methods and practices in Sri Lanka. As a pioneer in the field, Crown Seeds extended its research and production portfolio to other crops from 1999 following the expansion of the Cargills farmer network, collaborating with the Department of Agriculture to obtain quality certifications for the seeds. Crown Seeds introduced high-yielding hybrid seeds alongside its highly successful local seed range, importing and distributing world-renowned seed brands such as Nunhems from the Netherlands, and attracting more farmers through Cargills' trademark forward contract system.

2022/23

Highlights

During the year under review, 63 new farmers joined local vegetable seed production under the Crown Seeds initiative, some cultivating two or more types of crops. Over the years the Organisation has distributed 34 types of seeds for 19 different crops, thus enabling farmers across more than 250 farming communities to further enhance the quality and yield potential of their vegetable crops in the review year. Continuous research and collaboration resulted in one new variety of seed being approved by the Department of Agriculture and the Company intends to commercialise this in the ensuing year.

Further during the year under review, the out-grower farmer network was re-organised with the addition of two new seed production locations as well as new farmers as indicated in the table below:

New Areas Selected for Seed Production	Number of Farmers	Crops Cultivated	Land Extent (Acres)
Galenbindunuwewa	34	Long beans (four varieties), Luffa, Brinjal	21
Moragahakanda	29	Bitter Gourd (two varieties), Cucumber, Marrow, Chili, Luffa, Snake Gourd, Tomato	10

Dairy Industry as an Enabler for Food Security and Economic Growth

The dairy sector has been identified as the priority sector for development among other livestock sub-sectors in Sri Lanka; while the contribution of the agriculture sector to the GDP of the country was 6.9% in 2021, the contribution of the livestock vertical – largely focused on producing milk, meat and eggs – was only 0.9%.

Cattle and buffaloes are the primary species of livestock that make up the dairy industry. Historically, these animals have been used for multiple purposes, such as for milk for household consumption, transportation, and draft, and as a source of organic fertiliser and fuel. Livestock has now become a major source of employment for the poor, providing them with a steady income.

An analysis of the Sri Lankan dairy industry reveals that domestic production only meets 40% of current demand, thus requiring a heavy reliance on imported milk and milk products. It is clear that the dairy industry in Sri Lanka has great potential for development and can significantly contribute to the country's economic growth. Policy formation and implementation of appropriate measures at the field level could drive sector growth and enable self-sufficiency in the national milk supply. This will serve as a strategic approach for building economic resilience through reducing milk powder importation, and consequently reducing foreign currency drain.

Cargills Dairy Development Programme

Cargills is dedicated to the expansion of its Dairy business in response to consumer demand, through a sustainable dairy development initiative encompassing the entire value chain. The purpose of this initiative is to enhance the livelihoods of small farmers and farming communities by connecting them to the market through local milk processing and to empower smallholder farmers to increase milk production, quality, and profitability.

Enriching Livelihoods of Local Dairy Farmers

Our dairy business arm, Cargills Quality Dairies (Pvt) Ltd and Kotmale Holdings PLC, continued to further its agenda to empower local dairy farmers and help them withstand the challenges brought forth by changes in the operating milieu last year.

Cargills continued the on-going collaborative partnership with the Department of Animal Production and Health (DAPH), to provide technical guidance to the Livestock Industry and its stakeholders in Sri Lanka. During the



year in review, Cargills conducted a Farm Assessment in partnership with DAPH and disseminated the findings to the industry to promote further growth through education and research. Additionally, the Company invested in farmer training, awareness programmes, and skills development projects to extend support for the development and enhancement of dairy farms.

Our milk procurement spans numerous areas across the island, particularly in the Central, North Western, and North Central Provinces. This growth has contributed to the rise in yearly household income for farming communities in remote areas.

Having diversified into the Dairy industry in 2001 with the acquisition of a closed-down ice cream factory, today Cargills Quality Dairies has driven catalytic growth within the sector, contributing to incremental milk production volumes year on year. The table below bears witness to the success of our measured yet significant steps taken towards the development of this nationally significant sector, and summarises the details of our milk procurement volumes during the past five years from 2018 to 2022:

Cargills Milk Procurement

	 Chilling Centres	 Annual Milk Collection (Litres)	 Annual Milk Payments (LKR)
2022/23	36	58,478,424	8,827,415,172
2021/22	35	57,497,327	6,183,011,014

While the country's socio-economic challenges during the year led to a reduction in milk production in the country, the beneficiaries of our Dairy Development Programme were able to increase their overall milk production. This overall growth was attributable to focused, strategic action taken by Cargills during the year, largely under the Dairy Enterprise Development Initiative (DEDI).

While the cost of production increased substantially during the year due to rising input costs, so too did operational expenses such as transport, and the farmgate prices of milk also increased quite sharply during the year. Despite the increase in the price of milk, Cargills continued to secure milk from our farmer network, providing them a steady income. The Company was able to leverage the strength of its supply chain and access milk collection points despite the challenges with fuel availability. In an environment where many processors and collectors reduced milk purchases, Cargills was committed to its farmer network and maintained milk purchases. During certain months where competing collectors dropped out of the market, Cargills was able to intervene and collect excess milk.

Over the last year, the addition of two new milk chilling centres contributed to the annual milk collection increasing by 981,097 litres. An estimated average milk collection of over 160,000 litres per day was achieved during the review year.

Fostering an Equitable Future for Women Entrepreneurs

The continuous growth in milk collection is a priority for Cargills and the empowerment of identified leader farmers to promote a culture of entrepreneurship, especially amongst women has been an innovative and significant methodology adopted in this direction.

In furthering this objective, the Company has identified 500 leader farmers, 328 of whom have their own fodder cultivation and produce more than 25 litres of milk daily. These farmers have been encouraged to take on one new female affiliate farmer annually. They are provided with appropriate guidance, technical support, and collective repurchasing agreements to aid in their affiliates' development. It is expected that during the first year, the affiliate farmer will produce 20 litres of milk per day, which will be increased by 15% each year.



The Dairy Enterprise Development Initiative: 2021 – 2026

In 2021, Cargills Quality Dairies launched the Dairy Enterprise Development Initiative (DEDI). This five-year programme, facilitated by Kotmale Dairy Products (Pvt) Ltd, has the goal of increasing milk production by 80 million litres annually by 2026, thereby reducing foreign exchange outflow from dairy imports by reaching our full processing capacity. The Company is currently linked with over 13,800 farmers, who collectively produce an average of over 160,000 litres of milk per day, which is significantly lower than the desired volume required to meet our optimum production capacity. This low milk collection rate is largely due to the low productivity of animals, which has led to lower profitability, and dairy farmers shifting away from the field due to its reduced earning potential.

To address these issues, the DEDI is promoting improved dairy technology and management practices, giving rise to long-term, sustainable results. Cargills joined forces with DAPH, as well as a number of financial institutions to replicate model dairy farming units based on the model dairy farm and training centre set up by the Company in Kurunegala. This effort has accelerated the development of farmer capacity and the rate at which farming practices are changed and adopted by our farmers.

Additional key measures undertaken by the DEDI programme to improve and enrich the sector include;

- Capacity building and skills development for dairy farmers
- Genetic upgrading and productivity improvement of the dairy herds
- Establishment of a commercial-scale good quality fodder and silage production unit in Sri Lanka to provide high quality feeding materials to our dairy farmers
- Individual farm assessment and farm planning to ensure optimum farm management practices
- Provision of financial assistance for dairy development and farmer extension

Through individual farm visits, farmer interviews, and group discussions conducted over the review year, the dairy units in the project area were continuously assessed to identify existing gaps, evaluate available resources, and gauge future development potential.



Technical training session conducted by Cargills Quality Dairies for Dairy Extension Officers

2022/23

Highlights

Building Capacity and Skills on Dairy Development

The objectives of our capacity-building programmes are to improve overall farm productivity, enhance the quality and safety of the milk produced, improve the management of the animals, educate on the importance of environmental sustainability, increase dairy farm profitability, and develop industry-wide understanding of more productive dairy business models for the nation.

During the reporting period, 1,330 farmers were provided with project awareness and technical training, bringing the total farmer thus trained under DEDI to 2,393. Furthermore, 52 Dairy staff also received project awareness and technical training during the review year. Our Dairy Extension Team then presented customised development plans to establish Model Dairy Farm Units for the 1,330 farmers to meet 10 agreed-upon Key Performance Indicators (KPIs) and initiate best management practices.

Dairy Farmers and Staff Training under DEDI

Project awareness and Technical Training	Number of Participants
Staff training on dairy management and extension practices (total)	94
Awareness and technical training on increased productivity and best management practices (total)	2,393
Introduction of best management practices according to the 10 KPIs	1,330



Improved Planting Material and Fodder/Silage Production

In order to address the issues of inconsistency and unavailability of quality feeding materials faced by dairy farmers in our project locations during the year in review, Cargills provided microfinance assistance for irrigation facilities for fodder cultivation as well as over 200,000 improved planting materials (Puchong cuttings).

In addition to offering farmers training in fodder cultivation and preparation of total mixed rations (TMR) for dairy cows, a chaff cutter was introduced to facilitate this improved TMR feeding system, where silage cut into smaller pieces was blended with supplementary feeding materials such as cereals, minerals, vitamins and feed additives, to maximise the nutritional status of the feeds.

Furthermore, Cargills assisted in initiating 3 silage entrepreneurs to ensure a continuous supply of silage which is being currently distributed among farmers with plans to expand further in the ensuing year.



Fodder cultivation by a female dairy farmer



Feeding cattle using the Total Mixed Ration (TMR) system

Genetic Upgrading and Herd Improvement Programmes

An analysis of milk production helped us determine that more than 80% of production is done by smallholder dairy farmers with only 3-4 cows of low-yielding capacity. This is due to a lack of breeding farms available to access high-yielding breeds and heifers, compounded by the unavailability of proper breeding programmes for dairy farmers. To address this, Cargills launched a programme to assess dairy cattle breeds and production performance in order to make informed recommendations on the importation of high-yield heifers with the assistance of DAPH and other dairy development projects. During the reporting period, over 400 farmers were chosen to participate in this pilot project, which will be scaled up in the following financial year. Furthermore, awareness programmes on Artificial Insemination (AI) were implemented in conjunction with DAPH for Dairy Extension Officers (DEOs), in order to ensure the successful implementation of the herd improvement programme.



Farmers having utilised vouchers for solar power units



Financial support
for milking machine
purchases

Financial Assistance for Dairy Development

Cargills assessed the 1,330 farmers who participated in the DEDI project awareness and technical training sessions, and prioritised approximately 500 of the highest-performing farmers, extending financial assistance to establish 500 Model Dairy Farm Units under the DEDI programme. Apart from the earlier mentioned financial incentives for irrigation systems, improved feed systems, and financial assistance was allocated for other identified key activities which included:

- Purchasing of a milking machine to improve productivity
- Improvement/new construction of cattle sheds, where farmers were incentivised to provide drinking water buckets with automated refilling mechanisms so that animals could access water whenever necessary.
- Installation of solar power units for dairy farms to reduce growing energy costs

During the year in review, the Company facilitated low-interest loans worth Rs. 91.85 Mn. to 203 dairy farmers through Cargills Bank, along with Rs. 24.83 Mn. worth of vouchers to 256 farmers for the above identified key activities.

Loan Scheme	Number of Loans	Loan Amount
SAPP	9	4,050,000.00
SAUBHGYA	104	45,841,760.00
DAP-PP	82	38,219,686.00
BANK FUNDED	8	3,740,000.00
Total	203	91,851,446.00

Community Development

Reinvesting in holistic community development is essential for the growth and sustainability of the communities of Sri Lanka. Our extensive interactions with farmers from various regions of the island have made us cognisant of the pressing need for an integrated approach to promoting local economic progress, reducing poverty and unemployment levels, and increasing the standards of living while ensuring the well-being of all members belonging to agricultural communities.

Sarubima Fund

In 2008, Cargills saw a need to further invest in uplifting the lives of the farming communities, particularly in the next generation. Therefore, the *Sarubima* fund was set up to contribute 50 cents for every kilogram of produce collected, and per litre of milk sourced from local farmers. Over the years, this fund has acted as a platform to better the lives of our farming communities by offering educational scholarships, up-skilling tools, insurance policies and investment in local infrastructure. Around 60% of the capital is allocated towards educational scholarships, which is instrumental in bridging the educational disparities between rural and urban areas. This endeavour has remained of paramount importance for Cargills and we furthered this initiative during the year in review, in partnership with relevant stakeholders.

Sarubima Credit Relief Fund

The country's economic crisis which followed the COVID-19 outbreak compounded the number of farmers defaulting their loan payments, and as a result being left with no access to credit from local banks, a persistent, long-term issue that has continued to greatly impact Sri Lanka's agriculture economy. Complementing a number of government relief efforts was the Cargills *Sarubima* Credit Relief Fund, established to provide much needed financial assistance to farmers by eliminating the risk factor of high capital investments and loan interests. The *Sarubima* Credit Relief Fund helps farmers repay the loans taken for capital expenditure in the event of a genuine crop failure beyond their control. Rs. 10 Mn. has been reserved from the *Sarubima* Fund towards meeting the commitments under this scheme.





2022/23 Highlights

During the year under review, *Sarubima* scholarships surpassing Rs. 24 Mn. were extended to 774 beneficiaries.

	Number of Beneficiaries	Funds Disbursed (Rs.)
Grade 5 scholarship students	194	1,940,000
O/L students	375	9,375,000
University students	157	11,775,000
Vocational training	48	1,440,000
Total	774	24,530,000

Furthermore, during the review year, close to Rs. 25 Mn. was allocated for several community development projects in more than 40 locations in and around our vegetable, fruit and milk collection centres. These projects range in scope and purpose and are focused on addressing the urgent social and development needs of our communities. Projects to improve access to clean drinking water and sanitation, construction of medical facilities, school development, and other key infrastructure developments are among the key budgeted programmes that were initiated during this reporting period, and are expected to be completed in the upcoming financial year.

Cargills Village to Home

In September 2020, Cargills launched the “Village to Home” initiative to support Sri Lanka’s small and medium enterprises (SMEs) that were impacted by the COVID-19 pandemic. Monthly sales events are held at select Cargills Food City car parks to provide business continuity amidst the market’s increased uncertainties.

The events showcase a variety of Sri Lankan traditional products, including healthy and nutritious Ayurveda herbal products, food, handloom and artisanal handicraft, and cane and reed craft products. Cargills provides technical assistance and advice in packaging, marketing, quality assurance and quality standards to aid the SMEs in improving product quality and increasing their market appeal to Cargills customers. Furthermore, Cargills covers all expenses for demarcated stalls, water, electricity, and other facilities required to meet strict health and safety guidelines.



2022/23 Highlights

In the financial year under review, our initiative saw considerable growth, organising 32 Village to Home sales events at Food City outlets, and registering over 169 SMEs and entrepreneurs. We currently work with about 840 SMEs through the programme, introducing approximately 2,000 products to the local market in the year under review. Additionally, the Gondola programme was further developed, offering SMEs the unique opportunity to display their goods at Cargills Food City outlets, for a relatively low cost.

Cargills Village to Home registered SMEs	169
Village to Home programme in Jaffna	35
Menikhinna Village	40
Sagarika Products	10
Ehali SEDA (Village Society)	86
Hela Diriliya (Apparel Workers Society)	500
Total SMEs engaged with Cargills	840

Cargills has achieved successful results with Village to Home initiative, doubling its contribution to small and medium enterprises (SMEs) with total revenue earned by the SMEs reaching Rs. 8.3 Mn. Furthermore, registered SMEs benefit from the establishment of Cargills Bank accounts with QR codes for payments, and technical support for labelling, quality assurance and marketing communications. Four training programmes were conducted to educate and upskill the SMEs during the period under review.

Description	2022/23 Rs.	2021/22 Rs.
Total revenue earned by the SMEs	8,346,175	4,850,081

Additionally, SMEs can showcase their products inside select Food City outlets equipped with a Village to Home Bay or Gondola, providing them the additional layer of security of having continuous market access for a low shelf cost, supporting sustainable business growth in the long term.

Village to Home Bays and Gondolas at Cargills Retail Outlets

1. Kiribathgoda 4
2. Colombo City Centre
3. Big City Katubadda
4. Rajagiriya 3
5. Attidiya 2
6. Gampaha 2
7. Thanipolgaha
8. Akuregoda
9. Badulla 2
10. Torrington Square

Other than the above bays and gondolas, products from 2 SMEs, namely GSK Products and Radha Lanka (Case Studies: page 95 and 96) were listed at 303 Cargills Retail outlets and Cargills Online due to high demand during the year under review. A total of 8 SMEs were selected to showcase 34 products on Cargills Bays and Gondolas during the year with continuous market access, generating sales over Rs. 10 Mn., a promising year-on-year increase from the previous financial year.

Description	2022/23	2021/22
Listed SMEs	8	5
Listed number of products	34	27
Total revenue for SMEs from Cargills Village to Home Bays/Gondolas (Rs.)	10,105,334.65	8,856,491.97

Village to Home Success Stories

Training programme conducted for Menikhinna village residents



Menikhinna

Located in the Central Province, is a rural village whose residents make their livings producing “Hana” (hemp fibre) products. Access to the market posed a problem, necessitating Cargills Village to Home to bridge the gap. A training programme was implemented to help them understand market demands in terms of products as well as quality. The process is underway to list their products in Cargills Village to Home Bays and Gondolas, which will facilitate consistent market access.



Hela Diriliya

An apparel workers’ society which was granted the opportunity of selling its products through the expansive network of Cargills under its Village-to-Home initiative. The initiative boasts a membership of 500 dedicated women in the apparel sector who are actively encouraged to embrace the entrepreneurial spirit, allowing them to generate additional income beyond their employment.

Case Study:



GSK PRODUCTS

Mr Chandrasena Subasinghe is the driving force behind GSK products, a success story from the Cargills Village to Home initiative. Mr Subasinghe is an external degree holder from the University of Peradeniya and has followed several certificate courses and diploma courses in food technology. He and his wife are both teachers by profession and they have two children. This dynamic entrepreneur chose to capitalise on the resources of his home garden when he lost his tuition income during the Covid-19 outbreak, and developed a healthy herbal drink from the *Yaki Naran* fruit.

By joining the Cargills Village to Home Programme in 2022, Mr Subasinghe was able to rapidly develop his business thanks to the support and guidance of the Cargills team in matters related to product quality, branding, labelling, and marketing. Within a short time span of two months, the small-scale operation that began with a single dryer had grown significantly. Today, GSK products are available in 210 Retail outlets, as well as in select pharmacies and ayurvedic shops in Hambantota, Matara and Ratnapura districts.

As a result of this success, GSK products has created many employment opportunities. Furthermore, the product line has diversified to include *Yaki narang*, *Nil katarolu*, *Belimal* powder, Curry leaves powder, and other healthy drinks.

Case Study:

RADHA
LANKA

Radha Lanka, owned by Mr Ajith Dasanayaka, is a business that reached great heights and greater success by joining the Cargills Village to Home programme. Established in 1998 as a small-scale business, Radha Lanka is passionate about producing healthy food products. Their main product is MEDI SEED, a milk powder substitute made from local pulses and traditional rice, which is enriched with a high amount of alkaline and is recommended as dietary aid for gastritis and pancreas patients. Further, Radha Lanka has also introduced two types of string hopper rice flour made with traditional Sri Lankan rice varieties - *Kalu Heenati and Suwandel* - a healthier food option.

With the guidance of Cargills, Radha Lanka has seen immense growth, increasing its employee count from 2 to 22, and establishing a network of organic farmers to supply raw materials for their now highly-demanded products. Additionally, the product awareness created by Cargills has seen their products reach 141 Cargills Retail outlets and the Cargills Online store, along with export orders from abroad.

Mr Dasanayaka's business is now secured commercially with loyal customers, suppliers, employees and market

opportunities, enabling Radha Lanka to be financial empowered and positioned to expand further in the future.







HEALTHY, SAFE AND AFFORDABLE NUTRITION

According to a recently published World Bank report, non-communicable diseases (NCD) such as diabetes, cardiovascular diseases, strokes, and cancers, account for almost 90% of the disease burden in Sri Lanka. Poor dietary habits and nutrition are major contributors to the rising prevalence of NCDs and the associated inequitably distributed financial burden related to control and care, which affects the Sri Lankan healthcare system, as well as both wealthy and impoverished households.

The ongoing economic crisis has caused further deterioration in the quality of nourishment and food safety available to the citizens of Sri Lanka, specifically to children who have been the most affected by rising food and commodity prices. The number of children struggling with various forms of malnourishment has increased for the first time in at least six years, according to a government report and data from the Health Ministry. A nutrition-focused food supply chain is seen as a long-term solution in order to bridge the gap between balanced dietary needs, undernutrition, the affordability of healthy food, and the overall health of the population.

Cargills has taken a leading role in aligning the local agricultural sector with advances in nutritive science, helping consumers make educated, discerning food choices. Due to its three-pronged approach of ensuring access to nutritious produce, guaranteed food safety, and providing healthier food alternatives, Cargills has been able to make healthy, secure and affordable nutrition accessible to all Sri Lankans.

This section provides an understanding of how Cargills has pioneered strategies to render nutritious, safe, and affordable food more accessible to all.



Value Delivered in 2022/23

Purchasing value of Good Harvest produce:

Rs. 56,671,243

Purchasing value of BeeSafe produce:

Rs. 27,319,077

Purchasing value of organic rice crops:

Rs. 20,010,205

Number of new products introduced to the market:

27

Contribution to SDGs



GOOD HARVEST

- Sri Lanka's first
GAP-certified Produce

Good Agricultural Practices (GAP) are a set of principles, regulations, and technical recommendations applicable to production, processing, and food transport, ensuring the safety and quality of produce in the supply chain. The GAP certification ensures that farm products meet quality standards as well as being environmentally friendly, socially acceptable, and economically profitable for the farmers.

Cargills spearheaded the introduction of socially responsible farming methods, resulting in the establishment of the Sri Lanka GAP (SL-GAP) certification in 2019. At Cargills, fruit and vegetable products distributed and marketed under the "Good-Harvest" brand label come with the assurance that fertilisers and pesticides are used in adherence to regulatory standards with globally accepted safe levels of residue, and that control mechanisms are in place to continuously monitor participating farmers' crop record books at ground level. To further emphasize the quality of the produce, each package of "Good-Harvest" branded fruits and vegetables contains traceability information and a distinct QR code.



2022/23 Highlights

In the year under review, Cargills continued its commitment for Good Harvest produce by growing its GAP-certified farming community with 36 new farmers being added to the network. A total 143 farmers cultivating in a land extent of 278.4 acres in key farming communities around the island were recorded to be producing GAP-certified goods for the Cargills Good Harvest brand as at the review year.

A year-on-year comparison of purchasing volumes and values however, indicated a decrease due to various challenges in the external environment affecting the overall demand and yields.

2022/23

Quantity Purchased (Kg)	Purchasing Value (Rs.)
283,161	56,671,243

2021/22

Quantity Purchased (Kg)	Purchasing Value (Rs.)
398,290	65,482,402

Growth

Volume	Value
(28.9)%	(13.5)%

BEE SAFE

– Agrochemical free farming

Cargills introduced its BeeSafe range of completely organic fresh produce, bridging the gap in the market for toxin-free, organic, fresh produce at affordable prices. This range of ecologically cultivated products offers numerous benefits to consumers, such as being free of agrochemicals and rich in nutrients. Furthermore, it also contributes to environmental sustainability by eliminating the use of harmful chemicals.

BeeSafe farmers employ scientifically proven biological processes in agriculture, introducing microorganisms, natural herbicides, and pesticides as an integrated system to maximise yields while reducing farmers' exposure to – harmful chemicals. To ensure the safety and quality of the produce, Cargills has been creating toxin-free ecological zones to guarantee that any crop cultivated within them will be free of all hazardous chemicals. This will be demonstrated by the presence of bees within the zones, as bees are notoriously sensitive to any harmful toxins and cannot survive in an environment laced with harmful chemicals. Since its launch in 2019, our BeeSafe range of fresh produce has been gaining increasing demand for its organic goodness and affordable prices.



2022/23

Highlights

In the year under review, 16 farmers were BeeSafe certified, adding a toxin-free land extent of 8.8 acres for cultivation of organic produce. The Bee Safe farmer base at the end of the reporting period counted 48 farmers, with a total land extent of 271 acres. A total of 37 crop varieties are now cultivated under the BeeSafe brand, with 11 of these having been introduced in the year under review. The crops introduced in the financial year 2022/23 were *Kankun* (Water Morning Glory), *Mukunuwenna* (Sessile Joyweed), Cucumber, American Oyster Mushroom, Abalone Mushroom, Young Corn, *Dambala* (Winged Beans), Long Beans, Snake Gourd, *Thalanabatu* (Thai Eggplant) and *Kekiri* (Cooking Melon).

Overall purchase volumes and value of Beesafe produce in 2022/23 indicated a value decrease year on year due to a marginal drop in the volume generated/purchased.

2022/23

Quantity Purchased (Kg)	Purchasing Value (Rs.)
109,599	27,319,077

2021/22

Quantity Purchased (Kg)	Purchasing Value (Rs.)
167,980	38,870,473

Growth

Volume	Value
(34.76%)	(29.71%)

103

Cargills
(Ceylon)
PLC

Annual
Report
2022/23

Healthy, Safe and Affordable Nutrition

TAKING STOCK

CARGILLS RICE

– Traditional organic rice

For centuries, rice has been a staple of traditional Sri Lankan cuisine. Once renowned as the granary of the East, Sri Lanka provided more than 2,000 indigenous rice varieties to the world. Rice cultivation was once considered sacred in Sri Lanka, due to the sustainable methods used for production.

Cargills collaborates with the Parabowa Farmer Association to produce a range of traditional rice varieties, free of agrochemicals and toxins. These healthier traditional rice varieties have been designed to meet the changing consumer preferences and are produced under specialist conditions, providing better nutrition for the Sri Lankan people. The Cargills Traditional Rice varieties have been found to be superior to commonly available rice varieties, due to their higher antioxidant, fibre, iron and protein levels, as well as having a low glycaemic index. There are six different varieties, each with its own unique health benefits, providing consumers with easy access to healthy and affordable daily staples.



2022/23

Highlights

During the year under review, Cargills continued to extend its commitment to providing healthy rice alternatives to the nation. A total of 136 farmers were registered under the Cargills Rice initiative as at the review year with 1775 acres of farming land dedicated to the cultivation of heirloom paddy varieties including, *Kuruluthuda, Ma vee, KaluHeenati, Pachchaperumal* and *Suwandel*. Purchasing volumes grew by 16.7% YoY while the value of the purchases almost doubled and grew by 98% YoY, further strengthening and incentivising farmer communities towards organic harvesting.

105

Cargills
(Ceylon)
PLC

Annual
Report
2022/23

Cargills Traditional Rice

2022/23

Quantity
Purchased (Kg)

38,590

Purchasing
Value (Rs.)

20,010,205

2021/22

Quantity
Purchased (Kg)

33,000

Purchasing
Value (Rs.)

10,110,115

Growth

Volume

16.7%

Value

98%

ENRICHED NUTRITION

Our Research and Development (R&D) team is dedicated to delivering superior products that meet the nutritional expectations of our consumers while addressing the health issues of our country. We strive to maintain the unique taste of our manufactured product ranges represented by consumer favourite labels such as KIST, Sam's and Kotmale, by testing and re-engineering recipes to control sugar, salt, and fat levels. We source fresh milk as well as natural fruits and vegetables, preserving their goodness in terms of high vitamin, mineral, and fibre content in our products.

In addition, we collaborate with R&D departments across a number of state universities as well as nutritional experts to further our research and introduce healthier consumer options to an evolving Sri Lankan market.

Nutrition-based Interventions for the Vulnerable

In the face of Sri Lanka's economic crisis, food insecurity reached concerning levels where an estimated 32% of households became food-insecure at the height of the crisis last year, according to the Household Food Security Survey (February 2023) published by the UN World Food Security Programme. Cargills initiated several community projects to address the nutrition-based challenges that impacted those living in vulnerable communities that were disproportionately affected by the economic crisis. Two community meals programmes were initiated in strategically selected locations, and the details and outcomes of these programmes are summarised below.

Case Study:

School Meals Programme in Partnership with Lasallian Community Education Services

School children were the most impacted by food insecurities during the reporting period and this was cited as one of the main reasons for lower school attendance in low-income communities. Through our collaboration with Lasallian Community Education Services, we provide 250 packs of nourishing meals to school children in identified communities within a number of Colombo suburbs from Monday to Friday of each week. The students, who would otherwise go without meals and miss school days, showed an overwhelmingly positive response to this initiative. Areas served by this initiative include Colombo 13, Colombo 14, Wanathamulla, Obesekerapura, and Palliyawatte, where a total of 31,350 meals were provided through this initiative during the review year.



Weekly Meals Programme in Grandpass

We supported St. Joseph's Church in Grandpass to provide weekly dinner to people living in vulnerable communities in and around the area. Approximately 14,000 meals were distributed among families in need through this initiative as at the end of the reporting period this fiscal year.



The Cargills New Product Development (NPD) Process

New product development in the food industry is a complex process that is regulated and followed when introducing a new or improved product to the market. It involves creating, processing, and commercialising the new or improved product, with timelines ranging from three months to three years.

At Cargills, the first step in the NPD process is understanding the pulse of the market and consumer expectations, which helps us identify opportunities in nutrition and translate them into products that satisfy our customer. In order to initiate this process, Cargills conducts consumer surveys to gauge customer preferences, and these insights guide our NPD process.

Consumer Surveys

We carry out 2 types of consumer surveys:

1. New Product Testing

Sensory tests for product research and product improvement are conducted at Food City Outlets, where customers are asked to sample the product and provide feedback on preferences. An analysis of consumer surveys conducted prior to introducing new products in the review year is summarised in the table below:

Descriptions	Conducted date
Mixed fruit nectar product taste testing	21.2.2023
Mixed fruit nectar product taste testing	12.1.2023
Mango nectar product taste testing	2.1.2023
Tomato sauce product taste testing	21.12.2022
Mango nectar product taste testing	5.12.2022
Fresh water fish products testing	4.11.2022

2. Supermarket Surveys

We examine the purchasing behaviour and customer awareness of selected brands and offers by way of supermarket surveys.

Agriculture Supply Chain Survey

With a view to increasing efficiency and streamlining the process, we conducted a survey of the Cargills Agri supply chain with data collected from seven stakeholder groups: Farmers, Agriculture Officers, Vegetable Collection Centre Officers, Drivers, Vegetable Processing Unit Officers, Cargills Retail Outlet Managers, and Customers. Improvements were made in line with the findings.

Product Improvements

Products were improved or developed based on responses and suggestions received by customers. A key example is Cargills addressing consumer concerns on flavour enhances by ensuring that no MSG is added to a number of Cargills manufactured food products.

During the year under review, we introduced five new consumer products, and four new healthy dairy product variants to the market:

No.	Name	Date of Launch
New Consumer Products		
Cargills Quality Food (CQF)		
1.	Sam's: Chicken Kochchi Bites • No added MSG • No artificial colours • No artificial flavours	25 April 2022
2.	Sam's: Mutton Chinese Roll • No added MSG • No artificial colours • No artificial flavours	16 December 2022
3.	Goldi: Pork Lingus (500g) • No added MSG • No artificial colours • No artificial flavours • No added preservatives (Nitrites)	19 October 2022
4.	Finest: Turkey Sausage (300g) • No added MSG • No artificial colours • No artificial flavours • First turkey sausage product introduced by Cargills	16 December 2022

No.	Name	Date of Launch
New Healthy Dairy Product Variants:		
4 Cargills Quality Dairy (CQD)/Cargills Magic		
1.	Magic: Lite Ice Cream Vanilla (500ml) • 30% reduced fat variant of the Magic ice cream • No added sugar • High fibre • High calcium	19 August 2022
2.	Magic: Lite Ice Cream Chocolate (500ml) • 30% reduced fat variant of the Magic ice cream • No added sugar • High fibre • High calcium	19 August 2022
Kotmale		
3.	Kotmale: Pasteurised Milk with Almond (500ml) • First-of-its-kind product made with 100% pure fresh cow's milk and 100% natural roasted almond paste/mixture • Nutritional goodness of milk together with the health benefits of almonds	15 September 2022
4.	Kotmale: Dairy Drink Orange (180ml) • Combination of nutritive whey liquid from our Bogahawatta cheese factory with orange juice to create a refreshing beverage with dairy and fruit nutrients	17 November 2022
5.	Magic: Ice Cream Kithul (1L) • Made from locally sourced milk and kithul treacle	30 March 2022

Prioritising Health and Safety in New Product Development

- **Product Conceptualisation:** Product concept development is based on factors such as trends, consumer preferences, new concepts, market requirements and potential. When developing any product concept, threats to food safety must be identified and potential health benefits and risks considered.
- **Research and Development:** Throughout a new product's development stage and commercial production, we must adhere to the necessary health and safety standards to guarantee product quality and food safety. This adherence not only meets ISO 9001:2015 and ISO 22000:2018 certifications, but also conforms to local regulatory requirements, such as the Food Act and the SLSI.
- **Certification:** All of Cargills Production Facilities are certified. The year in review saw all our facilities maintain and/or renew necessary certifications in the areas of food manufacturing, safety, and quality standards by conducting audits and testing processes. The Company is currently working towards extending Halal Accreditation to other countries for export purposes. A notable initiative in this regard was carried out at CPC Lanka Ltd, where the entire Spice Processing Unit was reconstructed in accordance with food safety and hygiene standards during the reporting period. Production at the new premises started in August 2022.
- **Manufacturing and Production:** We ensure that raw materials, processed products, and final products meet specific requirements and regulations from initial receipt through delivery of finished products. To do so, we follow established protocols that satisfy necessary standards and Quality and Food Safety regulations. In addition to routine physical, chemical and microbiological in-house analysis, samples of products are randomly selected and sent to accredited third party laboratories for testing and verification
- **Marketing and Promotion:** All Cargills promotional material demonstrate our commitment to high-quality management standards and food safety. Annual training programmes help ensure sales teams and distributors stay informed and up-to-date on these standards. If product details are modified, the public is informed.
- **Storage, Distribution and Supply:** At designated warehouses for manufactured products, batch picking is used instead of single-order picking, resulting in improved efficiency, reduced time, physical effort, and a reduced number of pickers. A QR code system is used to identify each product to ensure the traceability of fresher products to outlets. Strict temperature monitoring is employed in warehouses storing dairy and other products, with 24 thermo loggers installed to meet food safety requirements. During distribution, all vehicles are outfitted with GPS to track temperature and other parameters in real-time. QA teams visit supermarkets/retail shops monthly to check storage conditions, expiry dates, and provide advice when needed. Furthermore, annual training sessions are held to keep distributors up-to-date and advise them on how to uphold quality standards in products.
- **Use and Services:** All products manufactured by Cargills are produced for public consumption.
- **Disposal, Reuse or Recycling:** The Cargills supply chain has a stringent product lifecycle management process that addresses all lifecycle stages, from collection to final disposal. Cargills Quality Confectionaries collects and distributes used and damaged packing materials to registered buyers for recycling. Cargills Retail outlets ensure the disposal, reuse or recycling of all waste generated at their sources, and the solid waste at outlets is handed over to external (municipal/private) garbage collectors. The Fish Processing Centre directs liquid waste to an effluent treatment plant that is released after the BOD/COD levels are met, and remaining fish off cuts near end of shelf life, scales and offal are sold as animal feed or for fertiliser. The Vegetable Processing Units return coconuts to be sold for copra, and vegetable returns are given to registered collectors as animal feed/ fertilisers. Market returns to the warehouse are given to relevant suppliers, with those under a 'no return policy' disposed of by crushing the item under a heavy-duty roller, with observation by an authorised officer, and handed over to the Municipality or to a service provider with record. Kotmale product packages provide instructions for usage, suggesting recycling and safe disposal. Waste is collected separately from production area at the collection point outside and majority of it is recycled, with the remaining amount being incinerated, removed every four hours.

Ceylon Since 1844: For Healthy Living

The year under review also witnessed the Cargills Ceylon Since 1844 product range taking off as a premium Sri Lankan brand and penetrating its target tourist market.

Ceylon Since 1844 was created to showcase authentic, regal Sri Lankan heritage and the Ceylonese lifestyle of the past. The brand sources organic/ecological products that inspire quality, tradition, and the excellence of Ceylon cuisine worldwide. A total of 18 products were initially launched at the end of the previous financial year, including coffee, tea, coconut-based products, spices, kithul treacle, and Ceylon cinnamon leaf tea, all produced with no additives, artificial colours, flavours, or preservatives. The products were made available at selected outlets in Colombo and tourist destinations – successfully contributing Rs. 14.8 Mn. in sales to the Cargills business as of March 2023. With all raw material sourced from smallholder farmers, customers also directly support to uplift their livelihoods when purchasing Ceylon Since 1844 products, while generating foreign exchange for Sri Lanka as the range aims to be recognised as a premium Sri Lankan brand across international markets.

Ceylon Since 1844 offers a range of organic products with the highest quality, embracing the culture of traditional Ceylon. Our coffee range includes Medium and Dark Roasted Ground Coffee, as well as Drip Bags, all sourced from Kandyan forest gardens and hand-picked by artisanal women. Our 100% pure Ceylon tea range is mid-grown single origin, and offers English Breakfast Tea, Green Tea, Spiced Black Tea and Loose-Leaf Black Tea. There is also a variety of coconut-based products, such as Virgin Coconut Oil (single estate), Coconut Cream and Coconut Chips (in pineapple and savoury). Our organic spice selection consists of Ceylon Cinnamon Powder, Whole Black Pepper, Whole Clove and Whole Cardamom. Kithul Treacle is a natural sweetener, low in glycemic index, high in antioxidants, fat-free and gluten-free.

We also offer Ceylon Cinnamon Leaf Tea, a product patented in Sri Lanka, made of Ceylon cinnamon leaf and bark extract, enriched with anti-inflammatory properties. Every pack helps contribute 2% to the Research & Development fund of Sabaragamuwa University of Sri Lanka. Cargills received recognition from the World Bank Funded Accelerating Higher Education Expansion and Development (AHEAD) initiative for commercialising this product.





Ceylon Since 1844 Product Range

Coffee range

Dark Roasted Arabica Ground Coffee (100g)	Medium Roasted Arabica Ground Coffee (100g)	Dark Roasted Arabica Ground Coffee-Drip Bag (100g)
---	---	---

Herbal Tea

Ceylon
Cinnamon Leaf
Tea (30g)

Organic Tea Range

Organic Green Tea (50g)	Organic Spiced Black Tea (22.5g)	Organic English Breakfast Tea (50g)	Organic Loose Leaf Black Tea (100g)
----------------------------	-------------------------------------	---	---

Organic Coconut Based Product Range

Organic Virgin Coconut Oil (500ml)	Organic Virgin Coconut Oil (325ml)	Organic Coconut Cream (400ml)
--	--	----------------------------------

Organic Coconut Chips: Pineapple (50g)	Organic Coconut Chips: Savory (50g)
--	---

Organic Spice Range

Organic Ceylon Cinnamon Powder (50g)	Organic Whole Black Pepper (50g)	Organic Whole Cloves (45g)	Organic Whole Cardamom (35g)
--	--	-------------------------------	------------------------------------

Kithul Product

100% Natural
Kithul Treacle
(375ml)

We also carried out a number of enhancements to our existing product range during the reporting period; the Brix level of our nectar range (mango, mixed fruit and apple) was successfully reduced by 1%, which allowed for a reduction in its sugar content. This was the result of extensive research and development to achieve a reduction without compromising quality or customer acceptability. An example of this success is the 0.52g/100ml sugar reduction in mixed fruit nectar, which equates to an annual sugar usage reduction of 15,894.24 kg (based on last financial year's average mixed fruit production quantity). This has enhanced the health and well-being of consumers, while reducing production costs for the Company.

Year-over-year sales growth in our health and nutrition-focused product ranges supports the evolving consumer trend of opting for healthier alternatives, validating our investments in continuously improving our product ranges for the nutritious, affordable fare.

Cargills Healthy Consumer Product Choice
Kotmale
Low Fat Pasteurised Milk – 500ml & 1L
Low Fat UHT Milk – 180ml & 1L
Low Fat Cheese Wedges – 120g
Non-Fat UHT Milk – 1L
Low Fat Stirred Yogurt – 80g (Vanilla, Strawberry and Mixed Berry)
Aloe Vera Drinking Yoghurt – 180ml
Milk with Oats
180ml & 1L – Original
1L – Chocolate
KIST
Aloe Vera Drink – 200ml & 500ml
Absolute Juices (No Added Sugar)
(1L – Orange, Apple, Grape, Mixed Fruit, Green Apple)
(200ml – Apple, Green Apple, Orange and Grape)
CQF
Goldi: Chicken Omega 3 Sausage
<i>*The Cheese and Aloe Vera products were released in January/February of the 21/22 financial year, which resulted in lower sales for the previous financial year hence a higher percentage increase in the current year.</i>

Consumer trends of the review year

Healthy products typically cost more than regular products, making them less affordable given the current economic climate. Despite offering many health benefits, a decrease in buying power and demand has been noticed in selected product categories as highlighted on the table below:

Product	Health Benefit
Lite Nectar – 200ml	• Less sugar • No added sweeteners
Lite drinking yogurt – 200ml	• High Protein • Only 1% of Fat • Reduced sugars • No added sweeteners
Kotmale Unsalted Butter – 200g	• No added salt
Non-Fat Set Yoghurt – 450g	• Non-fat • Contains Probiotics

FOSTERING A STRONG REGULATORY ENVIRONMENT

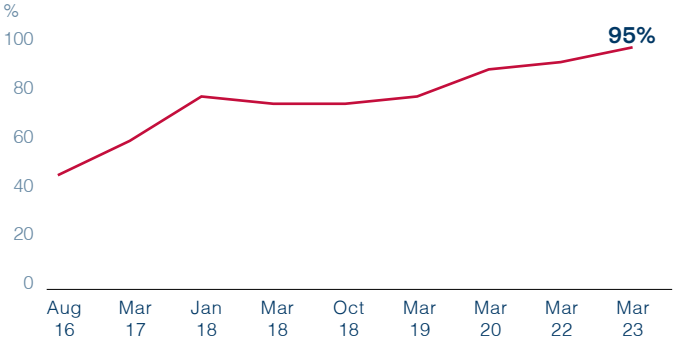
At Cargills, we strive to foster a strong regulatory environment to ensure our products are healthy, safe, and affordable. To this end, our product development teams adhere to specific nutrient criteria along the Cargills food value chain. We are compliant with internal policies and regulations for food safety, quality, and nutrition, and comply with local and global policies, regulatory frameworks, and reference standards. Our automated manufacturing processes take place in sterile environments with anti-bacterial cold rooms, cold storage, and manufacturing facilities that are ISO certified (refer pages 40 to 43 under Food and Beverage Manufacturing).

We use lower than allowed maximum levels of preservatives such as nitrates and nitrites. To educate consumers and enable informative decision making, we have a Cargills nutritional information table on our product labels. We also ensure that our products, ingredients, labels, and claims are factually correct, endorsed by scientific evidence, and consistent with Sri Lanka Food Act standards. Our Quality Assurance department benchmarks our practices to the World Health Organisation and Food and Agriculture Organisation Codex Alimentarius standards.

Company/brand	Instructions for storage Yes (%)	Disposal logo Yes (%)	Complete list of ingredients in descending order Yes (%)
CQD	100	100	100
CQF	100	100	100
KIST	92	54	100
KIST Biscuits	100	97	100
Kotmale	100	100	100
My Choice	86	82	78
Total	96	89	96

Legal Compliance Status Year-on-Year

All legal requirements are met



During the reporting period, Cargills also extended its regulatory oversight to the *Lak Bojun* programme launched in May 2022 in collaboration with the Department of Agriculture's Women's Agriculture Extension Programme, "*Hela Bojun*". The Cargills QA team performs regular audits of all *Lak Bojun* units to ensure that the quality, safety, and nutrition factors meet all set regulations.

More details of the *Lak Bojun* Programme can be found under "Building Equality, Diversity, and Inclusion" on pages 138 to 143.

2022/23 Highlights

For the 22/23 FY, all brands under Cargills Ceylon have achieved a 97% labelling requirement, which represents an improvement of 6% compared to the 21/22 FY, due to initiatives taken to ensure responsible labelling.



ENHANCING YOUTH SKILLS

Investment in the skillset of young people is indispensable for sustainable economic growth. Such initiatives not only ensure the optimal utilisation of their potential but prepare them for the ever-changing demands of the global and local job markets, particularly in countries like Sri Lanka where the majority of the youth population is from areas with limited access to resources.

Cargills has been actively contributing to this cause by providing youth access to new skills and knowledge, recognising the fact that they are presented with fewer opportunities to develop their capabilities. We are dedicated to providing them with competitive advantages in the local and international job markets, enhancing their employment prospects and increasing their earning power. The section herein provides further details on our progress in this domain.



Value Delivered in 2022/23

Total training hours: 64,510

a 105% increase YoY

Employee reach through Cargills AAPL eLearning Platform: Over 60% of all Cargills employees,

a 77% increase YoY

Total number of new students joining the Early Childhood Education (ECE) Programme:

10,283

Total number of new pre-schools introduced to the ECE Programme:

294

Total number of preschool teachers undergoing capacity building

1,343

Contribution to SDGs



Albert A Page Institute

Established in 2006, the Albert A Page Institute (AAPI) serves to empower youth by providing vocational training and professional development. The AAPI offers certifications and diplomas specifically tailored to the food and manufacturing sectors, as well as soft skills courses for junior, middle, and senior managers. An on-the-job training system was also implemented to teach new skills and promote career advancement. Accreditation was obtained through the US-based Independent Grocers Alliance (IGA), offering a global view of agriculture and current industry challenges. Additionally, AAPI's Management Trainee Programme recruits an average of over 60 local university graduates for a year-long intensive programme across multiple sectors of the Group.

During the COVID-19 pandemic, the AAPI swiftly shifted to livestream training programmes with a comprehensive plan to cover specific teams, outlets, and target groups. Technical challenges in mobilising the training programmes to teams across the country led to the development of the Cargills AAPI eLearning Platform in January 2022, offering anytime, anywhere access to digitised course content with practical sessions conducted at relevant retail outlets and manufacturing plants. English literacy was addressed with a multi-level, multi-lingual approach, along with an English language course to improve basic linguistic and communication skills. A competitive ranking system was introduced for individual employees and Retail outlets to encourage and promote self-learning. Courses are updated biannually by a think-tank of close to 50 expert resource persons from across the Group, to ensure that we retain and transmit relevant tacit knowledge.





2022/23 Highlights

The AAPI continued to meet the evolving training needs of Cargills employees across the island in the review year. Focussed efforts to expand our reach among employees through the AAPI Platform saw training engagement levels increasing to cover 60% of the staff population during the year under review while doubling the number of training hours year-on-year.

	2020/21	2021/22	2022/23
Total training hours	30,154	31,445	64,510
Total number of participants	11,303	6,111	10,554
Average training hours per participant	2.67	5.15	6.11

AAPI 2022 – 2023	Number of trainees				Training hours				Male	Female
	Executive	Non-Executive	Total trainees	Executive %	Executive	Non-Executive	Total hours	Executive %		
AAPI Class Room – Retail	624	197	821	76	4,106.00	1,346.00	5,452.00	75	695	126
IGA Training Platform	29	248	277	10	13.80	71.90	85.7	16	110	167
AAPI e-Learning Platform	1,056	6,444	7,500	14	10,522.00	43,233.00	53,755.00	20	3,123	4,377
Cargills Quality Dairies Limited (CQD)	31	364	395	8	66.00	752.50	818.50	8	265	130
Kotmale Kelanimulla	44	191	235	19	53.18	239.18	292.36	18	200	35
Kotmale Bogahawatta	17	286	303	6	37.50	562.90	600.40	6	180	123
Cargills Quality Confectionaries Limited (CQC)	9	25	34	26	31.00	69.00	100.00	31	33	1
Cargills Agrifoods Limited (CAF)	64	152	216	30	115.65	302.90	418.55	28	165	51
Cargills Quality Foods Limited (CQF)	21	171	192	11	65.30	375.35	440.65	15	110	82
KFC	57	524	581	10	296.00	2,251.00	2,547.00	12	424	157
Total	1,952	8,602	10,554	18	15,306.43	49,203.73	64,510.16	24	5,305	5,249

The total number of registrants for the IGA Programme conducted online in English for the period under review was 277, a steady growth that evidences the success of the e-Learning Platform, as well as the growing confidence in team members as they advance their linguistic and knowledge capacities.

Cargills also continued to build professionals of global quality in its restaurant sector with 581 KFC team members undergoing 2,547 training hours in line with global KFC standards during the reporting period.

A tailored training programme was conducted by the Human Resource Division during the reporting period to familiarise team members with the new HR System as well as the evolving HR practices, procedures and policies. The programme reached over 1,000 team members covering all provinces.

Partnering with State Universities

Cargills is invested in collaborating with Sri Lanka's state universities in order to stimulate research and innovation through New Product Development (NPD) initiatives. Consequently, students are presented with the opportunity and resources to translate their advanced research ideas into healthier and more nutritious products under the Cargills brand. Furthermore, the Cargills network of local and global organisations as well as funding agencies supports extensive research and development projects.

During the period under review, we collaborated with multiple state-funded universities on a variety of projects.

University Collaborations for New Product Development Projects

State university	Research project	Details	Status
Sabaragamuwa University	Cinnamon Leaf Tea	Cinnamon tea has 100% times higher health benefits compared to other cinnamon infusions including aiding weight loss, improving heart health, alleviating menstrual cramps, and reducing inflammation and blood sugar levels.	The Ceylon Cinnamon Leaf Tea was officially unveiled on 11 March 2022. In line with the agreement between Sabaragamuwa University and Cargills Ceylon PLC, the latter has contributed 2% of the proceeds from each sale towards the university's Research and Development Fund. Cargills has been recognised for commercialising this product by Accelerating Higher Education Expansion and Development (AHEAD), a World Bank-funded Sri Lankan Government initiative that supports the higher education sector.
University of Peradeniya	Aloe Vera Stirred Yoghurt	A yoghurt product rich in probiotics and made with the goodness of 100% pure milk and real aloe vera chunks.	The final plant trial was completed during the reporting period, and the product is ready to be released to the public.
Sabaragamuwa University	New product development		An agreement was inked during the year in review between Cargills Agrifoods Limited and Sabaragamuwa University for the development of a new product.
Industrial Technology Institute	New product development		In progress
University of Ruhuna	New product development		In progress



Formalisation of agreement between Cargills and The University of Peradeniya for the Aloe Vera Stirred Yogurt Project



Formalisation of agreement between Cargills and the Sabaragamuwa University for the development of a new product

The Cargills Foundation

In 2018, the Cargills Foundation was established with the intention of enhancing economic and social prosperity in the communities in which the Company operates and to serve these communities beyond our business obligations. Education was identified as the primary focus and to begin with, the Foundation sought to foster growth by advancing preschool education in Sri Lanka.

The Early Childhood Education (ECE) Programme

Launched in 2019 as the first focussed project of the Cargills Foundation, the ECE Programme aims to introduce English as a second language to preschool-aged children, along with the basic concepts of STEAM (Science, Technology, Engineering, Arts and Mathematics). The Programme, which uses blended learning, helps develop the social, emotional, cognitive and physical capabilities of pre-schoolers, with a view to building a strong foundation for lifelong learning and well-being. The curriculum has been developed to align with local learning guidelines. The pilot programme which commenced in May 2019 reached 737 students aged three to five across 48 preschools in the Western Province, upon its successful completion in December 2020. It has since been endorsed by the National Institute of Education as a supplementary programme to the local preschool curriculum in Sri Lanka. Furthermore, the Foundation also conducted capacity building of preschool teachers, training and mentoring them to implement the Programme and to enhance their English literacy.



The Early Childhood Education (ECE) Programme

Cargills continued to enhance the ECE Programme in the review year, dedicating itself to the cause of educating pre-schoolers in five additional provinces. The Foundation formalised agreements to make the Programme available to preschools in the Uva, Central, North Central, Northern and Eastern Provinces, thereby evidencing our commitment to providing better education for children outside the Western Province.

During the review year, 294 new preschools onboarded the Programme bringing the total preschools on the Programme to 336. 1,343 preschool teachers participated in capacity building and training during the year, with more than 108 hours of in-person and online teacher-training sessions being invested in them. The total number of teachers having undergone capacity building from the commencement of the Programme to the end of the review year is 1,431, with over 11,000 children learning on the Programme since inception. This demonstrates the Foundation's dedication to bringing brighter prospects to pre-primary youngsters of our nation.

Cargills English as a Second language (ESL) Storybooks

Printed editions of Cargills ESL storybooks are made available at all Cargills Retail outlets and are sold for Rs. 350/- per copy. This deployment of print copies serves to raise funds for the classroom-based ECE Programme, provided to preschools free of cost by the Cargills Foundation.

As of 31 March 2023, five titles were available on the shelves and a steady traction towards sales has been witnessed throughout the year.

SLT-MOBITEL PEOTV and Charana TV Partner with Cargills Foundation to Develop English Language Skills Among Young Learners

SLT-Mobitel, through its Internet Protocol Televisions (IPTV) service, PEOTV and local variety channel Charana TV, formalised a partnership with the Cargills Foundation in the review year, to launch an edutainment programme for children titled 'BADANAMU'. This is the first programme broadcast in English on Charana TV, aimed at helping young learners become proficient in English as a Second Language (ESL) in a fun and emotionally engaging manner, while being introduced to concepts in Science, Technology, Engineering, Arts and Math (STEAM).

The programme is expected to fill a void in terms of educational video content available to young learners in Sri Lanka, and Charana TV's wide reach provides maximum coverage of this content to help bridge second language gaps in local communities.



Creating a Vibrant and Engaging Work Culture

Cargills, a growing organisation with a workforce of more than 11,000 employees, recognises the importance of fostering a vibrant and inclusive workplace culture across all its business verticals and units. The Company believes that cultivating such an environment of open communication and mutual respect is essential in order to remain a preferred employer and attract top talent.

To ensure a strong, favourable work culture, Cargills set out to create a wealth of opportunities for their employees to benefit from, equipping them with a sense of dynamism and a supportive environment that congruently fosters personal growth. Striving to build effective relationships, a number of events were held during the year under review, including cricket matches and team get-togethers, instilling team spirit and unity, and providing opportunities to interact and network with colleagues.

Following the relaxation of the COVID restrictions in the year 2022/23, Cargills was eager to reignite the role of employee engagement and renew of employee bonds,

ultimately allowing for a more fun and open workplace. The events held across our corporate units are summarised in the table below:

Sector	Company	Event
Retail	Cargills Retail Support Services (Warehouse and Processing Units)	Cricket match and get-together
Restaurants	KFC	Cricket match
Manufacturing	Cargills Quality Dairies	Cricket match and get-together
	Kotmale	Cricket match
	Cargills Quality Confectionaries	Get-together
	Cargills Agri Foods	Get-together
	Cargills Quality Food	Get-together
Offices	Head Office/Corporate and Millers Offices	Cricket match







BUILDING EQUALITY, DIVERSITY, AND INCLUSIVITY

At Cargills, we recognise the power that a strong corporate culture founded on equality, diversity, and inclusivity can have in creating a sense of belonging and acceptance for all. We are committed to embedding this ideology into our corporate ethos and strategic agenda through the development of actionable programmes, policies, and initiatives that promote opportunities for all, regardless of gender, race, sexual orientation, age, experience, or economic status. We believe that embracing differences and celebrating diversity encourages true equality and leads to equitable opportunities for all. By striving towards a culture of openness and understanding, we are setting a standard in the workplace and wider community setting, in which everyone feels respected, valued, and appreciated.



Given that females make up 52% of the entire population in Sri Lanka, it is disheartening to note that only 33.6% of the working population is yet represented by females. As such, enabling female participation in economic development is a focal point in our national outreach programmes and employee development and workplace culture-related policies. We firmly believe that providing safe, equitable, and dependable employment and entrepreneurial opportunities for females can help them in acquiring a more active role in the labour market, thus leading to upliftment in communities, households, and living standards.

In keeping with our commitment to advancing equality, diversity and inclusivity, Cargills actively promotes disability inclusion and equal employment opportunities to differently-abled individuals. This allows us to provide equal access to financial security, productive employment, and life-long learning to all. We employ staff with diverse abilities in both front-end (serving customers) and back-end work. Our colleagues are educated and equipped on supporting their differently-abled co-workers and regular communication is maintained with their families/guardians to ensure that their needs are sufficiently met. The United Nations Sustainable Development Goals (UN SDGs) continue to be an integral part of our efforts to create a physically inclusive and equitable workplace.

Taking a closer look at our initiatives, one can understand our commitment to creating more equal, diverse, and inclusive environments for our staff and neighbouring communities. Our selection of programmes, policies, and initiatives discussed herein lay out our mission to promote fairness and inclusivity in the workplace and beyond.

Enabling Females in Farming Communities

Female agriculture workers contribute immensely to our farming projects and programmes, which connect farms to homes in a meaningful way. While actively revamping Sri Lanka's agricultural supply chains and adding layers of productivity to help the growth of farming communities during the past two decades, we have also created opportunities for women in farming communities to reap the advantages of economic prospects and market participation. Such advantages not only enhance household incomes and the standards of living in farming communities, but also contribute to better education for children, and improved health and nutrition for all. Special microfinancing activities have also been adopted to advent more female investors and workers in agriculture and dairy production, as well as encourage women to take ownership of farms.





2022/23 Highlights

Agriculture Modernisation Project

Total number of farmers	Female ownership	
839	145	17% ↑

Good Harvest

Total number of farmers	Female ownership	
143	19	13% ↑

BeeSafe

Total number of farmers	Female ownership	
48	8	17% ↑

ADVANCING FEMALE ENTREPRENEURSHIP IN FARMING COMMUNITIES

Case Study:

Dairy Development Programme Madara Pumal

Mrs Madara Pumal is a shining example of the success that can be achieved through the adoption of innovative best management practices, knowledge sharing, and sustainability in dairy farming. When Mrs Madara established her smallholder farm, she was having difficulty making ends meet, due to low milk production. Following a training session hosted by Cargills, she was inspired to take an entrepreneurial approach to dairy farming and build a Dairy Development Plan aimed at helping her boost her milk productivity.

To ensure the successful growth and development of her herd, Mrs Madara worked alongside a Cargills Dairy Extension Officer to identify and address

issues like inadequate feed and poor planning, leading to an expansion of her farm by 1.5 acres, in addition to the installation of an irrigation setup. Additionally, she incorporated Total Mix Ration (TMR) into the cows' feed, along with other nutrient-rich ingredients like gliricidia and azola.

Mrs Madara's hard work was met with significant progress. Her daily milk yield skyrocketed from 35 litres to 52 litres, while the ingredients' SNF content increased to 8.2% with fat content increasing to 4.5%. Leveraging the technical and financial support of Cargills, Mrs Madara then upgraded her cattle shed. She also started taking measures to improve calf management and sustain feed availability throughout the year.

Through her success, Mrs Madara has become an adept source of knowledge for neighboring dairy farmers, with her Dairy Development Plan and best management practices being widely replicated. Mrs Madara now has her sights set on doubling her milk productivity by the end of 2023, serving as an inspiration to all small-scale dairy farmers with dreams of similar accomplishments. As a testament to the reward of innovation, hard work, and entrepreneurship in the dairy industry, Mrs. Madara is also aiming to exceed her current yields, targeting 100 liters of daily milk production, while aiming for sustainability through Climate Smart Dairy Programme methods.



Creating a Safe, Equitable and Enabling Workplace

As one of the largest business conglomerates in Sri Lanka, Cargills has striven to advance diversity and inclusivity in its supply chain, bridging divides and presenting better economic prospects to under-represented and under-served communities across the island.

In congruence with our theme of creating equal opportunities for all, 68.5% of the entire staff strength of the Company hails from outside the Western Province, while 49% are female. Cargills remains well-diversified and is an equal opportunity employer, that provides impartial recruitment, remuneration and promotion opportunities.

In anticipation of further progress, the Company set a four-year target to achieve gender parity across all levels of the organisation, including an aspiration to increase female representation in top management from 40% by the FY 2024/25. Additionally, our Retail teams are 57% female, with 79 females occupying managerial and supervisory positions at both front-and back-end operations contributing to the growth of the sector. At Group level, Cargills has achieved an overall Non-Executive gender split is 50:50 while the male to female split of the Top Management still remains at 72:28 (M:F).

Cargills remains committed to reach further progress in this area and has been a member of the Target Gender Equality Programme which is a UN Global Compact-sanctioned accelerator designed to help businesses set and reach aspirational targets for gender equality. We are an equal opportunity employer at all stages including the point of promotion.



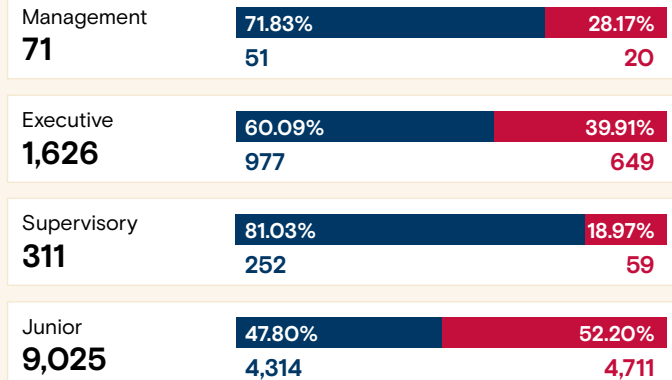
Number of employees

Male
5,594

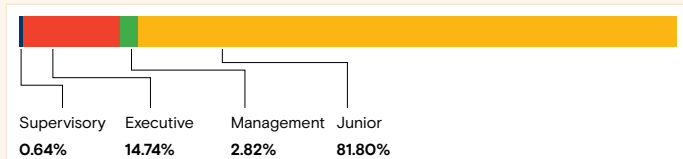
11,033

Female
5,439

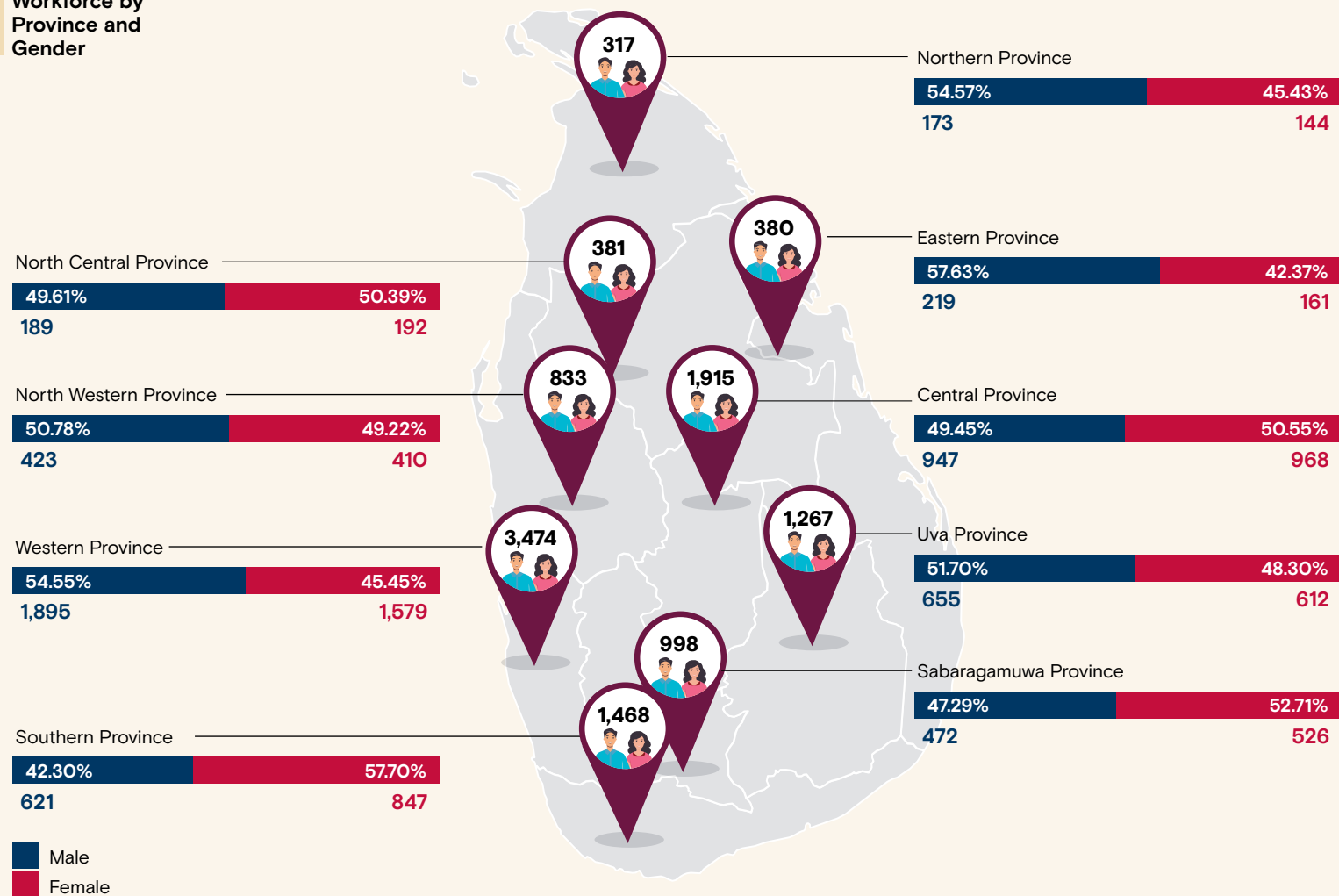
Workforce by Grade and Gender



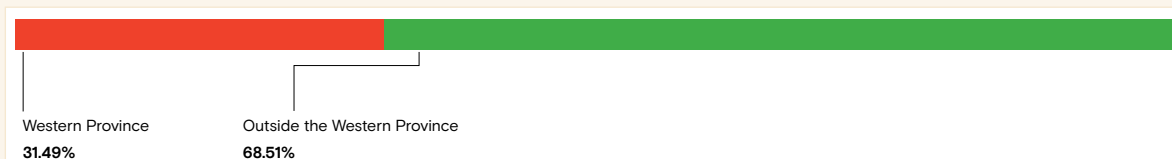
Workforce by Grade



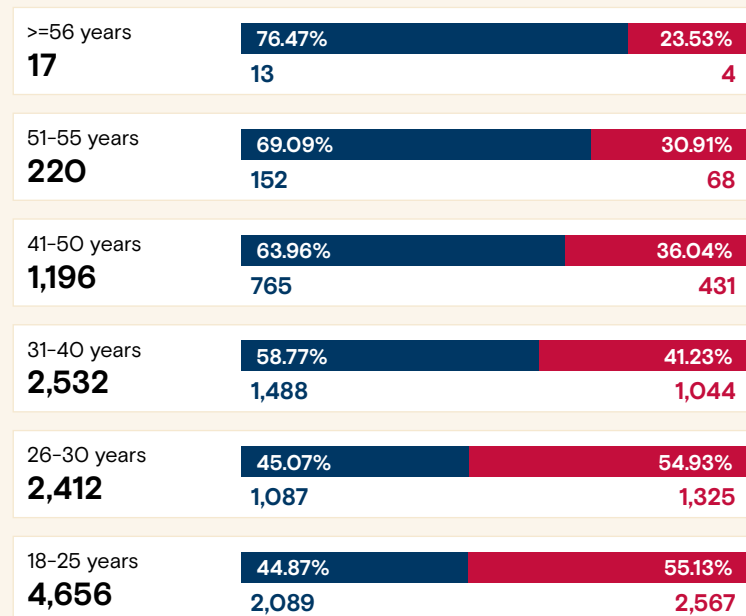
Workforce by Province and Gender



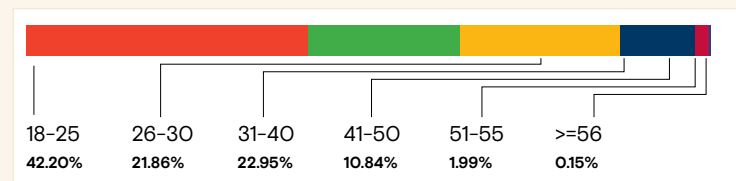
Provincial Distribution of Workforce



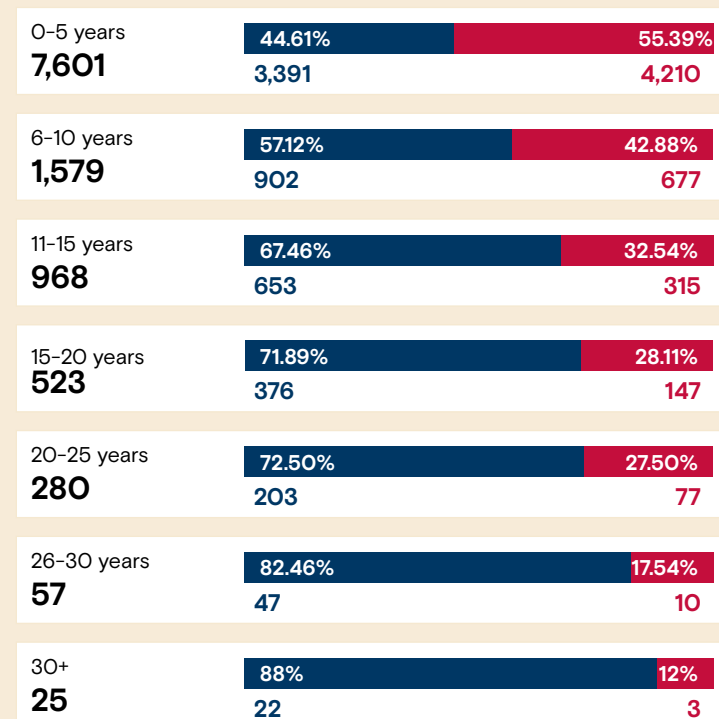
Workforce by Age and Gender



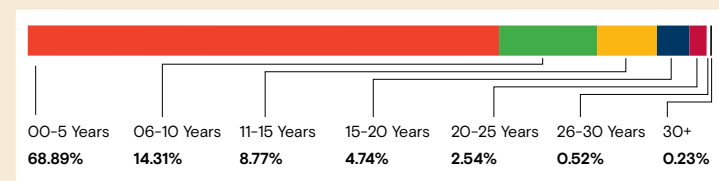
Age Analysis of Workforce



Workforce by Years of Service and Gender



Service Analysis of Workforce





Encouraging Female Entrepreneurship at the Community Level

The Cargills Foundation's Early Childhood Education (ECE) Programme (page 122) has created a well-regulated and broad learning platform for preschoolers in Sri Lanka while allowing us to identify a new path of empowerment for the predominantly female educator-driven field of preschool education. The ECE Programme helps the development of teachers' skills and enhances their digital and English literacy standards. The pioneering initiative of the Cargills Foundation has provided women with the skills and tools necessary to succeed in the ever-changing, hybrid learning environment. The ECE Programme has revived long-standing preschools with new teaching methods and intakes, while also acting as an invaluable lifeline for female teachers and entrepreneurs during lockdowns, pandemic-related educational disruptions, and other economic challenges that Sri Lanka has been battling with throughout the recent years.

Capacity building of preschool teachers

ECE PROGRAMME TESTIMONIALS

Ms Ramya Kumarihami

*Dimuthu PS, Padaviya
North Central Province*

With her 26 years of experience in education, Ms Ramya has seen firsthand the remarkable impact of the Cargills Programme on the learning environment of her community. It has transformed into a more interactive space where parents, teachers and students all contribute to the process of English language learning. To help her students master what they learn in school, Ms. Ramya provides them with additional activities to complete at home. Young mothers, educated in a modern environment and now having some level of English proficiency, greatly appreciate this opportunity their children are afforded. It is visible in the increased fluency of the children, who can now express themselves in English. With such positive signs, Ms Ramya is confident that the Cargills Programme will become increasingly popular in the years to come. She elucidates the importance of English from Grade One and encourages parents to consider the Programme when making decisions about educating their kids to prevent enrolling them in costly English tuition without simply registering them in primary school.

Ms R M S M Ranasinghe

*Chamara Janaka Memorial PS,
Hewaheta
Central Province*

Three years ago, when the founder of the school retired, Ms Ranasinghe took the helm. Prior to that, she taught at another school in the same area for six years. When she arrived, English had been limited to learning words and singing a few songs; now, with Cargills' teaching method, the teachers are equipped to provide the kids a unique learning experience. She managed to complete six books, along with tablet activities, with the recent batch of students. With the new students she has already taught two books and the parents and community are highly enthusiastic about the Programme. The teacher is grateful for the value the Cargills' English Programme has brought to her school and is excited to get the most out of this wonderful opportunity.

Ms Renuka

*Nissanka PS, Rieemaliyadda
Uva Province*

Ms Renuka stated that she was initially intimidated by English prior to joining the Cargills Programme, however, she has managed to use it to enhance her knowledge and abilities. She invested extra time into learning and diligently followed the Programme's criteria while also maintaining her school curriculum. The effectiveness of the Cargills English Language Programme is evident from the Grade One interviews this year, wherein the kids possess the ability to confidently describe colours in English. The Programme and its merits have spread across the region, leaving many parents, who lacked the opportunity to learn English in their childhood, proud to witness their children learning English more effectively and efficiently.

CARING FOR CHILDREN AT THE EASE FOUNDATION

Cargills undertook the responsibility to provide a daily supply of milk and biscuits for 35 children who are part of the EASE Foundation in Battaramulla. The beneficiaries are differently-abled children, who through the Foundation, receive quality education with the engagement of their families. This ensures that the children are fully supported to achieve stimulating and productive lives, despite their differences.

Cargills Lak Bojun – Empowering Female SME Owners

In May 2022, Cargills launched the Cargills *Lak Bojun* initiative in collaboration with the Department of Agriculture, Women Agriculture Extension Programme (“*Hela Bojun*”). This initiative gave women-run SMEs who had undertaken *Hela Bojun* training, the opportunity to sell their nutritious breakfast items to customers at Cargills Retail outlets. The initiative’s goal was to encourage customers to select healthier breakfast foods, aiding the development of women-run SMEs and helping to boost their income.

The selection process for SMEs involved the use of the Cargills Village to Home database and the SME databases from Government-operated initiatives such as “*Vidatha*”. The Western Province Department of Agriculture provided selected SMEs with training programmes and technical assistance, while the Cargills Quality Assurance team monitored the food safety and excellence regulations set by *Hela Bojun*, including the ban on wheat-flour-based products.

Cargills Bank sponsored the first Cargills *Lak Bojun* cart, while five additional carts were provided by the SUN Business Network (SBN), an initiative administered by the World Food Programme (WFP). Customers could find locally sourced and nutritious breakfast items such as millet and sago porridge, and ready-to-eat foods made from root crops and grains, all at an affordable price. Additionally, sustainable packaging options, including paper cups, banana leaves, *kanda* (macaranga peltata) leaves, and the bio-compostable wrap/lunch sheets, were promoted to ensure the initiative’s long-term sustainability.

At present, the Cargills *Lak Bojun* carts are operational in eight locations, offering healthy lunch and dinner options too – supporting the entrepreneurial efforts of even more women-owned SMEs. This initiative has since seen an impressive income total of over Rs. 7 Mn. as of 31 March 2023.



As at date, eight carts are in operation, enabling 14 women-led businesses at selected strategic Cargills locations.

Cart	Number of SMEs Benefited	Joined From	Location
1	1	The Hela Bojun Project	Rajagiriya - 1
2	2	-	Nugegoda - 2
3	3	The Small Enterprises Development Division (SED)	Kollupitiya - 2
		Vidatha	Kollupitiya - 2
4	1	-	Battaramulla
5	2	The Small Enterprises Development Division (SED)	Cargills Head Office
6	1	Ministry of Women and Child Affairs	Narahrenpita
7	2	Vidatha	Millers Office
8	2	The Small Enterprises Development Division (SED)	Cargills Bank
Total Carts: 8		Total SMEs: 14	



Rajagiriya - 1



Nugegoda 2



Kollupitiya 2



Battaramulla



Cargills Head Office



Narahenpita



Millers Office



Cargills Bank

LAK BOJUN SUCCESS STORIES



**Eranga Niyomi
Pieris**

Eranga Niyomi Pieris has emerged as a shining example among female entrepreneurs actively involved in the Cargills *Lak Bojun* initiative. Having joined on 9 August 2022, her cart can be found at the Food City outlet in Kollupitiya and she now resides in Rathmalana with her husband and daughter. Previously, Eranga struggled to keep her small-scale clothing business afloat amidst the economic fallout of the global COVID-19 crisis. Nevertheless, through a fortuitous connection to Cargills and guidance via the “*Vidatha*” Programme, she had the opportunity to pivot and start selling nutritious breakfast products. Throughout her venture, she has received ongoing support and training from Cargills, and her products are regularly examined and assessed for quality.

Now, as the primary breadwinner of her own family, Eranga has gone on to employ her niece, who is paid Rs. 20,000 each month to prepare *Helapa* for sale at her *Lak Bojun* cart. Her brother also provides support, and earns a salary each month. Additionally, she has her three-wheeler driver who is paid transport costs to keep the venture running – he pays his leasing fees from the money he makes while working for Eranga.

Eranga has also been taking advantage of Cargills Bank to save a greater portion of her income for her own personal use, helping her to secure her financial future.

LAK BOJUN SUCCESS STORIES



**W Supuni Nirmani
Fonseka**

W Supuni Nirmani Fonseka, a female entrepreneur, has achieved remarkable success thanks to the Cargills *Lak Bojun* initiative. Residing in Kalubowila with her family – while her husband ran a small business and she cared for her three children – financial difficulties were a common occurrence in Supuni's life. On 22 August 2022, Cargills and the National Enterprise Development Authority provided her with an opportunity to break these barriers, and Supuni stepped forward to embrace it. However, with her family responsibilities taking up much of her time, she struggled to manage the food cart on her own. This is where Ishara – a school-leaver from Homagama, living with her disabled brother, carpenter father, and mother – came in, providing her with the assistance she needed. Not only did she help with Supuni's food cart, but Ishara was also given a chance to earn additional income through a training programme with Cargills Ceylon as a sales promoter. Thanks to Cargills *Lak Bojun*, Supuni is now able to cover day-to-day expenses and save for the future.

LAK BOJUN SUCCESS STORIES



Indrani

Indrani first began her career as a Cargills *Lak Bojun* entrepreneur on 17 November 2022, with her cart situated at the Narahenpita Food City outlet. She resides in Borella and has a family of five, including her husband and three children. Her husband was previously a mechanic, although he is currently unemployed.

Due to her husband's unemployment and her own status as a housewife, Indrani had to suffer through severe financial hardships. Fortunately, through the Women's Bureau of Sri Lanka (Ministry of Women, Child Affairs, and Social Empowerment), she was offered the opportunity to start her *Lak Bojun* cart with Cargills. The Cargills Team provided her with important guidance and encouragement to pursue her business to its utmost potential. They also conducted regular assessments to ensure she was performing well. Through her hard work and dedication, she has managed to gain her own independence and has even earned the respect of her family and community. Her success story is an inspiration for many women who endeavor to embolden themselves in society.

HR GOVERNANCE AND POLICIES

Having a strong Human Resource Governance Policy in place ensures that the Company can maintain a safe, equitable, and productive workplace for all team members. Cargills has built a strong Human Resource governance framework comprising resilient policies for recruitment, remuneration, development, retention, and succession planning. It is continuously kept up to date to align with local and international human rights codes, employment standards of the Company, and benchmarked occupational health and safety regulations.

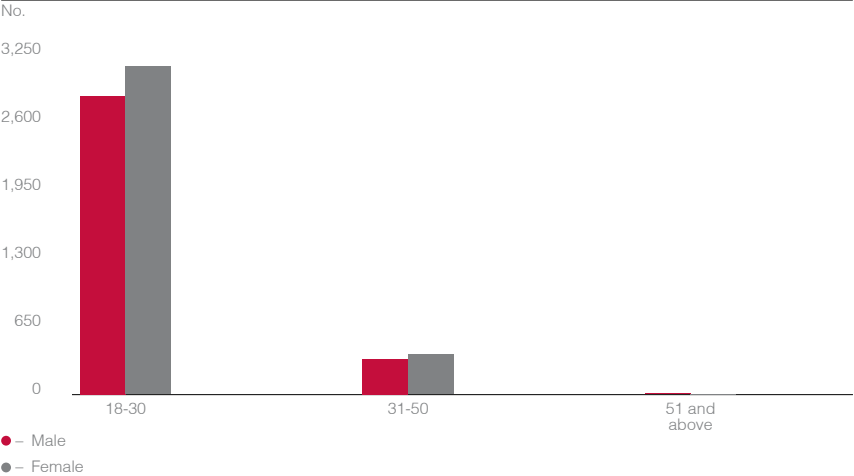
Recruitment and Retention

Cargills' Recruitment Policy is designed to ensure that the Company is staffed with the most qualified personnel while being able to meet the ever-evolving nature of the environment, business, and customer demands. The Company places priority on selecting suitable individuals for roles that require direct engagement with customers and those performing daily operations. Furthermore, all recruitment processes are conducted in an equitable manner, free from discrimination on the basis of age, gender, ethnicity, religion, language, civil status, or sexual orientation.

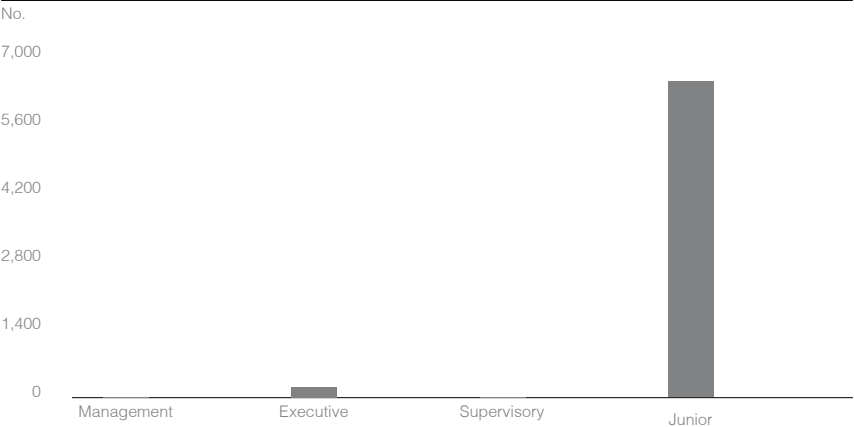
Recruitment efforts are extended to local communities, creating additional job opportunities in multiple areas. Multiple recruitment tools, such as skills assessments, are used to guarantee fairness throughout the recruitment process. Induction and onboarding programmes, mentoring, and development initiatives are also in place to familiarise new recruits with the Company's processes and culture.

During the year under review, Cargills created 6,611 new jobs within the economy.

Recruitment by Age and Gender



Total New Recruits by Category



Disclosure 202-2 Proportion of Senior Management hired from the local community (using data of full-time employees)

Eight Senior Management Personnel (full-time) were hired from the local communities during the period under review.

Cargills has committed to increasing female representation in Senior Management by 2025. Recruitment efforts over the review period were directed towards achieving this goal, with an emphasis on selecting female candidates for key positions. Accordingly, new female recruitments into positions of supervisory and above, increased by 40% in the year under review.

Disclosure 2-8: Workers who are not employees

Moreover, within the year under review, Cargills created additional employment opportunities for 148 personnel through internships, contract staffing, and volunteerism, which have contributed to the Company’s growth and performance.

The number of Sri Lankans leaving the country in pursuit of better prospects has caused a dearth of experienced and qualified workers in the retail sector, making it challenging for employers to keep their staff, especially in the year under review. As Sri Lanka’s largest retail chain, Cargills strived to control attrition rates that were linked to economic and social trends.

2022/23 Highlights

Indirect employment created by Cargills PLC	
Internships	88
Contract	60

To tackle industry discrimination and stereotypes, Cargills has cultivated a culture of fairness and inclusion, ensuring employees are aware of the opportunities available to them. We continuously strive to improve employee experience, bridging the gaps in career growth, and helping employees with career progression. In addition, family-friendly policies are in place to maintain a healthy work-life balance and keep our attrition rate lower than the industry average. These include annual and casual leave entitlements, flexible working hours, parental leave, and dedicated feeding hours for new mothers.

	2022/23	2021/22
Total Number of employees that took parental leave	228	258
Total Number of employees that returned to work	125	151
Return to work rate	55%	59%

Grievance Handling

Cargills maintains an open-door policy for employees to bring their grievances to the Management, thus encouraging effective communication across all layers of the administration. A helpdesk operation set up at the HR Department deals with employee grievances centrally and the contact number to the helpdesk is displayed at all offices and outlets of the Company. All grievances including those reported via a 24-hour hotline are duly monitored and logged while they are investigated and resolved within stipulated timelines. Moreover, the Company facilitates Employee Clinics at locations islandwide, with a special focus on employee locations and outlets that report higher attrition rates. Exit interviews are also held to gain a better understanding of how Cargills can improve its HR services and standards towards employees to ensure a safer and happier workplace.

2022/23 Highlights

All grievances received have been resolved during the year.

Sexual Harassment

Cargills is committed to creating and sustaining a working environment wherein employees are treated fairly and respectfully, and are not subjected to any form of sexual harassment, intimidation, or victimisation. Our Sexual Harassment Policy defines conduct that can be classified as sexual harassment if it is unwanted, inappropriate, or offensive, as well as an atmosphere where the recipient is made to feel humiliated, intimidated, or threatened. Bullying in all forms, including cyberbullying, is also addressed in the Policy, encouraging employees to report any such instances to their Line Manager or Human Resources. Should workers feel uncomfortable doing so, the Policy allows a formal complaint to be filed in such instances. All complaints lodged are thoroughly investigated under the Company's Disciplinary Policy and Procedure, after which necessary corrective action is taken.

2022/23 Highlights

Four sexual harassment cases were reported in the review year, and all were resolved.



Open Challenge 2022 INTER DEPARTMENT CRICKET TOURNAMENT

19th November 2022
Police Park Grounds, Colombo 05



Performance Management

Cargills measures the performance of its team members against established Key Performance Indicators (KPIs) which consider work ethic, competencies, and required training credentials as well as day-to-day performance and productivity requirements. Performance and past achievements are given priority when determining recognition and rewards, disregarding all other intangibles. A more structured performance management system is planned to be implemented with the envisioned launch of the new HR Information System (HRIS) in the ensuing financial year to streamline the performance of the Company and align employee productivity and performance to the strategic objectives of the Company.

Remuneration and Benefits

At Cargills, our Remuneration and Benefits Policy is designed to cultivate a culture of employee motivation and productivity. The Company provides wages that exceed industry standards, and salaries are paid promptly on the last working day of each month, a practice that was sustained even in the face of unprecedented challenges of the review year. The Company also awards bonuses and ex-gratia payments twice a year, offering an additional layer of financial security to its employees. To ensure their comfort and well-being, Cargills provides auxiliary benefits including medical insurance and claims, staff transport, duty meals, and a death benefit fund. All of these measures combined are intended to ensure staff satisfaction and engagement, enabling us to attract and retain the best talent in the market.

Occupational Health and Safety

As we navigated the transition on having more workers come back to office, following the pandemic, the health and safety of our team remained a top priority for the Company. With measures taken to ensure the well-being of our employees, the Company continued to implement the COVID-19 vaccine drive and continued to onboard employees based on their vaccination status.

Our manufacturing facilities are managed according to ISO requirements for health and safety, and regular health and safety training and other forms of communications and training programmes are implemented on a continuous basis to increase awareness as we strive for zero-incident rates in workplace accidents.

2022/23 Highlights

Death claims	309
Medical claims	5,587
Wedding allowances	75
Newborn baby vouchers	72

2022/23 Highlights

Major	4
Minor	62

Whistleblower Protection Policy

For a large organisation such as Cargills, a whistleblower protection policy is invaluable in ensuring that employees feel safe to report suspicious or unethical activities without fear of reprisal.

It is our strong belief that such a policy would encourage a culture of openness and disclosure of potential risks and issues in the workplace. Additionally, the Whistleblower Policy is also a signal that as a responsible corporate citizen of the country, Cargills takes misconduct seriously. By providing clear expectations for workers and how any wrongdoing should be reported, a whistleblower policy can help create a safe, ethical environment that benefits everybody.

2022/23

Highlights

Cargills rolled out its Whistleblower Protection Policy in the review year.

The first phase of the Whistle Blowing Policy has been implemented. Complaints received from the whistle blower are critically scrutinised and two-way communication is facilitated whenever there is a need of additional information or clarification.

Anti-corruption and Anti-bribery Policies

Cargills maintains an unequivocal commitment to ethical business practices, and exercises a zero-tolerance policy towards corruption and bribery in all its dealings and transactions, striving to nurture a culture of transparency, honesty and accountability. Cargills is a member of the United Nations Global Compact (UNGC) and has vowed to act in accordance with the Sustainability Development Goals and Principles, including Principle Ten on anti-corruption, declaring commitment to work against corruption in all forms.

Cargills is in compliance with all laws relating to anti-corruption. We diligently keep abreast with current regulations and adhere to the Bribery (Amendment) Act No. 20 of 1994 in our dealings with third parties. The Company's position on anti-corruption and anti-bribery has been amply reflected in its audited financial reporting and corporate reporting practices.

We have taken proactive measures to educate all employees and Directors on ethical practices. Our Group HR Policy stipulates a focused emphasis on preventing, reporting, and managing cases of anti-corruption and bribery. Acceptance of corporate gifts, hospitality and/or entertainment is allowed in line with protocol and to foster positive business ties, subject to advice from immediate superiors and the Compliance Officer. In addition, the Company Collections Policy serves to regulate internal gifting and collections between peers, and is permitted only with Management authorisation.

We continue to strengthen our transparency and disclosures for anti-corruption and anti-bribery practices in corporate reporting, and held our position as one of the Top 25 public limited companies of Sri Lanka in the Transparency in Corporate Reporting (TRAC) Assessment for 2022.

The anti-corruption and anti-bribery policy explicitly applies to all employees and Directors. Should employees breach any of our anti-corruption and anti-bribery principles, disciplinary action will be taken, from a fair warning, to dismissal, based on the degree of misconduct.

Anti-corruption and anti-bribery programmes are reviewed regularly for its suitability, adequacy and effectiveness.



PLAYING OUR PART FOR THE PLANET

The symbiotic relationship between communities and ecosystems is fundamental in our operations, and we have recognised that our financial performance and prosperity rely heavily on social and ecological stability. Over the years, we have taken great strides in optimising our natural resources by forming effective guidelines to observe, regulate and substitute natural materials throughout our businesses to inspire stakeholders and customers to follow environmentally conscious steps to help reduce our collective carbon imprint. We have instituted pioneering measures across our operations, from recycling waste to replacing non-renewable energy sources with eco-friendlier alternatives among other initiatives, to instigate a positive shift and contribute to the sustainability of the environment and the communities around us.



Value Delivered in 2022/23

Total investments in renewable energy

Rs. 241,384,265

Total quantity of waste oil collected for conversion to biodiesel:

136,795 Litres

Total quantity of carbon emissions saved from waste oil conversion to biodiesel:

398,969 kgs

Total quantity of water recycled:

101,719,000 Litres

Total quantity of waste -plastic recycled:

370,490 kgs

Total number of trees planted under "Breath of Life" initiative:

3,414

Total renewable energy consumption

4,425,160 kWh

Contribution to SDGs



151

Cargills
(Ceylon)
PLC

Annual
Report
2022/23

Reducing Emissions at Farm Level

The prevalence and subsequent rise of Chronic Kidney Disease (CKD) in the dry zone among farming communities is directly related to misapplied and excessive agrochemicals and fertilisers, causing high residue levels in agricultural products and water sources. As a pre-emptive measure to combat the challenges of overuse of agrochemicals in production, Cargills introduced a soil test-based fertiliser application programme entitled “Save Our Soil” in 2014.

Contrary to the prevalent notion of utilising blanket doses of fertiliser for crops, the programme provides guidance for thorough examination of substantial discrepancies in soil conditions. Cargills conducts soil sample testing in smaller blocks of land, and recommends fertiliser prescriptions tailored to individual soil fertility, leading to improved soil health, decreased greenhouse gas emissions, and decreased occurrence of agricultural residue in produce as well as reduced water contamination.

Consequently, with the launch of “Good Harvest”, Cargills’ GAP-certified produce range, and “BeeSafe”, which ensures agrochemical-free farming, our farmers also gained access to a versatile customer segment with purchasing trends more biased towards produce from green and sustainable farmlands. Going one step further, Cargills provided its farmers with climate-smart precision agriculture (CSA) under its Agriculture Modernisation Project, ensuring high-grade produce is yielded with the least environmental impact.

Reducing Emissions at Organisation Level

Consistent with our intention to engage with the Science Based Targets initiative (SBTi) as a member of the UN Global Compact (UNGC), Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions were monitored and measured during the fiscal period under review. By assessing our carbon footprint, we believe we can better conform to climate regulation and the evolving demands of the business environment, while also becoming more environmentally sustainable and cost-efficient through more energy-efficient practices and investments that will reduce our total environmental impact.

Upon implementation, our upstream emission calculation extended to our processing plants, and downstream emissions were included to the point where products reached the consumer. The main sources of emissions identified were through energy consumed from the national grid and generators, water consumption and discharge, and refrigerants used in operations. The initial carbon footprint verification audit was conducted in 2020 by the Sri Lanka Climate Fund. This set the course for all manufacturing facilities and the retail chain to measure and monitor GHG emissions annually, with reporting commencing from 2022/23 onwards.

2022/23 Highlights

Cargills is committed to upholding environmental standards in its operations, which consist of manufacturing facilities, retail outlets, and other business units. This commitment is demonstrated through the Company’s adherence to environment licenses, compliance standards, and certifications for emissions and pollution control.

PROCESSING FACILITIES



Cargills Quality Dairies
Banduragoda



Kotmale Dairy Products
Bogahawatte



Kotmale Dairy Products
Kelanimulla



Cargills Quality Foods
Ja Ela



Cargills Agri Foods
Katana



Cargills Agri Foods (Spice Plant)
Katana



KIST Kilinochchi
plant



Knuckles
water bottling facility



Cargills Quality Confectionaries
Matale

Energy Management

Cargills has been actively monitoring and managing energy consumption across the Group. This is achieved by tracking, measuring, consolidating, and reporting energy use for each business unit through a combination of logs, utility bills, and ledger entries. The main power source remains the national grid, with Cargills retail chain being the primary consumer of energy.

2022/2023 Energy Consumption

Electricity from National Grid (kWh)

146,013,479

Diesel litres

3,247,917

Gas (kg)

675,822

Furnace oil litres

2,976,628

2022/23

Highlights

The energy consumption across the business operation is measured in order to better understand our consumption patterns and take corrective action to minimise the impact on the environment and our operational costs. The following diagrams indicate the energy consumption patterns and key energy sources used during the year under review.



At Cargills Quality Dairies, construction on a biomass boiler began during the reporting period with the intent of contributing towards our continued efforts to reduce steam wastage. The installation of the boiler is on schedule to be completed for commissioning during the forthcoming financial year. With three boilers currently in use, the new biomass boiler is set to enhance capacity by ensuring two boilers can be employed concurrently at all times.

Cargills Foods Company (CFC) is the highest energy-consuming business unit. And in a bid to enhance energy management and efficiency, CFC entered into a Memorandum of Understanding (MoU) with Chemonics International Inc., the prime contractor for the USAID Sri Lanka Energy Programme. – The USAID Sri Lanka Energy Programme aims to support establishing cost-reflectivity in the country's electricity tariffs and works towards increasing

investment in clean energy resources, improving demand-side management programmes to increase energy efficiency, and supporting the deployment of advanced energy technologies. Thus, the MoU between Cargills and Chemonics will enable CFC to make better progress in managing energy consumption through coordinated efforts that are aligned with the above key strategies and measures for energy management.

At Cargills Agri Foods (CAF), the engineering team implemented various energy reduction methods and practices in its Katana factory, in a bid to achieve energy and cost efficiencies during the year in review.

The team maximised energy savings by:

- Turning off seven freezers – each with a power of 18 kW (+4c to -18c) – for four hours each (out of a 12-hour day production), equalling to 15,120 kWh in energy savings per month.
- Three air conditioning units (each with 4.8 kW) at the facility were kept switched on, only for a scheduled 350 minutes (5.83 hours) each day, equalling to 2,664.14 kWh in energy savings per month.
- A chiller – set at 12.5c with a current draw of 150A and average energy consumption of 85 kWh per hour, was only used when a carbonate line was in operation.

Renewable Energy

To meet our commitment to environmental sustainability, Cargills continued to make prudent and conscious efforts to switch to more sustainable and renewable energy solutions. Solar installations which commenced in 2018 were furthered during the year under review.

Additionally, other Cargills sites with renewable energy systems contributed electricity to the national grid, as summarised below:

Facility	Renewable Energy Production During the Year
Cargills Quality Dairy	1,353,190 kWh
Cargills Agri Foods	377,656 kWh
Cargills Quality Foods	585,605 kWh
Cargills Retail Outlets	2,108,709 kWh

2022/23 Highlights

The reporting period witnessed an extension of CFC's solar installations, with 15 additional Cargills Food City outlets being equipped with rooftop solar systems, bringing the total number of Cargills Food City outlets equipped with solar to 18. A large-scale solar system installation with a 1.15 MW of capacity was set up at the new Katana Distribution Facility, with an overall investment of Rs. 241.4 Mn.

Water Management

Cargills predominantly sources water for their production and operational processes from the National Water Supply and Drainage Board (NWSDB), while the balance requirement is fulfilled by approved suppliers and groundwater sources. Our operation strives to optimise the usage of water, and reporting is undertaken to help formulate strategies for better management of the process.

2022/23

Highlights

The technology of the water treatment plant installed at Banduragoda was upgraded in March 2022 and was fully operational during the year under review. Effluent treatment plants in Bogahawatta and Kelanimulla dairy facilities, as well as the Katana KIST beverage facility were enhanced to function effectively in line with ISO 14000 requirements.

The water consumption and recycling volumes for the year are as follows:

Ground water	102,718,200
Acquired from the NWSDB	638,027,947
Acquired from a registered supplier	249,156,780
Total water purchases for the year	989,902,927
Recycled water volume	101,719,000

Liquid Waste Management

Wastewater

Cargills' manufacturing sites have sustained their Environmental Protection Licenses (EPLs) by stringently adhering to the established regulations concerning waste disposal. Effluent water from manufacturing sites is recycled through a Reverse Osmosis (RO) plant as cooling water. Efficient wastewater management has resulted in a reduction in the amount of effluents released from some processing facilities, with the quality remaining in line with the standards set by the Central Environmental Authority (CEA) for agricultural processes.

2022/23

Highlights

	Cargills Quality Dairies	Cargills Quality Confectionaries
The total volume of water treated through RO per day (Litres)	163,000	8,500
YoY decrease in effluent discharge (%)	3.1	42

Waste Oil

Cargills continued its partnership with Novateq in order to responsibly collect and dispose of all waste cooking oils from KFC outlets and Cargills Quality Foods facilities. This is in compliance with European Union Waste Oil Collection Standards, which requires the oil undergo filtration and treatment prior to being exported, to be subsequently converted into biodiesel.

2022/23

Highlights

Waste oil collected **127.22 MT**

CO₂ saved **398.97 MT**

To put this into perspective, this CO₂ amount corresponds to offsetting the average annual emissions of 87 passenger cars or negating the carbon footprint of 2,048 short-haul flights or the electricity consumption of 797 households, which is equivalent to preserving around 13 hectares (32 acres) of mature forest. These comparisons demonstrate the potential of mitigating climate change and reducing greenhouse gas emissions through proactive measures.



Solid Waste Management

The solid waste management process across our manufacturing plants is guided by the Environmental Protection Laws (EPLs) implemented by the CEA. These regulations ensure that all generated solid waste is treated and disposed of according to the specific requirements for each type of waste. Additionally, we are continually improving the efficiency of the agricultural supply chain to reduce post-harvest waste and for suitable remnants to be sent back for composting and fertilisation. We also continued to expand our plastic recycling efforts during the year at our retail outlets to play our part to contribute to a cleaner, greener, and environmentally safer Sri Lanka.

More information on the disposal, reuse or recycling processes in place across the Cargills product development cycle and extended supply chain can be found in the **Prioritising Health and Safety in New Product Development** section under **Healthy, Safe and Affordable Nutrition** on page 110.



Plastic recycling campaign at the Akuregoda outlet

2022/23 Highlights

Cargills Quality Dairies initiated a programme to collect post-consumer plastic waste in collaboration with the Kotmale Dairy Farmers' Society. Furthermore, an incinerator was installed at the KIST plant in Katana to minimise solid waste pollution.

Cargills Retail launched a week-long “#RecyclingHeroes” campaign to celebrate World Recycling Day 2023, where customers were encouraged to drop off any type of waste plastic into the drop-off bins located at Retail outlets. Selfie campaigns and educational partnerships with Unilever, Hemas, Nature's Beauty Creations, KIST, and Kotmale were also implemented to create awareness and engagement around the importance of recycling. Additionally, Cargills Retail in collaboration with Unilever conducted a plastic recycling awareness campaign at the 500th outlet opening in Akuregoda.

Furthermore, the preschools participating in the Cargills Foundation's ECE Programme were encouraged to teach the importance of recycling to children on World Recycling Day. Cargills Food City also contributed to promoting the use of reusable bags on its social media platforms and through large posters displayed at outlets thus discouraging the use of single use plastic bags when shopping at Food City, and organised a Children's Day 2022 campaign in collaboration with Unilever to educate children on recycling.



Recycling awareness for pre-schoolers
at Food City outlets

Paving with Plastic

In order to re-purpose certain non-recyclable plastic waste released from Cargills manufacturing sites, we partnered with AGC Innovate (Pvt) Ltd. to pave our carparks with Plastic Modified Asphalt Concrete (PMAC), as a way of utilising this type of waste. PMAC is an industrial raw material that is added to conventional asphalt, increasing its strength and durability at a polymer level. The plastic-coated aggregate is then covered with a protective layer of bitumen to reduce its exposure to the environment.

Our network of PMAC-paved car parks continued to grow in the year under review with two new additions at Green Path Food City and the new, fully-automated distribution centre at Katana. The total impact of the PMAC initiative is summarised below.

Location	Average Square Footage (sq. ft.)	Average Plastic Quantities Used (kgs)	Type of Plastic BOPP (Kg)/LDPE (kgs)
Walgama Food City Car Park	22,550	670	Polyethylene (PE)
Mathugama Food City Car Park	23,130	690	Polyethylene (PE) + Polypropylene (PP) mix (50:50)
Ratmalana Food City Car Park	4,955	185	BOPP
Pilimathalawa Food City Car Park	5,410	160	BOPP
Green Path Food City Car Park	6,380	190	BOPP + LDPE mix (50:50)
Cargills Distribution Center - Miriswatta, Katana	124,415	4,550	BOPP + LDPE mix (3,200 kgs: 1,350 kgs)

Plastic Collection Bins

Cargills partnered with selected FMCG brands to provide plastic collection bins, thus encouraging customers to recycle post-consumer plastic waste. The initiative grew in the year under review, and by 31 March 2023, the network had a total of 115 Cargills Retail outlets and six KFC outlets with plastic drop-off bins sponsored by Unilever (72) and Coca-Cola (40). Four additional bins, sponsored by Coca-Cola, are expected to be installed in the upcoming financial year, bringing the total to 44. Furthermore, there are seven bins sponsored by Nature's Beauty Creations, as well as an additional two sponsored by other organisations. As at the reporting date, there are 74 bins located within the Western Province with another 47 located in other parts of the country.

Total collection of post-consumer plastic waste amounted to approximately 10,500 kgs under this initiative.

Case Study:**Banduragoda
Dairy Factory**

largest integrated dairy processing facility and serves as a model for the Company's transition into a net zero manufacturing facility. It has achieved the following feats:



Obtained voluntary carbon footprint verification conducted by the Sri Lanka Climate Fund under the purview of the Ministry of Environment, along with its subsidiary Kotmale Dairy Products.



Installed a 1.4 MW solar installation for clean energy generation, which offsets around 35,000 kgs of carbon emissions annually.



Maintains an ecosystem with a population of 2,000+ trees, predominantly fruit trees.



Uses ammonia gas as its refrigerant for maximum refrigeration efficiency, while also having zero Ozone Depletion Potential and Global Warming Potential.



Operates one of the largest industrial Reverse Osmosis (RO) plants in Sri Lanka, producing over 163 cubic metres of treated water daily.



Harvests more than 3,000 cubic metres of rainwater a year, which is utilised for cooling.



Ensures all wastewater discharge is compliant with standards approved by the Central Environmental Authority (CEA).



Introduced environmentally-friendly packaging for Cargills Magic Heavenly range of ice creams, reducing plastic consumption.



Accredited with ISO 9001:2015 Quality Management System, ISO 22000:2018 Food Safety Management System and ISO 14001:2018 Environment Management System.

Bio Diversity Conservation

Cargills places significant importance in safeguarding biodiversity and mitigating the ecological effects of operations. In this regard, the Group actively encourages the promotion and conservation of biodiversity through the entire supply chain. Ecosystems are essential in moderating the climate, augmenting natural capital, and ameliorating emissions. In line with this thinking Cargills launched the “Breath of Life” initiative in 2021 with the goal of planting 10,000 trees and saplings at Group facilities and other locations throughout Sri Lanka.

2022/23

Highlights

The “Breath of Life” initiative continued to take root in diverse Cargills Group locations island-wide, growing into a total tree population of 9,528 across 127 locations by the end of the reporting period.

No. of Plants	Variety
Anoda (Soursop)	725
Avocado	100
Christina Tree	127
Cinnamon	500
Coffee	3,000
Durian	10
Foxtail Palm	24
Jackfruit	100
Karanda (Indian Beech)	73
Kumbuk (Arjun Tree)	20
Lime	300
Local mandarin	25
Mango	254
Mee (Indian Butter Tree)	716
Mudilla (Sea Poison Tree)	2
Naarang (Indian Wild Orange)	150
Nelli (Indian Gooseberry)	15
Peni Dodam (Sweet Orange)	250
Pineapple	3,000
Star Fruit	25
Teak	100
Thimbiri (Gaub Tree)	12



BOARD OF DIRECTORS

162

Cargills
(Ceylon)
PLC
Annual
Report
2022/23

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/
Group CEO, Executive Director

Ranjit Page was an instrumental part of the team that transformed Cargills from a company serving a few to a company serving the needs of communities across the country. Ranjit led the team in establishing the Cargills business model, expanding into food retailing, food manufacturing, restaurants, and banking. Today, he is the Deputy Chairman/Managing Director of CT Holdings PLC and Deputy Chairman/Chief Executive Officer of Cargills (Ceylon) PLC.

Imtiaz Abdul Wahid

Group Managing Director/
Deputy CEO, Executive Director

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 at progressively higher levels (appointed Director in 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 during which 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

A T Priya Edirisinghe is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, Fellow member of the Chartered Institute of Management Accountants (UK), and holds a Diploma in Commercial Arbitration. He was the Senior Partner of Bakertilly Edirisinghe & Co., Chartered Accountants and currently serves as Consultant/Advisor. He is the Managing Director of PE Management Consultants (Pvt) Ltd. He counts over 50 years' experience in both public practice and in the private sector. He serves on the Boards of a number of other listed and non-listed companies where in some companies he also serves as Chairman/Member of the Audit Committee, Related Party Transactions Review Committee, and Member of the Remuneration Committee. He was the Chairman of the Company's Audit Committee, Related Party Transactions Review Committee up to 31 December 2020. He continues as a member of the Company's Audit Committee, Related Party Transactions Review Committee and Remuneration Committee.

Sanjeev Gardiner

Independent Non-Executive Director

Sanjeev Gardiner has been a Director of Cargills (Ceylon) PLC since 1994, and is the Chairman and Chief Executive Officer of the Gardiner Group of Companies which includes the Galle Face Hotel Co. Limited, Galle Face Hotel 1994 (Pvt) Ltd., Ceylon Hotels Holdings (Pvt) Ltd. (holding Co. of Ceylon Hotels Corporation PLC), Kandy Hotels Company (1938) PLC (which owns the Queen's and Suisse Hotels in Kandy) and, United Hotels Co. (Pvt) Limited which owns The Surf (Bentota), The Safari (Tissa) and The Lake (Polonnaruwa). He is also the Chairman of Ambeon Capital PLC, and Ambeon Holdings PLC and Millennium IT ESP (Pvt) Ltd., and sits on the Board of several Private Companies. He counts over 30 years of management experience in a diverse array of businesses. He holds a Bachelor's Degree in Business from the Royal Melbourne Institute of Technology, Australia and a Bachelor's Degree in Business (Banking and Finance) from Monash University, Australia. He has been a Council member of HelpAge Sri Lanka for several years.

Yudy Kanagasabai

Independent Non-Executive Director

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

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

Yudy is an Independent Non-Executive Director of Ceylon Tobacco Company PLC and Chairperson of the Audit Committee and Related Party Transactions Committee, as well as a member of Remuneration and Compensation Committee, Corporate Social Investment Committee, and Nominations Committee since February 2018. He is also an Independent Non-Executive Director of Eswaran Brothers Exports (Private) Limited and the Chairman of its Audit Committee. He serves as an Independent Non-Executive Director and Chairperson of the Audit Committee of Ambeon Capital PLC and MainGate (Private) Limited. He is a Non-Executive Director and Chairman of the Audit Committee of Millennium IT ESP (Private) Limited and Colombo City Holdings PLC. He is also the Chairperson of Dankotuwa Porcelain PLC and Taprobane Capital Plus Limited.

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

Joseph Page

Non-Executive Director

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

Errol Perera has held Senior Management positions Overseas and in Sri Lanka. He was instrumental in attracting direct foreign investment in several projects with Board of Investment approval including Venture Capital and Unit Trust start-ups. He was the proud winner of the GTE (now Verizon USA) Presidents International Trophy in 1990. In 1995 under his stewardship, the Directory Publishing Team won the first-ever Sri Lanka National Quality Award. He is at present an Independent Director of several other companies in Sri Lanka.

Asoka Pieris

Non-Executive Director

H Asoka Pieris was appointed a Director of the Company on 25 February 2019.

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

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

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

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

Indira Malwatte

Independent Non-Executive Director

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

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

She has over 40 years of experience in serving the Government both internationally and locally as a Top Export Promotion Professional. Her in-depth knowledge of various sectors ranging from Industrial, Agricultural, Services, Supply Chain Management, and International Marketing has led to her serving as a Director in several Companies and Government Institutes in a variety of industries. She was the focal point on a number of World Bank, ITC, GIZ, CBI and JETRO export development projects.

In July 2016 Indira was internationally recognised for her long years of service in Business and Commerce with The Wifits Foundation Lifetime Achievement Award 2016-Business in London, UK. She was the first Sri Lankan to be bestowed with this honor. She was also recognised by Zonta Sri Lanka with the "Woman of Achievement" Award on Management in September 2017 and Women in Management Top 50 Professional and Career Woman Gold 2018 State & Government Sector in 2018. She was featured on "The 2018 A – List of Sri Lanka Business People" by the LMD Magazine.

She serves as an Independent Non-Executive Director of Samson International PLC and as an Independent Non-Executive Director of Lanka Shipping & Logistics (Pvt) Ltd. She is also engaged in Consultancies on International Trade and Developing the SME Sector and Women Entrepreneurship. She also serves as a Non-Executive Independent Director of the Sri Lanka Export Development Board.

Asite Talwatte

Independent Non-Executive Director

Asite Talwatte was appointed a Director of the Company on 28 August 2020, and was appointed the Chairman of the Company's Audit Committee, Related Party Transactions Review Committee, and Remuneration Committee on 1 January 2021.

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

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

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

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

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

Dilantha Jayawardhana

Executive Director

Dilantha Jayawardhana was appointed a Director of the Company on 1 July 2021.

He holds a Master's in Business Administration (University of Lincoln, UK) and is a Fellow member of the Institute of Chartered Accountants of Sri Lanka. He is also an Associate member of the Institute of Certified Management Accountants of Sri Lanka. He functioned as the Group Chief Financial Officer of Cargills (Ceylon) PLC. In his current role, he continues to manage finance, human resource development, IT and treasury functions for the Group.

He has 24 years of post-qualifying experience in accounting, finance, and management.

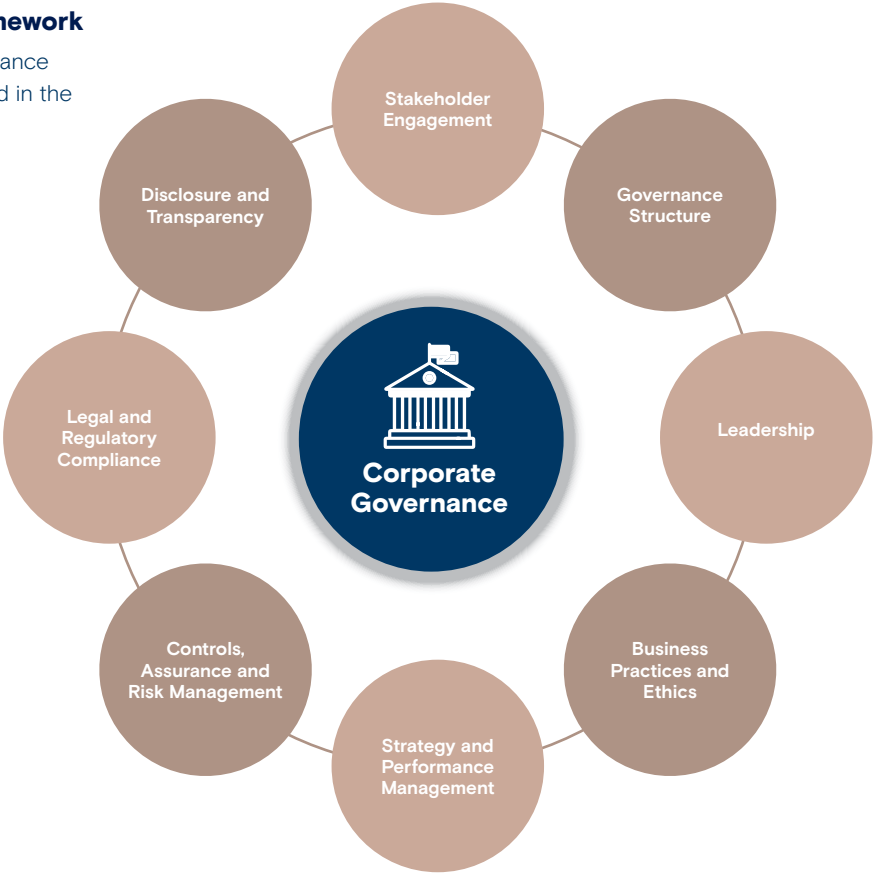
CORPORATE GOVERNANCE

1. Corporate Governance at Cargills

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

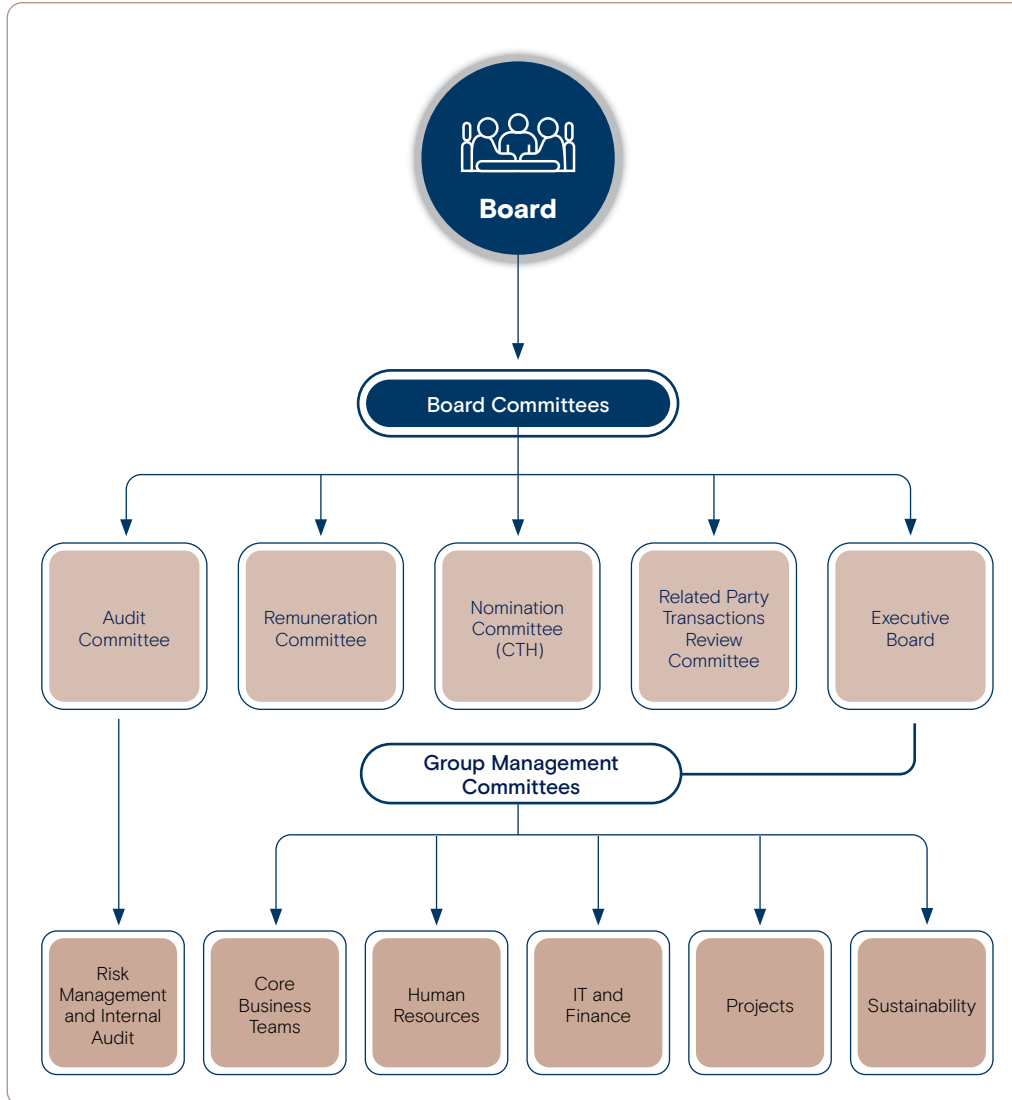
2. The Corporate Governance Framework

Our corporate governance framework is illustrated in the following diagram:



3. Internal Governance Structure

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



3.1 The Board of Directors

3.1.1 Board Composition

The Company currently has twelve Directors on the Board comprising nine Non-Executive Directors (of whom six are independent) and three Executive Directors.

The Board consists of a mix of Independent, Executive, and Non-Executive Directors to maintain Board independence.

3.1.2 Board Independence and Conflicts of Interest

Our Board is well represented by the Independent Directors who support the Executive Directors in governance and strategic management. Independence of the Directors has been determined in accordance with the criteria of the CSE Listing Rules. Accordingly, the present composition of Independent Non-Executive 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 the interests of Cargills, they are required to disclose in writing the nature and extent of any interest they have in a material contract or material transaction with the Group.

3.1.3 Appointment of Directors

The Nomination Committee of the parent company (C T Holdings PLC) recommends suitable persons to be Directors either to fill casual vacancies or as additional Directors, subject to the provisions in the Articles of Association of the Company. Any Director so appointed shall hold office until the next Annual General Meeting and shall then be eligible for election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such Meeting. In considering candidates for directorship, the Nomination Committee takes into account all factors it considers appropriate, including, among other things, breadth of experience in business and industry, financial acumen, integrity, leadership as well as the diversity of the Board.

Details of new Directors are disclosed to the shareholders at the time of their appointment by public announcement as well as in the Annual Report (Please refer Board of Directors 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 reappointment. At each Annual General Meeting (AGM) one third of the Directors retire by rotation on the basis prescribed in the Articles of Association of the Company and are eligible for re-election. The Directors who retire are those who have been longest in office since their appointment or reappointment. In addition, any new Director appointed to the Board during the year is required to stand for election at the next AGM.

3.1.5 Other Board Memberships

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

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

3.1.6 Directors' Remuneration Policy

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

3.2 Board Committees

The Group has the following Board committees;

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

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

3.2.1 Audit Committee Report

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

Policy Framework

The policy framework for the functioning of the Audit Committee of the Company and its subsidiaries are set out in the Group policies adopted across the Group.

In addition to the Audit Committee of the holding company, one listed subsidiary within the Cargills Group has a separate Audit Committee, where the Chairman (Mr A D B Talwatte) and one other member (Mr A T P Edirisinghe) of the Audit Committee of the parent company are Chairman and member respectively of the other Audit Committee. The Audit Committee of the listed holding Company functions as the Audit Committee of the non-listed subsidiary companies within the Group.

Composition of the Audit Committee

- Mr A D B Talwatte FCA, FCMA, MBA - Independent (Chairman)
- Mr A T P Edirisinghe FCA, FCMA - Independent
- Mr E A D Perera - Independent
- Mr Y Kanagasabai - Independent

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

Procedure

In terms of the Group policy, the Audit Committees should meet at least once every quarter, two of which should be attended by the Company Auditors. The procedure in place is for the Group Managing Director/Deputy CEO, Executive Director, Group Chief Financial Officer, Group Chief Risk Officer, Heads of Finance of the business sectors and the Head of Internal Audit to attend all meetings when scheduled and for the Deputy Chairman/CEO to attend Audit Committee meetings as and when requested to do so by the Audit Committee. Besides this, procedure is in place to circulate the various documents and for clarification of matters raised by the members of the Audit Committee. Where necessary, approvals may also be given by circular resolutions.

Meetings

The Audit Committee met seven times during the year, one of which were with the participation of the Company's External Auditors. Details of the participation of the members of the Audit Committee at such meetings are set out below:

Name	Meetings Held	Meetings Attended
Mr A D B Talwatte (Chairman)	7	7
Mr A T P Edirisinghe	7	7
Mr E A D Perera	7	4
Mr Y Kanagasabai	7	7

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, 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 that the various risk exposures are mitigated
- Assessment of the performance and independence of the External Auditors and making recommendations to the Board pertaining to appointment/reappointment and removal of External Auditors and approval of remuneration and terms of engagement
- Reviewing and monitoring the External Auditors' independence and objectivity and the effectiveness of the audit process

- Develop and implement policy on the engagement of the External Auditors 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 Group Chief Financial Officer (GCFO) stating that the respective Financial Statements are in conformity with the applicable accounting standards, company law and other statutes including corporate governance rules and that the presentation of such Financial Statements are consistent with those of the previous quarter or year as the case may be, and further stating any departures from financial reporting, statutory requirements and Group policies (if any).

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

Internal Audit, Controls, and Risk Management

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

Conclusion

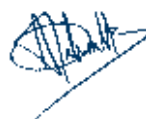
Based on its work, the Audit Committee is of the opinion that the control procedures and environment within the Group provide reasonable assurance regarding monitoring of the operations, accuracy of the Financial Statements, and safeguarding of assets of the Company.

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

The Audit Committee obtains an "Auditors' 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 Statement of Cash Flow 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 2024.



A D B Talwatte

Chairman - Audit Committee
5 July 2023

3.2.2 Nomination Committee

The Nomination Committee of the parent company (CTH) acts as the Nomination Committee of Cargills (Ceylon) PLC.

Composition of the Nomination Committee

The Nomination Committee of the parent company consists of the following members;

- Mr L R Page – Non-Executive/Non-Independent (Chairman)
- Mr A T P Edirisinghe – Independent
- Mr V R Page – Executive Director (Deputy Chairman/Group CEO)

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 Report

The Remuneration Committee of Cargills (Ceylon) PLC consists of three Non-Executive Directors – Messrs A D B Talwatte (Chairman), A T P Edirisinghe and Mrs C I Malwatte.

The Chairman, the Deputy Chairman/CEO, and the Group Managing Director may also be invited to join in the deliberations as required. The Committee studies and recommends the remuneration and perquisites applicable to the Executive Directors of the Company and makes appropriate recommendations to the Board of Directors of the Company for approval. The Committee also carries out periodic reviews to ensure that the remuneration is in line with market conditions.

Composition of the Remuneration Committee

- Mr A D B Talwatte – Non-Executive (Chairman)
- Mrs C I Malwatte – Non-Executive
- Mr A T P Edirisinghe – Non-Executive

The Committee met once during the year under review.



A D B Talwatte

Chairman – Remuneration Committee
5 July 2023

3.2.4 Related Party Transactions Review Committee Report

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

Policy Framework

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

Composition of the RPTRC

- Mr A D B Talwatte FCA, FCMA, MBA – Independent (Chairman)
- Mr A T P Edirisinghe FCA, FCMA – Independent
- Mr E A D Perera – Independent
- Mr Y Kanagasabai – Independent

The RPTRC comprises four members who are Non-Executive Directors that are independent or deemed independent. The Chairman of the RPTRC is a Fellow member of The Institute of Chartered Accountants of Sri Lanka and a Fellow member of Chartered Institute of Management Accountants, UK. The composition of the members of the RPTRC satisfies the criteria as specified in the standards on corporate governance for listed companies. The Company Secretary acts as the Secretary to the Committee.

Scope

The RPTRC assists the Board in reviewing all related party transactions carried out by the Company.

The functions of the RPTRC include the following:

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

Procedures are also in place for the RPTRC to obtain, where not already obtained:

- Quarterly declarations of related party transactions from Directors and Senior Management of all Group companies on recurrent and non-recurrent transactions undertaken by them or by their close family members.
- Quarterly declarations of Directors and Senior Management of all Group companies who have 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 the Group Chief Financial Officer or equivalent position in Group companies on recurrent and/or non-recurrent transactions within the Group companies.

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

Related Party Transactions

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

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

Meetings

RPTRC met four times during the year. The meetings were also attended by the Group Managing Director of the Company, Executive Director, Group Chief Financial Officer, Group Chief Risk Officer, as well as the Heads of Finance of the business sectors.

Details of the participation of RPTRC members at such meetings are set out below:

Name	Meetings Held	Meetings Attended
Mr A D B Talwatte (Chairman)	4	4
Mr A T P Edirisinghe	4	4
Mr E A D Perera	4	2
Mr Y Kanagasabai	4	4

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

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

Conclusion

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

The details of the recurrent transactions entered into with related parties are disclosed in Note 35 to the Financial Statements.

Directors hereby confirm that the Company is in compliance with Section 9 of the Listing Rules of the CSE with respect to related party transactions carried out by the Company during the year.



A D B Talwatte

Chairman – Related Party Transactions Review Committee
5 July 2023

4. Leadership

4.1 Board Leadership

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

Our Board at present comprises Directors with diverse skills and vast experience in the field of business, capable of steering the business towards achieving the Company goals and good governance. While the Board plays an oversight role over the Group, the Group CEO and his Executive Management are empowered to manage and lead the business on a day-to-day basis.

4.1.1 Role of Group Chairman and Group CEO

Whilst the Group Chairman and the Group Chief Executive Officer are collectively responsible for the leadership of the Group, there is a clear and effective division of accountability and responsibility between the Group Chairman and the Group Chief Executive Officer. Each plays a role that is distinctive but complements the other to ensure that there is a balance of power and authority and no individual has unfettered powers of decision and control.

4.1.2 Board Responsibilities

The Board oversees the affairs of the Company and provides leadership and guidance to the Senior Management Team. The key functions and responsibilities of the Board are:

Roles and Responsibilities	
Strategy	- 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 major capital expenditure, acquisitions and divestments - Reviewing and approving the annual operating plans and financial budgets
Risk Management	- Ensuring processes are in place to identify the principal risks of the Group's business - Reviewing and ratifying the integrity of the Group's systems of risk management, internal controls, and compliance
Management	- Appointing and recommending terms of engagement of the Senior Management staff ensuring that a process is in place such that the remuneration and conditions of service of executives are appropriate - Ensuring that a process is in place for an executive succession plan
Performance	- Evaluating the performance of the Board Committees and individual Directors - Establishing and reviewing succession plans for Board membership - Reviewing the performance of the Senior Management and the compensation framework for Executive Directors and Senior Management - Monitoring corporate performance and evaluating results compared to the strategic and annual plans
Corporate Governance	- Establishing appropriate standards and encouraging ethical behaviour and compliance with the Group's policies - Monitoring the Company's compliance with corporate governance standards - Overseeing the process and framework for evaluating the adequacy of internal controls, risk-management, financial reporting, and compliance
Reporting and Disclosure	- Approving and monitoring financial and other reporting, including reporting to shareholders and other stakeholders - Establishing procedures to ensure adherence to the Company's continuous reporting policy

4.1.3 Board Meetings

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

Attendance at Board Meetings

Name	Position	Meetings Held	Meetings Attended
Mr L R Page	Chairman	7	7
Mr V R Page	Deputy Chairman/CEO	7	7
Mr M I Abdul Wahid	Managing Director	7	7
Mr A T P Edirisinghe	Non-Executive Director	7	7
Mr S E C Gardiner	Non-Executive Director	7	7
Mr Y Kanagasabai	Non-Executive Director	7	7
Mrs C I Malwatte	Non-Executive Director	7	6
Mr J C Page	Non-Executive Director	7	5
Mr E A D Perera	Non-Executive Director	7	4
Mr H A Peiris	Non-Executive Director	7	6
Mr A D B Talwatte	Non-Executive Director	7	7
Mr D S Jayawardhana	Executive Director	7	7

5. Business Practices and Ethics

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

The Board continues 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 that our employees 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.

All employees at Cargills are committed to responsible behaviour refraining from any direct, solicited, monetary or non-monetary bribes, entertainment, unlawful gifts, making or receiving facilitation payments or political contributions while adhering to the related provisions of the Group HR Policy.

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 occurrence of such dealings are more probable.

Cargills (Ceylon) PLC is a signatory of the United Nations Global Compact (UNGC); and has zero tolerance towards bribery and corruption. The Company actively monitors any changes to anti-corruption or other related laws and ensures its full compliance. This ethical and transparent corporate behaviour of Cargills extends to all the stakeholders in the value chain. All partners and third parties are advised to comply with the guidelines set out.

6. Strategic and Performance Management

The Group has a robust strategic management process which involves all key internal stakeholders and is led by the Group CEO. The strategic planning process aims at optimal utilisation of resources of the Organisation and maximum welfare of all relevant stakeholders. The developments in the external and internal environment are continuously and extensively scrutinised in developing effective strategies. Cargills focuses on deriving the maximum advantage for the Organisation through developments in the external environment through prudent as well as rapid responses.

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

7. Controls, Assurance, and Risk Management

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

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

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

The Group has an enterprise risk management framework through which it manages the risks facing the Group. Risk Committees for all business sectors were established to manage the risks stemming from the external environment, strategy and business operations. Risk management section and the notes to the financial statements of the Annual Report carry a detailed discussion of the Group's Enterprise Risk Management Process.

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

8. Legal and Regulatory Compliance

The Group is fully compliant with all the mandatory provisions of the Companies Act No. 07 of 2007, Listing Rules of the CSE and rules of the Securities and Exchange Commission of Sri Lanka (SEC). The Group practices are in line with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Company actively monitors the changes in the regulatory environment and acknowledges its compliance with all other financial, legal and regulatory requirements.

9. Disclosure and Transparency

The Group has policies and procedures that govern the provision of timely, accurate and complete information to stakeholders, in a manner which gives all stakeholders equal access to information. The Board of Directors, in conjunction with the Audit Committee where applicable, is responsible in ensuring the accuracy and timeliness of published information and in presenting an honest and balanced assessment of results in the quarterly and annual Financial Statements.

10. Stakeholder Engagement

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

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

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

CSE Rule		Status of Compliance	Details/ Reference
7.10.1 Non-Executive Directors (NED)			
a./ b./c.	At least two 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 twelve Directors are NEDs
7.10.2 Independent Directors			
a.	At least two 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 annually submit a signed and dated declaration of his/her independence or non-independence.	Compliant	All Independent NEDs have submitted their confirmations on independence as per the criteria laid down in the Listing Rules
7.10.3 Disclosures Relating to Directors			
a.	The Board shall make a determination annually as to the independence or non-independence of each Non-Executive Director and list the names of the NEDs determined to be "Independent" in the Annual Report.	Compliant	Board of Directors on page 168 to 169 and Note 1 on page 179
b.	In the event a Director does not qualify as "Independent" and the Board is of the opinion that the Director is nevertheless "Independent", the Board shall specify the criteria not met and the basis for its determination in the Annual Report.	Compliant	

CSE Rule	Status of Compliance	Details/ Reference
c. A brief résumé of each Director with information on his/her area of expertise should be included in the Annual Report.	Compliant	Board of Directors on page 162 to 166 and Note 1 on page 179
d. Upon appointment to the Board, a brief résumé of the new Director should be provided to the exchange for dissemination to the public.	Compliant	

7.10.5 Remuneration Committee

A. Composition

a.1	Remuneration Committee should comprise at least two independent NEDs or more than two NEDs, majority of whom shall be independent.	Compliant	Remuneration Committee Report on page 172. The aggregate remuneration paid to the Directors is given in Note 35.1 to the Financial Statements.
a.2	One NED shall be appointed as chairman of the Committee by the Board of Directors.	Compliant	

B. Functions

b.	Remuneration Committee shall recommend the remuneration of the CEO and Executive Directors to the Board.	Compliant	
----	--	-----------	--

CSE Rule	Status of Compliance	Details/ Reference
C. Disclosure in the Annual Report		
c. The Annual Report should include the names of the Remuneration Committee members, a statement of the remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	Compliant	Remuneration Committee Report on page 172 The aggregate remuneration paid to the Directors is given in Note 35.1 to the Financial Statements.

7.10.6 Audit Committee

A. Composition

a.1	Audit Committee should comprise at least two independent NEDs or more than two NEDs, majority of whom shall be independent.	Compliant	Audit Committee Report on page 169 to 171.
a.2	One NED shall be appointed as Chairman of the Committee by the Board of Directors.	Compliant	
a.3	CFO shall attend the Audit Committee meetings, and CEO when requested to attend.	Compliant	
a.4	The Chairman of the Audit Committee or one member should be a member of a recognised professional accounting body.	Compliant	

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 from a compliance perspective in accordance with SLFRS/LKAS	Compliant	Audit Committee Report on page 169 to 171.
b.2	Overseeing compliance with financial reporting requirements and information requirements as per laws and regulations.	Compliant	
b.3	Overseeing the processes to ensure internal controls and risk management functions are adequate to meet the requirements of Sri Lanka Auditing Standards.	Compliant	
b.4	Assessing the independence and performance of the External Auditors.	Compliant	
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. Disclosure in the Annual Report

C	The Annual Report should include the names of the Audit Committee members, the basis for the determination of the independence of the External Auditors and a report of the Audit Committee setting out the manner of compliance with the above requirements during the specified period.	Compliant	
---	---	-----------	--

Note 1:

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

Mr Y Kanagasabai, Mrs C I Malwatte, and Mr A T P Edirisinghe who have served on the Company's Board for a period in excess of nine years and are also Directors of CT Holdings PLC which has a significant shareholding in the Company, and Messrs S E C Gardiner and E A D Perera who have served on the Company's Board for a period in excess of nine years, and

Mr A D B Talwatte who is a Director on the Board of C T Holdings PLC which has a significant shareholding in the Company.

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 them to be independent considering their credentials and integrity.

Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Principle	Status	Details/ Reference
-----------	--------	--------------------

A. Directors

A.1 The Board

A.1.1	The Board should meet regularly, at least once in every quarter and execute Board responsibilities while providing information to the Board on a structured and regular basis.	In place	Corporate Governance Report – Section 4.1.3
-------	--	----------	---

	Principle	Status	Details/ Reference
A.1.2	The Board is to provide entrepreneurial leadership by undertaking responsibilities for - Ensuring the formulation and implementation of sound business strategy - Ensuring skills and succession of Key Management Personnel - Approving budgets and major capital expenditure - Ensuring an effective system to secure integrity of information, internal controls, business continuity and risk management - Ensuring compliance with laws, regulations, and ethical standards - Ensuring all stakeholder interests are considered in corporate decision making - Recognising sustainable business development and considering the need of integrated reporting - Adopting appropriate accounting policies and compliance with financial regulations - Establishing a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks - Ensuring that a process is established for corporate reporting on an annual and quarterly basis or more as relevant to the Company	In place	Corporate Governance Report – Section 4.1.2
A.1.3	The Board collectively and the Directors individually must act in accordance with the laws of the country and obtain independent professional advice where necessary.	In place	

	Principle	Status	Details/ Reference
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 the 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 as necessary. The Board should regularly review and agree on the training and development needs of the Directors.	In place	
A.2 Chairman and Chief Executive Officer			
A.2.1	Justification for combining the posts of Chairman and CEO in one person to be stated in the Annual Report.	N/A	N/A
A.3 Chairman's Role			
A.3.1	The Chairman should conduct Board proceedings in a proper manner and ensure: The agenda for Board meetings is developed in consultation with the CEO, Directors and the Company Secretary taking into consideration matters relating to strategy, performance, resource allocation, risk management and compliance	In place	

Principle		Status	Details/ Reference
	- 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		
	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 three members or one third of the Board, whichever is higher, should be NEDs. Any change to this ratio should be rectified within 90 days.	In place	Corporate Governance Report - Section 3.1.1

Principle		Status	Details/ Reference
A.5.2	Where the constitution of the Board of Directors includes only three NEDs, all three such NEDs should be independent.	N/A	N/A
A.5.3	Definition of Independent Directors For a Director to be deemed "independent" such a Director should be independent of management and free of any business or other relationship that could materially interfere.	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	
A.5.5	The Board should determine the independence or otherwise of the NEDs based on the guidelines provided.	In place	
A.5.6	If an alternate Director is appointed by an NED, such Director should not be an Executive of the Company. If an alternate Director is appointed by an Independent Director, such Director also should meet the criteria of independence.	N/A	N/A
A.5.7	In the event the Chairman and CEO are the same person, the Board should appoint one of the Independent NEDs to be the "Senior Independent Director" (SID).	N/A	N/A
A.5.8	The SID should make himself or herself available for confidential discussions with other Directors who may have concerns.	N/A	N/A
A.5.9	The Chairman should hold meetings only with NEDs as necessary and at least once each year.	In place	
A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes.	In place	

Principle	Status	Details/ Reference
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 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 résumé, the nature of expertise, details of directorship in other companies, Independence/Non-Independence in the Board of the new Director should be disclosed to shareholders.	In place	Corporate Governance Report - Section 3.1.3
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 the 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	
A.8.3 In the event of resignation of a Director prior to completion of his/her appointed term, the Director should provide a written communication to be provided to the Board of his/her reasons for resignation.	In place	

Principle	Status	Details/ Reference
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	Board of Directors on pages 162 to 166
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	
B.1.3 The Chairman and members of the Remuneration Committee should be listed in the Annual Report.	In place	
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 options should not be offered at a discount.	N/A	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 the event of early termination.	In place	
B.2.10	The Remuneration of NEDs should reflect the time commitment, responsibilities and market practices.	In place	

	Principle	Status	Details/ Reference
B.3 Disclosure of Remuneration			
B.3.1	The Annual Report should include the names of the Remuneration Committee members, a statement of the remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.	In place	Remuneration Committee Report on page 172. The aggregate remuneration paid to the Directors is given in the Note 35.1 to the Financial Statements.
C. Relations with Shareholders			
C.1 Constructive use of Annual General Meeting (AGM) and Conduct of General Meetings			
C.1.1	The Notice for AGM and related papers should be sent to the shareholders before the Meeting as per the relevant statute.	In place	
C.1.2	The Company should propose a separate resolution at the AGM on each substantially separate issue.	In place	
C.1.3	The Company should count all proxy votes with respect to each resolution.	In place	
C.1.4	Chairpersons of Board Committees should be available at the AGM to answer questions.	In place	
C.1.5	A summary of procedures governing voting should be circulated with every Notice of General Meeting.	In place	
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	

Principle	Status	Details/ Reference
C.2.2/ The Company should disclose C.2.3/ C.2.4	In place	• Policy and methodology for communication with shareholders • How the above policy and methodology will be implemented • The contact person for such communication
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	
D. Accountability and Audit		
D.1 Financial and Business Reporting (the Annual Report)		
D.1.1 The Board should present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	In place	

Principle	Status	Details/ Reference
D.1.2 The Board should present interim, price-sensitive and other reports to regulators.	In place	
D.1.3 The Board should, before it approves the Company's Financial Statements, obtain from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the Financial Statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance.	In place	Corporate Governance Report - Section 3.2.1
D.1.4 The Annual Report should contain a Report from Directors declaring: • The Company has not engaged in any unlawful activities • All material interests of Directors in contracts involving the Company • The equitable treatment of shareholders • The Directors have complied with best practices of corporate governance • Property, plant and equipment are reflected at fair value, and 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 pages 191
D.1.5 The Annual Report should contain a statement of Directors' responsibility.	In place	Statement of Directors' Responsibilities on pages 195
D.1.6 The Annual Report should contain a "Management Discussion and Analysis".	In place	Operating Segments on pages 29 to 52

	Principle	Status	Details/ Reference
D.1.7	In the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting to notify shareholders of the position and of remedial action being taken.	In place	
D.1.8	The Board should adequately and accurately disclose the related party transactions in the Annual Report.	In place	Note 35 to the Financial Statements
D.2 Risk Management and Internal Control			
D.2.1	The Board 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 and Enterprise Risk Management Report on pages 187 to 190
D.2.2	The Directors should confirm in the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency, or liquidity.	In place	
D.2.3	Companies should have an internal audit function.	In place	Corporate Governance Report – Section 7 and Enterprise Risk Management Report on pages 187 to 190
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	

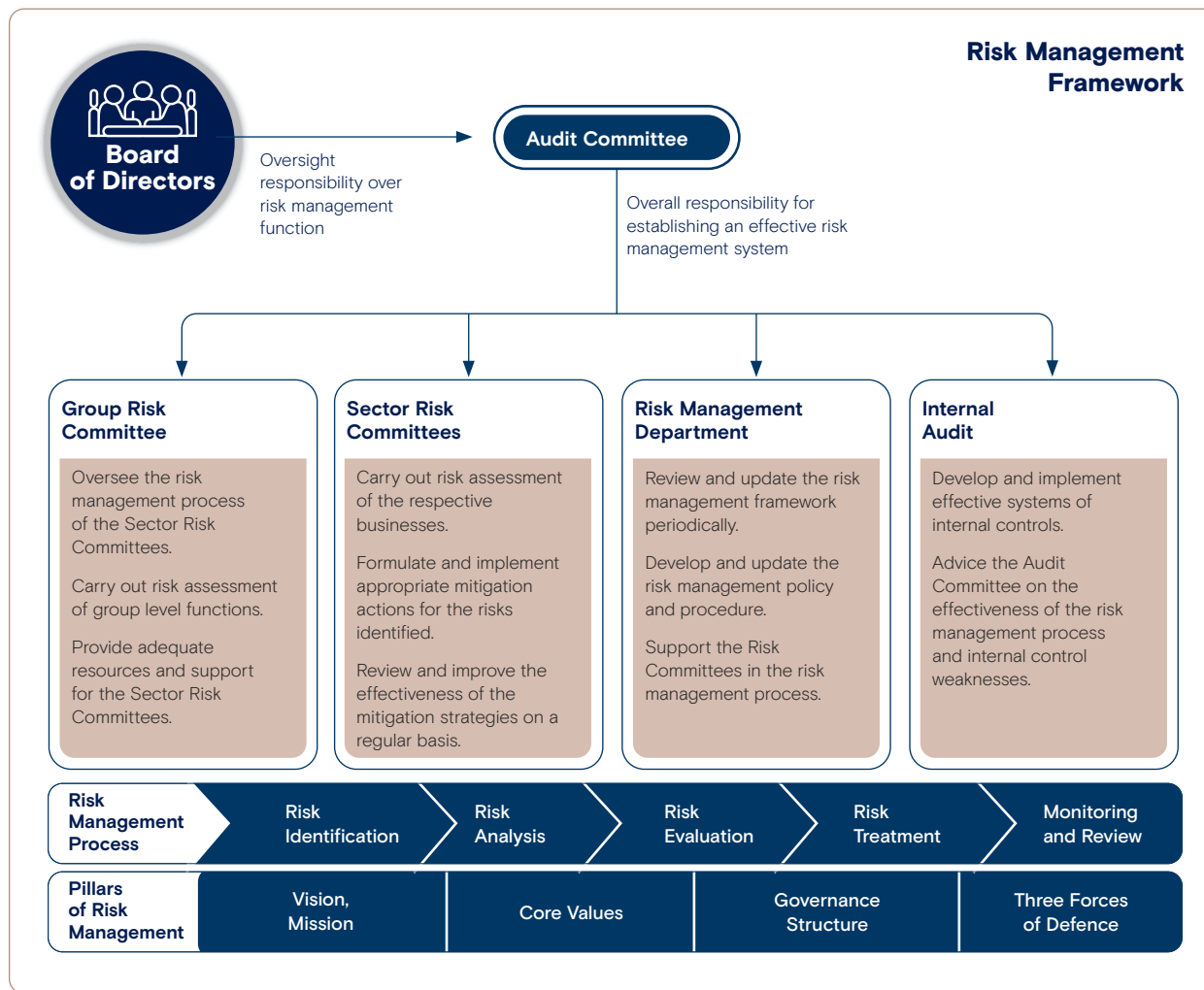
	Principle	Status	Details/ Reference
D.3 Audit Committee			
D.3.1	The Audit Committee should comprise exclusively of Non-Executive Directors with a minimum of three Non-Executive Directors of whom at least two should be independent. If there are more Non-Executive Directors, the majority should be independent. The Committee should be shared by an Independent Non-Executive Director.	In place	Corporate Governance Report – Section 3.2.1
D.3.2	The Audit Committee should have a written Term of Reference, dealing clearly with its authority and duties.	In place	
D.3.3	The Annual Report should include the names of the Audit Committee members, the basis for the determination of the independence of the External Auditors and a report of the Audit Committee setting out the manner of compliance with the above requirements during the specified period.	In place	Corporate Governance Report – Section 3.2.1
D.4 Related Party Transactions Review Committee			
D.4.1	A related party and related party transaction will be as defined in LKAS 24.	In place	
D.4.2	The Board should establish a Related Party Transactions Review Committee (RPTRC) consisting exclusively of Non-Executive Directors with a minimum three Non-Executive Directors of whom the majority should be independent. The Chairman should be an Independent Non-Executive Director appointed by the Board.	In place	Corporate Governance Report – Section 3.2.4
D.4.3	RPTRC should have written Terms of Reference dealing clearly with its authority and duties which should be approved by the Board of Directors.	In place	

Principle	Status	Details/ Reference
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	
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 the Company's governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	In place	

Principle	Status	Details/ Reference
F. Other Investors		
F.1 Investing/Divesting Decision		
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 Organisation's business model, IT devices within and outside the Organisation can connect to the Organisation's network to send and receive information and the consequent cybersecurity risks that may affect the business.	In place	
G.3 The Board should allocate regular and adequate time on the Board meeting agenda for discussions about cyber risk management.	In place	
G.4 The Board should ensure the effectiveness of cybersecurity risk management through independent periodic review and assurance.	In place	
H. Environment, Society and Governance (ESG)		
H.1 to H.1.5 Adherence to ESG principles is disclosed in the sustainability section of the Annual Report.	In place	

ENTERPRISE RISK MANAGEMENT

Over the years, Cargills Group has been able to establish a comprehensive approach towards the management of strategic, operational, and other external risks stemming from diverse business units. Group level as well as business level risks are identified through cross-functional involvement. Risk management efforts, spearheaded by the Board of Directors, the Audit Committee, and the Risk Committees are in line with the goals and objectives of Cargills and aim to minimise the negative effect of risks in the process of creating value for the stakeholders of Cargills. The well-structured risk management framework has been developed based on the ISO standards for risk management and the guidelines provided by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).



Group and Sector Risk Committees

The Group Risk Committee comprise the Directors and Senior Managers and is chaired by the Group Managing Director. Sector Risk Committees comprise Senior Managers and is chaired by the respective Sector Managing Director.

Overview of Key Risks Affecting the Business

Cargills is exposed to various risks due to its engagement in diverse business operations. Key risks affecting each business may vary depending on the nature of the business. Risks are assessed at Group and Sector levels and mitigation actions are taken to minimise any impact.

The key risks identified through the risk management exercise are as follows:

Risk	Potential Impact	Risk Rating	Mitigation Action
Decline in consumer buying power	Decline in consumer buying power will directly impact sales and profitability	High	- Vegetables and fruits are sourced directly from farmers and offered to consumers at very competitive prices - Essentials and items consumed on a daily basis are marketed through our own brand "My Choice" at very competitive prices - A vast range of products are offered at a discounted price under various promotions - Smaller pack sizes are introduced by the manufacturing brands to enable better affordability - Bundle offers are given to consumers to provide value for money - Attractive discounts are offered to loyalty card customers through Cargills rewards programme
Reputation	Failure to protect the reputation of the Group and brands could lead to a loss of trust and confidence which in turn can erode the customer base	Medium	- Measures are in place to maintain the quality of products, processes and people - Cargills Values and Code of Conduct are embedded into our engagement processes with customers, suppliers, and other stakeholders - Compliance to labour, regulatory and environmental regulations are closely monitored - Systems are in place to capture feedback and address the concerns of all stakeholders
Retention of professional and skilled workforce	Losing professional and highly skilled employees may impact the performance of the business negatively	Medium	- Efforts are taken to retain and replace talent through suitable rewards schemes - Career succession plans are in place to fill the vacancies within - Training and development is being carried out continuously through Albert A Page Institute (AAPI)
Product quality and safety	Inferior quality products will impact customer trust and confidence which in turn impact sales and reputation of the Company	Low	- Stringent quality control processes are in place in line with quality certification and GMP guidelines - Machineries and equipment are maintained at highest standards to ensure desired quality output - Staff are being trained continuously on quality aspects - Regular quality audits are conducted by internal and external teams

Risk	Potential Impact	Risk Rating	Mitigation Action
Supply chain interruption and increase in prices of raw and packing material	Interruption to international and local supply chain will have a serious impact on sales and profitability Increase in prices of raw and packing material will impact margins negatively	Medium	- Products are sourced from multiple suppliers and locations to ensure continuous supply of inputs and price stability. - Buffer stocks are increased selectively for products which are considered at higher risk of going out of stock. - Procurement function is centralised across the Group to drive efficiency and price advantage. - Alternatives for imported materials are developed/sourced locally to avoid interruption to supply and price instability. - Long-term partnerships are established with suppliers, farmers, and SMEs to maintain prices and continuous supply of goods
Health and safety	Unsafe working environment and poorly trained employees may cause injuries, loss of lives and financial loss	Low	- Stringent health and safety measures are in place in all our business premises, which are monitored and audited regularly. - Regular review is conducted to ensure compliance to health and safety regulations and internal control procedures. - Health and safety audits are conducted to ensure safety and a hazard-free environment for the employees. - Employees are trained continuously in operating machineries and health and safety procedures
Cybersecurity	Cyber attacks on application systems, network and other IT infrastructure can cause substantial impairment to the business by means of economic cost, reputational damage and legal consequences	Medium	- Investments are made continuously in procuring new tools and upgrading existing technology to prevent cyber attacks - Periodic reviews of current information security controls are carried out by internal and external teams
Funding and liquidity	Inability to source adequate funds for ongoing business operations, expansion projects and for other investments can negatively impact the business operations	Low	- Internally generated funds are utilised for capital investments as much as possible. - A combination of long-term and short-term borrowings are utilised for financing. - The Group has established banking facilities with all major banks and financial institutions and able to secure funds when needed
Credit risk	The Group's FMCG sector is exposed to credit risk by the nature of the business. Delays in collecting dues from customers and unrecoverable debts adversely affect the liquidity position and the interest cost	Low	- Sales to our distributors are covered by bank guarantees - Robust credit control process is in place to avoid bad debts
Regulatory environment	Changes in fiscal, monetary environment and legal related policies may adversely impact company performance Failure to comply with laws and regulations could lead to reputational damage	Medium	- Changes in the regulatory environment are continuously monitored and appropriate strategies are taken at earliest to mitigate the negative impact - Compliance reviews carried out regularly to ensure all regulatory provisions are complied with

Risk	Potential Impact	Risk Rating	Mitigation Action
Interest rates	Steep upward movement in the interest rate could have a severe impact on the financial performance of the Group	Medium	- The Group operations are funded by long and short-term loans with a combination of fixed and floating interest rates - Interest rate movements are monitored and appropriate steps are taken to mitigate the financial impact due to the interest rate fluctuations
Foreign exchange rates	Fluctuation of foreign exchange rates have an impact on the prices of imported raw material, equipment and consumer products sold through retail chain and Millers.	Medium	- Foreign exchange rates are monitored by our import division and necessary steps are taken to minimise any adverse impacts - Measures are taken to source/develop alternative materials locally to replace imported items
Hazards	Hazards such as natural disasters, civil unrest, terrorist attacks could adversely affect business operations	Medium	- Contingency plans are in place to mitigate hazard risks and to ensure business continuity - Adequate insurance covers are obtained against all identified risks
Sustainability	Inability to address negative impacts to the environment and society can affect the long-term survival of the Organisation	Low	Continuous efforts are in place to minimise plastic usage, use of non-renewable energy, harmful waste disposal and excessive water consumption. We support our farming community with sustainable farming practices
Misappropriations and frauds	Fraudulent actions carried out by employees or non-adherence to the set internal controls resulting in financial loss or reputational damage	Low	- Effective internal controls are in place across the Organisation - The Internal Audit Department carries out regular review of internal controls and substantive audit verifications to prevent misappropriations and frauds
Forex shortages and controls	Shortages of foreign exchange result in delays in importing raw materials and finished goods which in turn affects sales. Government direction over extended credit periods for foreign suppliers may lead to increase in prices	Medium	- Extended credit periods have been negotiated with the suppliers - A better rapport has been established with the banks and government institutions to manage the forex situation
Power cuts, fuel shortage and fuel price increase	Continuous power cuts and fuel shortage may cause interruptions to manufacturing, distribution and sales operations and increase in spoilage, damage and returns. High cost of fuel may increase cost of doing business	Medium	- All our locations have backup generators which are kept in good running condition - Storage facilities are arranged to keep additional fuel stock - Measures are taken to minimise transportation cost
Pandemic	A pandemic can result in business interruptions, health and safety and food security concerns. It may also necessitate changes to business models.	Low	Contingency plans are in place to mitigate pandemic risks and to ensure the business continuity. Adequate measures are in place to ensure health and safety of customers and employees as well as food security
Climate change	Prolonged drought, flooding, changes in the monsoon patterns and extreme heat caused by climate change may result in food insecurity and food inflation	Medium	- Fruits and vegetables are sourced from different regions in the country, minimising the dependency on one or a few areas - Climate smart agriculture practices are introduced to our farmers - Loans at concessionary interest rates are facilitated to farmers to invest in agriculture modernisation

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 2023 which were approved by the Board of Directors on 5 July 2023.

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 and fruit juices, jams, cordials, sauces, and biscuits

Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 208 to 254.

Results and Dividends

For the year ended 31 March	Group		Company	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Profit for the year after taxation amounted to	5,380,845	4,538,720	1,712,886	1,504,329
Add/(less): Amount attributable to non-controlling interest	(14,839)	4,324	—	—
The profit attributable to shareholders was	5,366,006	4,543,044	1,712,886	1,504,329
To which profit brought forward from previous year is added	11,552,781	9,000,732	5,261,395	5,087,199
Adjustments for surcharge tax	(1,067,152)	—	—	—
Adjusted profit brought forward from previous year is added	10,485,629	9,000,732	5,261,395	5,087,199
Other comprehensive income	(21,726)	68,221	(10,632)	26,611
Loss on acquisition of C T Properties in relation to common control transactions	—	(582,399)	—	—

- d) Operates the "Kentucky Fried Chicken" and "TGIF" franchise restaurants in Sri Lanka
- e) Operates a hotel in the hill-country
- f) Produces, imports and distributes agricultural seeds
- g) Poultry breeder farming and dairy farming
- h) Real estate and property development

Financial Statements

The Audited Financial Statements comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement 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 2023 given on pages 203 to 254 form an integral part of the Annual Report of the Board.

Auditor's Report

The Independent Auditor's Report is set out on pages 200 to 202.

For the year ended 31 March	Group		Company	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Changes in ownership interest that do not result in loss of control	–	(281)	–	–
Gain on disposal of investment in associate in relation to common control transactions	–	4,717	–	–
Transfer of value of expired employee share options	72,482	80,731	(117,940)	80,731
Write-back of unclaimed dividends	16,027	5,425	16,027	5,425
Transfer from revaluation reserve due to disposal of revalued asset	–	4,785	–	–
Classification of non-controlling interest	(200,985)	–	–	–
Disposal of subsidiary and associate in relation to common control transactions	–	–	–	129,294
Leaving an amount available to the appropriation of	15,717,433	13,124,615	6,861,736	6,833,229
From which your directors have made appropriation as follows:				
Dividend paid for the year ended 31 March 2022				
Final Rs. 4.10 per share for financial year 2020/21	–	1,056,479	–	1,056,479
Interim Rs. 2.00 per share for financial year 2021/22	–	515,355	–	515,355
Dividend paid for the year ended 31 March 2023				
Final Rs. 5.00 per share for financial year 2020/21	1,288,389	–	1,288,389	–
Interim Rs. 3.50 per share for financial year 2022/23	901,872	–	901,872	–
Leaving an unappropriated balance to be carried forward of	13,527,172	11,552,781	4,671,475	5,261,395

A final dividend of Rs. 5.00 per share (Rs. 1,288.389 Mn.) was paid on 18 August 2022 for the year ended 31 March 2022. First interim dividend of Rs. 3.50 per share (Rs. 901.872 Mn.) was paid on 8 December 2022 for the year ended 31 March 2023.

Reserves

After the above-mentioned appropriations, the total reserves of the Group stand at Rs. 20,236 Mn. (2022 – Rs. 18,654 Mn.), while the total reserves of the Company stand at Rs. 5,040 Mn. (2022 – Rs. 5,761 Mn.).

Stated Capital

Stated Capital of the Company as at 31 March 2023 was Rs. 6,841 Mn. (2022 – Rs. 6,841 Mn.). The details of the stated capital are given in Note 23 to the Financial Statements on page 236.

Capital Expenditure

The Group's capital outlay on property, plant and equipment amounted to Rs. 10,832 Mn (2022 – Rs. 7,594 Mn) while the capital outlay of the Company on property, plant and equipment amounted to Rs. 76 Mn. (2022 – Rs. 31 Mn.). Details are given in the Statement of Cash Flows on page 207.

The movement of property, plant and equipment during the year is given in Note 12 to the Financial Statements on pages 221 and 222.

Investment Property

The fair value of land and building classified as investment property of the Group and the Company as at 31 March 2023 amounted to Rs. 7,343 Mn. and Rs. 3,294 Mn. respectively. Details of investment property held by the Group and the Company are disclosed in Note 14 to the Financial Statements on page 226.

Market Value of Properties

The land and buildings of the Group were revalued as at 31 March 2021. Details are given in Note 12 to the Financial Statements on pages 223 and 224. 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 263 in the Financial Statements.

Shareholdings

The Company is a subsidiary of C T Holdings PLC and there were 2,007 registered shareholders as at 31 March 2023 (31 March 2022 – 2,117).

An analysis of shareholdings according to the size of holding and the names of the 20 largest shareholders is given on pages 261 and 262.

Directorate

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

Mr J C Page and Mr S Gardiner retire by rotation in terms of the Company's Articles of Association and, being eligible, offer themselves for re-election.

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

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

Directors' Remuneration

The remuneration of the Directors is given in Note 35.1 on page 247 to the Financial Statements.

Directors' Interests Register and Directors' Interest in Contracts or Proposed Contracts

The Company maintains a Directors' Interests Register in terms of the Companies Act No. 07 of 2007. The Directors have made necessary declarations of their interests in contracts and proposed contracts in terms of Sections 192 (1) and 192 (2) of the Companies Act, as at date. These interests are entered in the Interests Register which is deemed to form part of this Annual Report for inspection upon request.

The particulars of the Directors' Interests in Contracts with the Company are given in Related Party disclosures to the Financials Statements on page 248 and form an integral part of this Annual Report.

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.

Directors' Shareholdings

The Directors' shareholdings in the Company were as follows:

As at 31 March	2023	2022
Mr Louis Page	42,011	42,011
Mr Ranjit Page	19,228,346	19,168,346
Mr Imtiaz Abdul Wahid	222,937	222,937
Mr Priya Edirisinghe	–	–
Mr Sanjeev Gardiner	22,857	22,857
Mr Joseph Page	520,000	520,000
Mr Errol Perera	11,429	11,429
Mr Asoka Pieris	–	–
Mr Yudhishtan Kanagasabai	–	–
Mrs Indira Malwatte	–	–
Mr Asite Talwatte	–	–
Mr Dilantha Jayawardhana	16,810	16,810

Donations

During the year, donations amounting to Rs. 110,000 were made by the Company. In addition, the Group made investments amounting to Rs. 45.13 Mn. for various community projects during the financial year.

Employment

The number of persons employed by the Company and Group as at 31 March 2023 was 1,950 (2022 – 1,716) and 11,033 (2022 – 9,485), respectively.

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

Auditor

Messrs KPMG are deemed re-appointed as Auditors at the Annual General Meeting of the Company in terms of Section 158 of the Companies Act No. 07 of 2007. The Directors have been authorised to determine the remuneration of the Auditor and the fee paid to the Auditor are disclosed in Note 8 to the Financial Statements on page 217. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company or any of its subsidiaries other than those disclosed in the above note.

Events after the Reporting Period

Events after the reporting period of the Group are given in Note 34 to the Financial Statements on page 247.

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 minimises 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,



Ranjit Page

Deputy Chairman/Group CEO



Imtiaz Abdul Wahid

Group Managing Director/Deputy CEO



H S Ellawala

Company Secretary

5 July 2023

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 200 to 202.

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. They are also responsible 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



H S Ellawala
Company Secretary

5 July 2023

INDEPENDENT ASSURANCE 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
Internet : +94 - 11 244 6058
www.kpmg.com/lk

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 2023. The Sustainability Indicators are included in the Cargills (Ceylon) PLC Integrated Annual Report for the year ended 31 March 2023 (the "Report").

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

Assured Sustainability Indicators	Integrated Annual Report page
Financial highlights	16 and 17

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

Limited Assurance Sustainability Indicators	Integrated Annual Report page
Non-Financial Highlights	18 and 19
Information provided on following	
Reducing the cost of living	59 to 67
Bridging regional disparity	68 to 97
Healthy safe and affordable nutrition	98 to 115
Enhancing youth skills	116 to 125
Building equality, diversity and Inclusion	126 to 149
Playing our part for the planet	150 to 161

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, in all material respects, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2023, in all material respects, has been prepared and presented by the management of Cargills (Ceylon) PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the evidence we obtained from the assurance procedures performed, as described below we are not aware of any material misstatements that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2023, have not in all material respects, been prepared and presented by the management of Cargills (Ceylon) PLC 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.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA,
Ms. F.R. Ziyad FCMA (UK), FTII

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.

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reasonable Assurance over Reasonable Assurance Sustainability Indicators

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

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

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

Limited Assurance on the Assured Sustainability Indicators

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

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

This report has been prepared for the Directors of Cargills (Ceylon) PLC for the purpose of providing an assurance conclusion on the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators included in the Cargills (Ceylon) PLC Integrated Annual Report for the year ended 31st March 2023 and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Cargills (Ceylon) PLC, or for any other purpose than that for which it was prepared.



CHARTERED ACCOUNTANTS

Colombo
5 July 2023

FINANCIAL STATEMENTS

199

Cargills
(Ceylon)
PLC
Annual
Report
2022/23

INDEPENDENT
AUDITOR'S REPORT

200

STATEMENT OF PROFIT
OR LOSS AND OTHER
COMPREHENSIVE INCOME

203

STATEMENT OF
FINANCIAL POSITION

204

STATEMENT OF
CHANGES IN EQUITY

205

STATEMENT OF
CASH FLOWS

207

NOTES TO THE
FINANCIAL STATEMENTS

208

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
Internet : +94 - 11 244 6058
www.kpmg.com/lk

200

Cargills
(Ceylon)
PLC

Annual
Report
2022/23

TO THE SHAREHOLDERS OF CARGILLS (CEYLON) PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cargills (Ceylon) PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2023, 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 203 to 254 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, 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA,
Ms. F.R. Ziyad FCMA (UK) FTII

Revenue Recognition – Group

As described in Note 4 the Group has recognised revenue in the amount of Rs. 195,618 Mn.

As at the reporting date, 31 March 2023, revenue from the sale of goods from the Food Retailing and Food and Beverage Manufacturing and Distribution segment continued to be the main revenue stream for the Group amounting to Rs. 186,686 Mn which is 95% of Group revenue.

Based on the Group's business model, there are many different types of revenues, arising from different types of transactions and events with customers.

We identified revenue recognition as a key audit matter because of its significance to the consolidated financial statements.

Valuation of Investment Properties – Group

As described in Note 14 to the financial statements, the Group's Investment Properties are stated at their fair value in the amount of Rs. 7,343 Mn as at the reporting date.

Management's assessment of fair value of investment properties is based on valuations performed by a qualified independent property valuer in accordance with recognised industry standards.

Valuation of investment properties is considered a Key Audit Matter due to the subjective nature of property valuations using level 3 assumptions which depend on the nature of property, its location and expected future net rental values, market yields, value per square foot, market price per perch, capitalisation rates and comparable market transactions. A change in the key assumptions will have a significant impact to the valuation.

Carrying Value of Inventories – Group

As described in Note 20 to the financial statements the Group has recognised Inventory in the amount of Rs. 22,873 Mn.

The Group holds a significant level of inventory across a broad and diversified product range, over many locations. At 31 March 2023 19% of total assets of the Group consisted of inventory.

Due to the change in consumer demands judgment is exercised with regard to categorisation of stock as obsolete and/or slow moving to be considered for provision/write offs; estimates are then involved in arriving at provisions against cost in respect of slow moving and obsolete inventories located in many locations, of the subsidiaries and many outlets to arrive at valuation based on lower of cost and net realisable value.

Given the level of judgments, estimates, number of items and locations involved this is considered to be a key audit matter.

Our audit procedures included:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition from sales transactions.
- Testing the design, implementation, and operating effectiveness of relevant general IT controls, automated controls including testing the completeness and accuracy of key reports used in the operation of a control that addresses process risk points related to accounts with a risk of material misstatement.
- Comparing revenue transactions recorded during the current year for the manufacturing segment, on a sample basis, with invoices, sales contracts, underlying goods delivery and acceptance notes, where appropriate, to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies.
- Performing a revenue mapping between the front-end system and general ledger for restaurants and retail segments and mapping total inventories issued to corresponding invoices for the manufacturing segment to assess whether the sales were completely and accurately accounted in the general ledger.
- Comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying goods delivery notes and/or invoices to assess whether the related revenue had been recognised in the correct financial period.

Our audit procedures included:

- 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 recognised industry standards.
- Assessing the adequacy of disclosures made in the financial statements in relation to fair value of freehold land and building and investment properties.

Our audit procedures included:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to inventory counts across the Group's sites and purchasing and issuing of inventories.
- Comparing, on a sample basis, the purchase prices and quantities of inventories recorded by the Group with supplier invoices, goods delivery notes and goods receipt notes.
- Evaluation of the inventory costing methodology and valuation policy established by management, including compliance with the applicable financial reporting standard.
- Comparing, on a sample basis, the selling price of the finished goods subsequent to the reporting date to their carrying values of these inventories as at the financial year end.
- Considering the principles of accounting for the inventory write offs and also carrying out a comparison of inventory levels, to sales data to corroborate whether slow moving and obsolete inventories had been appropriately identified.
- Attending stock counts as at the year end at sample locations of supermarkets, outlets and warehouses. In addition, assessing the effectiveness of the physical count controls in operation at each count location to identify damaged stocks, expired stocks and stock shortages that are written off in a timely manner and evaluating the results of the other cycle counts performed by the management and third parties throughout the period to assess the level of count variances that are also adjusted periodically.

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 1798.



CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

5 July 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	GROUP		COMPANY	
		Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Revenue	4	195,617,899	136,691,993	36,062	31,013
Cost of sales	5	(172,948,004)	(121,119,386)	(35,142)	(30,502)
Gross profit		22,669,895	15,572,607	920	511
Other income	6	2,327,117	2,166,989	4,721,236	3,463,933
Distribution expenses		(5,893,807)	(4,154,263)	–	–
Administrative expenses		(5,343,670)	(4,526,950)	(1,813,264)	(1,574,159)
Results from operating activities		13,759,535	9,058,383	2,908,892	1,890,285
Finance income		841,299	243,658	821,138	116,805
Finance costs		(6,578,663)	(3,498,889)	(1,609,070)	(439,105)
Net finance cost	7	(5,737,364)	(3,255,231)	(787,932)	(322,300)
Changes in fair value of investment property	14	300,779	129,463	105,581	69,043
Share of profit/(loss) of equity accounted investees, net of tax	16.4	193,692	(114,181)	–	–
Profit before tax	8	8,516,642	5,818,434	2,226,541	1,637,028
Income tax expense	9	(3,135,797)	(1,279,714)	(513,655)	(132,699)
Profit for the year		5,380,845	4,538,720	1,712,886	1,504,329
Other Comprehensive Income (OCI) Items that will not be Reclassified to Profit or Loss					
Actuarial gain/(loss) on employee benefit liability	28.3	21,303	158,313	(15,189)	35,014
Share of other comprehensive income/(expense) in equity accounted investee, net of tax	16.4	(36,660)	(52,542)	–	–
Net change in fair value of FVOCI financial assets	16.3.1	43,726	7,311	43,519	7,239
Tax on other comprehensive income		(370,169)	(37,495)	(97,444)	(8,403)
Other comprehensive income/(expense) for the year, net of tax		(341,800)	75,587	(69,114)	33,850
Total comprehensive income for the year		5,039,045	4,614,307	1,643,772	1,538,179
Profit Attributable to:					
Equity holders of the parent		5,366,006	4,543,044	1,712,886	1,504,329
Non-controlling interest		14,839	(4,324)	–	–
		5,380,845	4,538,720	1,712,886	1,504,329
Total Comprehensive Income Attributable to:					
Equity holders of the parent		5,024,323	4,618,576	1,643,772	1,538,179
Non-controlling interest		14,722	(4,269)	–	–
		5,039,045	4,614,307	1,643,772	1,538,179
Earnings Per Share					
Basic (Rs.)	10.1	20.82	17.63	6.65	5.84
Diluted (Rs.)	10.2	20.82	17.63	6.65	5.84

Figures in brackets indicate deductions

The Notes on pages 208 to 254 are an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

204

Cargills
(Ceylon)
PLC

Annual
Report
2022/23

Figures in brackets indicate deductions.

The Notes from pages 208 to 254 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.



Dilantha Jayawardhana
Executive Director

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board.



Ranjit Page
Deputy Chairman/
Group CEO



Imtiaz Abdul Wahid
Group Managing
Director/
Deputy CEO

5 July 2023
Colombo

As at 31 March

ASSETS

Non-current Assets

Note	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Property, plant and equipment	12	46,922,982	40,012,205	3,461,947
Right of use assets	13.1	20,641,258	16,825,758	1,016,611
Investment property	14	7,342,566	7,039,884	3,293,903
Intangible assets	15	1,582,713	1,439,415	145,907
Investments in subsidiaries	16.1	–	–	5,960,269
Investment in equity accounted investees	16.2	4,364,261	4,207,228	4,717,843
Other financial assets	16.3	1,569,942	1,526,215	1,569,461
Prepayment on leasehold land and building	17	200,912	200,912	–
Biological assets	18	23,873	–	–
Deferred tax assets	19	27,829	14,070	–
Total non-current assets		82,676,336	71,265,687	20,165,941

Current Assets

Inventories	20	22,872,826	14,802,284	7,646
Biological assets	18	33,681	–	–
Trade and other receivables	21	9,851,088	7,438,085	683,722
Amounts due from related companies	22	391,668	377,065	4,007,984
Other financial assets	16.3	119,667	1,016,556	–
Cash and cash equivalents	25	4,841,416	3,544,099	7,933
Total current assets		38,110,346	27,178,089	4,707,285
Total assets		120,786,682	98,443,776	24,873,226

EQUITY

Stated capital	23	6,841,068	6,841,068	6,841,068
Reserves	24	6,708,955	7,101,394	368,313
Retained earnings		13,527,172	11,552,781	4,671,475
Total equity attributable to equity holders of the parent		27,077,195	25,495,243	11,880,856
Non-controlling interest		3,840,612	3,626,272	–
Total equity		30,917,807	29,121,515	12,601,740

LIABILITIES

Non-current Liabilities

Interest bearing loans and borrowings	26	4,114,873	7,523,412	2,789,844
Lease liability	13.2	22,921,256	18,502,079	962,697
Deferred tax liabilities	19	1,337,651	729,805	484,151
Capital grants	27	4,493	15,975	–
Employee benefit liability	28	1,833,667	1,549,184	726,702
Total non-current Liabilities		30,211,940	28,320,455	4,963,394

Current Liabilities

Trade and other payables	29	27,936,283	23,109,018	564,587
Current tax liabilities		5,954,905	4,194,322	417,017
Amounts due to related companies	22	6,407	4,572	1,286
Dividend payable	30	78,673	72,295	78,673
Interest bearing loans and borrowings	26	24,342,847	12,482,221	6,932,669
Lease liability	13.2	1,337,820	1,139,378	34,744
Total current liabilities		59,656,935	41,001,806	8,028,976
Total liabilities		89,868,875	69,322,261	12,992,370
Total equity and liabilities		120,786,682	98,443,776	24,873,226

STATEMENT OF CHANGES IN EQUITY

Group	Stated Capital Rs. '000	Capital Reserve Rs. '000	Revaluation Reserve Rs. '000	FVOCI Reserve Rs. '000	Employee Share Option Reserve Rs. '000	Retained Earnings Rs. '000	Non- Controlling Interest Rs. '000	Total Equity Rs. '000
Balance as at 1 April 2021	6,773,878	7,928	7,017,804	654	152,853	9,000,732	6,874	22,960,723
Profit for the period	–	–	–	–	–	4,543,044	(4,324)	4,538,720
Other comprehensive income	–	–	–	7,311	–	68,221	55	75,587
Total Comprehensive Income	–	–	–	7,311	–	4,611,265	(4,269)	4,614,307
Transactions with Owners of the Company, Recognised Directly in Equity								
Exercise of share options (Note 24)	67,190	–	–	–	–	–	–	67,190
Gain/(loss) on acquisition of CT Properties Limited in relation to common control transactions (Note 16.1.2.2)	–	–	–	–	–	(582,399)	923,605	341,206
Change in ownership interest in relation to common control transactions (Note 16.1.2.3)	–	–	–	–	–	(281)	2,700,062	2,699,781
Gain/(loss) on disposal of investment in associate in relation to common control transactions (Note 16.1.2.1)	–	–	–	–	–	4,717	–	4,717
Transfer of value of expired employee share options	–	–	–	–	(80,371)	80,371	–	–
Transfer from revaluation reserve due to disposal of revalued assets	–	–	(4,785)	–	–	4,785	–	–
Writeback of unclaimed dividends (Note 30)	–	–	–	–	–	5,425	–	5,425
Dividends (Note 11)	–	–	–	–	–	(1,571,834)	–	(1,571,834)
Balance as at 31 March 2022	6,841,068	7,928	7,013,019	7,965	72,482	11,552,781	3,626,272	29,121,515
Balance as at 1 April 2022	6,841,068	7,928	7,013,019	7,965	72,482	11,552,781	3,626,272	29,121,515
Adjustments for surcharge tax	–	–	–	–	–	(1,067,152)	(1,367)	(1,068,519)
Adjusted balance as at 1 April 2022	6,841,068	7,928	7,013,019	7,965	72,482	10,485,629	3,624,905	28,052,996
Profit for the period	–	–	–	–	–	5,366,006	14,839	5,380,845
Other comprehensive income	–	–	(363,683)	43,726	–	(21,726)	(117)	(341,800)
Total comprehensive income	–	–	(363,683)	43,726	–	5,344,280	14,722	5,039,045
Transactions with Owners of the Company, Recognised Directly in Equity								
Classification of non-controlling interest	–	–	–	–	–	(200,985)	200,985	–
Transfer of value of expired employee share options	–	–	–	–	(72,482)	72,482	–	–
Write back of unclaimed dividends (Note 30)	–	–	–	–	–	16,027	–	16,027
Dividends (Note 11)	–	–	–	–	–	(2,190,261)	–	(2,190,261)
Balance as at 31 March 2023	6,841,068	7,928	6,649,336	51,691	–	13,527,172	3,840,612	30,917,807

The figures in brackets indicate deductions.

The Notes from pages 208 to 254 form an integral part of these Financial Statements.

Company	Stated Capital Rs. '000	Revaluation Reserve Rs. '000	FVOCI Reserve Rs. '000	Employee Share Option Reserve Rs. '000	Retained Earnings Rs. '000	Total Equity Rs. '000
Balance as at 1 April 2021	6,773,878	420,431	(875)	152,853	5,087,199	12,433,486
Profit for the period	–	–	–	–	1,504,329	1,504,329
Other comprehensive income	–	–	7,239	–	26,611	33,850
Total comprehensive income	–	–	7,239	–	1,530,940	1,538,179
Transactions with Owners of the Company, Recognised Directly in Equity						
Exercise of share options (Note 24)	67,190	–	–	–	–	67,190
Disposal of subsidiary and associate in relation to common control transactions (Note 16.1.2.1 and 16.1.2.4)	–	–	–	–	129,294	129,294
Transfer of value of expired employee share options	–	–	–	(80,371)	80,371	–
Writeback of unclaimed dividends (Note 30)	–	–	–	–	5,425	5,425
Dividends (Note 11)	–	–	–	–	(1,571,834)	(1,571,834)
Balance as at 31 March 2022	6,841,068	420,431	6,364	72,482	5,261,395	12,601,740
Balance as at 1 April 2022	6,841,068	420,431	6,364	72,482	5,261,395	12,601,740
Profit for the period	–	–	–	–	1,712,886	1,712,886
Other comprehensive income	–	(102,001)	43,519	–	(10,632)	(69,114)
Total comprehensive income	–	(102,001)	43,519	–	1,702,254	1,643,772
Transactions with Owners of the Company, Recognised Directly in Equity						
Transfer of value of expired employee share options (Note 24)	–	–	–	(72,482)	(117,940)	(190,422)
Write back of unclaimed dividends (Note 30)	–	–	–	–	16,027	16,027
Dividends (Note 11)	–	–	–	–	(2,190,261)	(2,190,261)
Balance as at 31 March 2023	6,841,068	318,430	49,883	–	4,671,475	11,880,856

The figures in brackets indicate deductions.

The Notes from pages 208 to 254 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

Figures in brackets indicate deductions.

The Notes on pages 208 to 254 are an integral part of these Financial Statements.

For the year ended 31 March	Note	GROUP		COMPANY	
		Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Cash Flows from Operating Activities					
Profit before taxation		8,516,642	5,818,434	2,226,541	1,637,028
Adjustments for:					
Depreciation on property, plant and equipment	12	3,915,735	3,452,959	68,076	69,231
Employee benefit expense	28	376,815	243,197	137,994	85,131
Amortisation of intangible assets	15	125,562	104,518	19,050	893
Depreciation on right of use assets	13	1,900,153	1,731,551	72,560	83,691
Net adjustment of ROU asset and liability		(23,863)	–	–	–
Negative lease payments		–	(114,713)	–	–
Amortisation of deferred income	27	(11,482)	(11,481)	–	–
Gain on disposal of property, plant and equipment	6	(1,497)	(4,278)	(590)	–
Gain on disposal of ROU asset and liability		–	(3,394)	–	(3,394)
Change in fair value of investment property	14	(300,779)	(129,463)	(105,581)	(69,043)
Impairment of/(reversal of impairment) for inventories		39,959	17,881	–	–
Impairment of/(reversal of impairment) for trade receivable and other receivables		(29,500)	34,890	(373)	113
Net finance costs	7	5,737,364	3,255,231	787,932	322,300
Dividend income	6	(1,520)	(438)	(2,524,329)	(1,666,082)
Share of (profit)/loss on equity accounted investees, net of tax	16.4	(193,692)	114,181	–	–
Operating profit before working capital changes		20,049,897	14,509,075	681,280	459,868
Changes in Working Capital					
- (Increase)/decrease in inventories		(8,110,501)	(3,041,957)	5,516	(12,259)
- (Increase)/decrease in trade and other receivables		(2,353,953)	(1,415,286)	(180,287)	(75,371)
- (Increase)/decrease in amount due from related companies		(14,603)	5,788	(1,674,707)	(874,523)
- Increase/(decrease) in trade and other payables		4,882,575	6,505,085	(40,902)	83,205
- Increase/(decrease) in amount due to related companies		1,835	(3,668)	(14,051)	3,519
Cash generated from operations		14,455,250	16,559,037	(1,223,151)	(415,561)
Income taxes paid		(2,219,937)	(1,071,614)	(227,756)	(33,615)
Interest paid		(4,584,238)	(1,255,609)	(1,556,582)	(361,839)
Retiring gratuity paid	28	(71,029)	(65,393)	(21,454)	(35,057)
Net cash generated (used in)/from operating activities		7,580,046	14,166,421	(3,028,943)	(846,072)
Cash Flows from Investing Activities					
Acquisition and construction of property, plant and equipment	12	(10,832,042)	(7,593,769)	(75,681)	(31,035)
Acquisition and construction of investment property	14	(1,903)	(1,100,632)	(17,394)	–
Acquisition of intangible assets	15	(268,860)	(152,147)	(102,786)	(61,014)
Interest income received	7	785,684	243,658	821,138	73,470
Dividend received	6	1,520	438	2,524,329	1,666,082
Acquisition of subsidiaries and associates	16	–	(1,284,018)	(18,000)	(2,815,364)
Proceeds from disposal of property, plant and equipment	6	7,027	11,005	6,147	12,368
Proceeds from disposal of investment property		–	–	–	1,157,681
Purchase of biological assets	18	(57,554)	–	–	–
Proceeds from disposal of subsidiaries and associates	16.1,2.1 and 16.12.4	–	–	–	862,215
(Addition)/disposal to other financial assets		896,889	(1,561,760)	–	(1,500,000)
Net cash generated (used in)/from investing activities		(9,469,239)	(11,437,225)	3,137,753	(635,597)
Cash Flows from Financing Activities					
Proceeds from issue of shares	23	–	67,190	–	67,190
Share issued to non controlling interest	16.12.3	–	2,699,781	–	–
Net proceeds from/(repayment of) short term borrowings		11,740,312	(7,529,714)	3,960,000	(2,198,220)
Net proceeds from/(repayment of) long term borrowings		(4,096,121)	7,714,746	(1,950,000)	5,625,000
Lease payments, net of concessions	13	(3,097,721)	(2,606,812)	(80,575)	(81,489)
Dividend paid to shareholders	30	(2,167,856)	(1,557,918)	(2,167,856)	(1,557,918)
Dividend/paid to non-controlling interest		–	–	–	–
Net cash generated (used in)/from financing activities		2,378,614	(1,212,727)	(238,431)	1,854,563
Net Increase/(decrease) in Cash and Cash equivalents		489,421	1,516,469	(129,621)	372,894
Cash and Cash equivalents					
At the beginning of the year		1,842,049	325,580	(22,160)	(395,054)
Movement during the year		489,421	1,516,469	(129,621)	372,894
At the end of the year	25	2,331,470	1,842,049	(151,781)	(22,160)

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

1.1 Reporting Entity

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

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Group for the year ended 31 March 2023 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 and Ultimate Parent Entity

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

1.4 Number of Employees

The staff strength of the Company as at 31 March 2023 is 1,950 (1,716 as at 31 March 2022).
The staff strength of the Group as at 31 March 2023 is 11,033 (9,485 as at 31 March 2022).

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", "Cargills Express", "Food Hall" and eCommerce platform "Cargills Online"
- 2) manufacturing and distributing
 - (a) ice cream and other dairy products under the brand names of "Magic", "Heavenly" and "Kotmale"
 - (b) beverage and culinary products under "KIST" brand
 - (c) processed and fresh meat products under the brand names of "Goldi", "Cargills Finest" and "Sams"
 - (d) biscuits and confectionary 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", "Oreo", "Loacker", "Toblerone", "Bega", "Langnese", "Indomie" etc.
- 5) production, importation and distribution of agricultural seeds
- 6) poultry breeder farming and dairy farming
- 7) real estate and property development

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

2. Basis of Preparation

2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31 March 2023 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, and the Listing Rules of the Colombo Stock Exchange.

These Financial Statements include the following components:

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

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

Further the tax liability arising from the Surcharge Tax Act No. 14 of 2022 has been accounted as recommended by Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka as disclosed under Note 9 on Income Taxes.

2.2 Responsibility for Financial Statements

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

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

2.3 Approval of Consolidated Financial Statements by the Board of Directors

The Financial Statements of the Group for the year ended 31 March 2023 (including comparatives) were approved and authorised by the Board of Directors for issue on 5 July 2023.

2.4 Basis of Measurement

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

Category	Item	Basis of measurement	Note No.
Assets	Land and building	Cost/revaluation	12
	Investment properties	Fair value	14
	Equity investments at FVOCI	Fair value	16.3.1
	Debt investments at FVTPL	Fair value	16.3.2
Liabilities	Employee benefit liability	Present value of the defined benefit obligation	28
	Employee share option reserve	Fair value	24.1

2.5 Presentation of Financial Statements

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

2.6 Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss and Other Comprehensive Income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the Accounting Policies of the Group.

2.7 Functional and Presentation Currency

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

All financial information has been rounded to the nearest thousands, unless otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 01 on “Presentation of Financial Statements”.

2.8 Materiality and Aggregation

Each material class of similar items is presented as a group in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 01 on “Presentation of Financial Statements”.

2.9 Comparative Information

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

2.10 Use of Judgements and Estimates

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

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

2.10.1 Judgements

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

- **Note 4 – Revenue recognition:** whether revenue from made-to-order products is recognised over time or at a point in time;
- **Note 13 – Lease term:** whether the Group is reasonably certain to exercise extension options;
- **Note 16.2 – Equity-accounted investees:** whether the Group has significant influence over an investee; and

2.10.2 Assumption

Information about assumptions and estimation uncertainties at 31 March 2023 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following Notes:

- **Note 28 – Measurement of defined benefit obligations:** key actuarial assumptions;
- **Note 12 and 14 – Determination of fair value of investment property and property plant and equipment:** key valuation assumptions;
- **Note 15 – Impairment test of intangible assets and goodwill:** key assumptions underlying recoverable amounts; and
- **Note 33 – Recognition and measurement of provisions and contingencies:** key assumptions about the likelihood and magnitude of an outflow of resources

2.11 Going Concern

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

2.12 Changes in Significant Accounting Policies

There were no changes in Accounting Policies for the year ended 31 March 2023.

Further, a number of new standards were effective from 1 April 2022, but they do not have a material effect on the Group's Financial Statements.

The Group has consistently applied the Accounting Policies to all periods presented in these Financial Statements.

3. Significant Accounting Policies

3.1 Basis of Consolidation

The Financial Statements comprise of Financial Statements of the Company, its subsidiaries and its equity accounted investees for the year ended 31 March 2023. Financial Statements of the Company's subsidiaries and associates are prepared for the same reporting year using consistent Accounting Policies.

3.1.1 Business Combination and Goodwill

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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

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

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

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

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group "controls" an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases. Investment in subsidiaries are stated at cost, less impairment in the Separate Financial Statements.

3.1.3 Non-controlling Interests

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

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

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

3.1.4 Loss of Control

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

3.1.5 Interest in Equity-accounted Investees

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

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

3.1.6 Transactions Eliminated on Consolidation

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

3.1.7 Common Control Transactions

All common control transactions are accounted using book value accounting in both Consolidated and Separate Financial Statements. This is on the basis that the entities are part of a larger economic group, and that the figures from that larger group are the relevant ones. Accordingly,

- the net assets of the combining entities are consolidated using the existing book values.
- no amount is recognised as goodwill which arises as a result of difference between the consideration and net assets acquired.
- in applying book value accounting, no entries are recognised in profit or loss; instead, the result of the transaction is recognised in equity as arising from a transaction with shareholders.

3.2 Foreign Currency Transactions and Balances

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

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

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

3.3 Financial Instruments

3.3.1 Recognition and Initial Measurement

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

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

3.3.2 Classification and Subsequent Measurement

Financial Assets

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions, and is not designated 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 receivables, amounts due from related companies and cash and cash equivalents.

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

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

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

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

Financial Assets – Business Model Assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectation about future sales activity.

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

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

Financial Assets – Assessment whether Contractual Cash Flows are Solely Payments of Principal and Interest

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

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

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

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

Financial Assets – Subsequent Measurement and Gains and Losses

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

Financial Liabilities – Classification, Subsequent Measurement and Gains and Losses

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

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

3.3.3 Derecognition

Financial Asset

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

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

Financial Liabilities

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

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

3.3.4 Offsetting

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

3.3.5 Impairment of Financial Assets

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

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

Credit-impaired Financial Assets

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

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

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

3.4 Impairment of Non-financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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

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

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

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, cash at bank and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

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

3.6 Employee Benefits

3.6.1 Defined Contribution Plans – Cargills Employees' Provident Fund and Employees' Trust Fund

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

3.6.2 Share-based Payment Arrangements

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

3.6.3 Defined Benefit Plan

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

The assumptions based on which the results of the valuation were determined are included in Note 29 to the Financial Statements.

The liability is not externally funded.

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.7 Dividends Payable

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

3.8 Borrowings

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

3.9 Leases

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

The policy is applied to contracts entered on or after 1 April 2020.

3.9.1 As a Lessee

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

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

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

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

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

Short-term Leases and Leases of Low-Value Assets

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

COVID-19-related Rent Concessions

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

The Group negotiated rent concessions with its landlords for some of its leases as a result of the severe impact of the COVID-19 pandemic during the year ended 31 March 2022. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to the relevant leases.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is Nil (2022 – Rs. 114.7 Mn.).

3.9.2 As a Lessor

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

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

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

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

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

3.10 Provisions

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

3.11 Borrowing Costs

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

3.12 Income Tax Expense

Income tax expense comprises of current and deferred tax. The income tax expense is recognised in the Statement of Profit or Loss except to the extent that it relates to the items recognised directly in the Statement of Other Comprehensive Income or Statement of Changes in Equity, in which case it is recognised directly in the respective statements.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

3.12.1 Current Tax

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

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

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

3.12.2 Deferred Tax

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

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

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

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

Deferred tax assets and liabilities recognised by individual companies within the Group are disclosed separately as assets and liabilities in the Group’s Statement of Financial Position and are not offset against each other.

Withholding tax on the Intra-group dividends are recognised as a tax expense in the Statement of Profit or Loss.

3.13 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the “Indirect Method” of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 “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 Flows are comprised of those items as explained in Note 25.

3.14 Standards Issued but not yet Effective

A number of new standards are effective for annual periods beginning after 1 April 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Financial Statements.

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

- Classification of liabilities as current or non-current (Amendments to LKAS 1)
- Definition of accounting estimates (Amendments to LKAS 8)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to LKAS 12)
- Disclosure of accounting policies (Amendments to LKAS 1)

4. Revenue

Accounting Policy

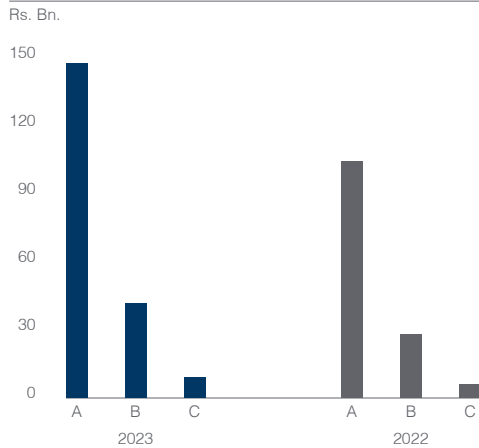
Revenue Recognition – Sale of goods

Revenue is recognised upon satisfaction of a 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	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Gross revenue	212,199,314	143,048,152	41,051	33,494
Revenue related taxes	(16,581,415)	(6,356,159)	(4,989)	(2,481)
	195,617,899	136,691,993	36,062	31,013

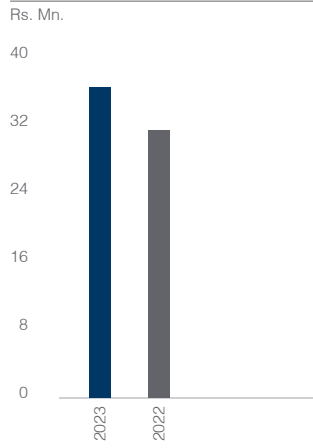
The Group primarily has three business segments namely, Food Retailing, Food and Beverage Manufacturing and Distribution, Restaurant and Real Estate. Segmental information are disclosed in Note 31.

Group Segment Net Revenue



A – Retail
B – Food and beverage manufacturing and distribution
C – Restaurant

Company Net Revenue



5. Cost of Sales

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

6. Other Income

Accounting Policy

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

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

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.

Income from service and merchandising income are recognised on completion of a performance obligation at a point in time.

For the year ended 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Dividend income				
- Related companies (Note 35.3)	–	–	2,522,809	1,665,644
- Other (Note 16.3.1)	1,520	438	1,520	438
Rental income	268,852	215,324	313,962	289,771
Gain on disposal of property, plant and equipment	1,497	4,278	590	–
Income from services	27,355	27,976	1,751,093	1,429,719
Merchandising income	1,758,272	1,678,761	–	–
Amortisation of deferred income – capital grant (Note 27)	11,482	11,481	–	–
Sundry income	258,139	228,731	131,262	78,361
	2,327,117	2,166,989	4,721,236	3,463,933

7. Net Finance cost

Accounting Policy

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

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

The Group's finance income and finance cost includes:

- interest income;
- interest expense;
- bank charges; and
- foreign exchange gain/(loss)

For the year ended 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
7.1 Finance Income				
Interest income	785,684	243,658	821,138	116,805
Foreign exchange gain	55,615	–	–	–
	841,299	243,658	821,138	116,805

For the year ended 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
7.2 Finance Cost				
Interest on short-term loans	3,036,522	674,489	1,084,606	162,831
Interest on bank overdrafts	596,449	76,039	64,897	14,654
Interest on other loans and bank charges	945,291	555,292	407,079	205,159
Interest on staff security deposits	5,976	1,429	–	–
Interest on lease liabilities (Note 13.2)	1,994,425	1,675,739	52,488	56,461
Foreign exchange loss	–	515,901	–	–
	6,578,663	3,498,889	1,609,070	439,105
Net finance cost	5,737,364	3,255,231	787,932	322,300

8. Profit Before Taxation

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

For the year ended 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Staff costs (Note 8.1)	10,343,921	8,951,227	850,352	779,061
Auditors' Remuneration				
- Audit and audit related services	15,805	12,825	1,127	990
- Non-audit services	1,627	2,445	1,627	2,445
Depreciation on property, plant and equipment (Note 12)	3,915,735	3,452,959	68,076	69,231
Amortisation of intangible assets (Note 15)	125,562	104,518	19,050	893
Provision for/(reversal of) impairment of trade and other receivables	(29,500)	34,890	(373)	113
Foreign exchange gain/(loss) (Note 7)	55,615	(515,901)	–	–
Provision for/(reversal of) impairment of inventories	39,959	17,881	–	–
Directors' emoluments (Note 35.1)	531,570	461,784	139	124
Depreciation of right-of-use assets (Note 13.1)	1,900,153	1,731,551	72,560	83,691

For the year ended 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
8.1 Staff Costs				
Salaries, wages and other costs	9,165,352	8,002,185	620,213	611,668
Employee benefits (Note 28.2)	376,815	243,197	137,994	85,131
Defined contribution plan cost-PF and ETF	801,754	705,845	92,145	82,262
	10,343,921	8,951,227	850,352	779,061
Number of employees as at 31 March	11,033	9,485	1,950	1,716

9. Income Tax Expense

Accounting Policy

Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, and subsequent amendments thereto.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

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

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

Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

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

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

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

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

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

For the year ended 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Income Tax Expense				
Current tax expense (Note 9.1)	2,562,433	1,553,764	83,614	25,476
Irrecoverable ESC/WHT	1,378	401	–	–
Withholding tax on related company dividend	369,265	261,872	330,484	67,230
Overprovision of current tax of previous years	(21,197)	(323,000)	–	–
Deferred tax expense (Note 9.2)	223,918	(213,323)	99,557	39,993
	3,135,797	1,279,714	513,655	132,699

- (a) Surcharge Tax Act No. 14 of 2022 was enacted on 8 April 2022 and is applicable to the Group as the collective taxable income of companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds Rs. 2,000 Mn., for the year of assessment 2020/21. The liability is computed at the rate of 25% on the taxable income of the individual group companies, net of dividends from Subsidiaries and deemed to be an expenditure in the Financial Statements in the year of assessment which commenced on 1 April 2020.

Total Surcharge Tax of Rs. 1,068 Mn. has been recognised for the Group as an opening adjustment to the 1 April 2022 retained earnings in the Statement of Changes in Equity as per the Addendum to the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

- (b) The tax liability of companies have been computed at 18% and 24% up to 30 September 2022 and 30% for the following six months (2022 – 14%, 18%, 24%).

9.1 Reconciliation between Current Tax Expense and Profit Before Taxation is given below:

For the year ended 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Profit before taxation	8,516,642	5,818,434	2,226,541	1,637,028
Aggregate disallowed expenses	10,118,102	8,325,102	984,598	435,537
Aggregate allowable expenses	(7,969,117)	(6,292,007)	(282,004)	(231,390)
Aggregate other income	(1,297,662)	(398,199)	(3,451,637)	(1,851,931)
Exempt profit	(41,932)	(23,971)	–	–
Adjusted business profit	9,326,033	7,429,359	(522,502)	(10,756)
Tax losses incurred	47,999	69,995	–	–
Taxable income from other sources	883,016	166,421	822,299	116,805
Adjusted profit (a)	10,257,048	7,665,775	299,797	106,049
Tax losses brought forward	1,213,165	1,544,798	–	–
Tax losses incurred by continuing operations	47,999	69,995	–	–
Tax losses utilised (b)	(287,823)	(159,402)	–	–
Adjustment on finalisation of liability	(13,615)	(242,226)	–	–
Tax losses carried forward	959,726	1,213,165	–	–
Taxable income (a+b)	9,969,225	7,506,373	299,797	106,049
Income tax @ 30%	1,505,162	–	58,311	–
Income tax @ 24%	663,631	810,378	25,303	25,452
Income tax @ 18%	393,640	743,362	–	–
Income tax @ 14%	–	24	–	24
Current tax expense	2,562,433	1,553,764	83,614	25,476

9.2 Deferred Tax Expense

For the year ended 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Deferred Tax Expense Charge/(Reversal) Arising from Temporary Difference on:				
- Property, plant and equipment	732,774	(92,160)	16,748	12,643
- Revaluation surplus of freehold building	63,575	14,180	76,223	15,585
- Revaluation surplus of freehold land	75,815	18,337	77,047	(3,460)
- Equity settled share based payments	(14,754)	74,797	(9,419)	39,556
- Provisions	(28,776)	(10,649)	–	–
- Employee benefit liability	(192,228)	(42,074)	(70,660)	(11,990)
- Capital grants	1,527	2,067	–	–
- Tax losses carried forward	(16,827)	(13,302)	–	–
- ROU assets and lease liabilities	(397,187)	(164,519)	9,618	(12,341)
	223,918	(213,323)	99,557	39,993

Deferred tax has been computed taking into consideration the tax rates effective from 1 October 2022 at 30%. 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.

9.2.1 Impact due to Tax Rate Change

	GROUP		COMPANY	
	2023	2022	2023	2022
Tax charge on rate change	355,307	–	179,196	–
Tax charge/(reversal) of temporary differences	(131,389)	(213,323)	(79,639)	39,993
Deferred tax charge/(reversal during the year)	223,918	(213,323)	99,557	39,993

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

As at 31 March	2023		2022	
	Temporary Difference Rs. '000	Tax effect on Temporary Difference Rs. '000	Temporary Difference Rs. '000	Tax effect on Temporary Difference Rs. '000
Deductible Temporary Differences				
Tax losses	885,109	265,533	1,149,726	191,703
	885,109	265,533	1,149,726	191,703

A deferred tax has not been recognised in respect of tax losses of the above companies as it is not probable that sufficient future taxable profits will be available against which the Group can use the benefit there from.

11. Dividend Per Share

	GROUP				COMPANY			
	Rs.	Rs. '000 2023	Rs.	Rs. '000 2022	Rs.	Rs. '000 2023	Rs.	Rs. '000 2022
Dividends for the Year								
Final dividend for prior year	5.00	1,288,389	4.10	1,056,479	5.00	1,288,389	4.10	1,056,479
First interim dividend	3.50	901,872	2.00	515,355	3.50	901,872	2.00	515,355
	8.50	2,190,261	6.10	1,571,834	8.50	2,190,261	6.10	1,571,834

A final dividend of Rs. 5.00 per share (Rs. 1,288.39 Mn.) was paid on 18 August 2022 for the year ended 31 March 2022. First interim dividend of Rs. 3.50 per share (Rs. 901.87 Mn.) was paid on 8 December 2022 for the year ended 31 March 2023.

A second interim dividend of Rs. 8.50 has been declared and paid for the year ended 31 March 2023 and has not been recognised as at the reporting date in accordance with LKAS 10 - "Events after the Reporting Period".

10. Earnings Per Share (EPS)

Accounting Policy

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

10.1 Basic Earnings Per Share

	GROUP		COMPANY	
	2023	2022	2023	2022
Profit attributable to equity shareholders of the parent (Rs. '000)	5,366,006	4,543,044	1,712,886	1,504,329
Weighted average number of ordinary shares (Refer Note 10.1.1)	257,677,731	257,677,731	257,677,731	257,677,731
Basic earnings per share (Rs.)	20.82	17.63	6.65	5.84

10.1.1 Weighted Average Number of Ordinary Shares

	GROUP		COMPANY	
	2023	2022	2023	2022
Issued ordinary shares as at 1 April	257,677,731	257,677,731	257,677,731	257,677,731
Exercise of share options	–	–	–	–
Weighted average number of ordinary shares as at 31 March	257,677,731	257,677,731	257,677,731	257,677,731

10.2 Diluted Earnings Per Share

There was no dilution of ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is the same as basic earnings per share as shown in Note 10.1.

12. Property Plant And Equipment

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 include;

- cost of material and direct labour
- any other costs directly attributable to bringing the asset to a working condition for its intended use
- cost 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 and equipment have different useful lives, they are accounted for as separate items of property, plant and 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 being charged to the Statement of Profit or Loss. Revaluation of freehold land and buildings are carried out by professionally qualified independent valuers every three years. The Group revalued all its freehold land and buildings as at 31 March 2021.

Subsequent Costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The cost of day to day servicing of property, plant and equipment are charged to the profit or loss as incurred.

Repairs and 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 and 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.

Derecognition

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on derecognition of an 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 derecognised.

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 and 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 is depreciated from the date on which it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is de-recognised. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted as appropriate.

Impairment

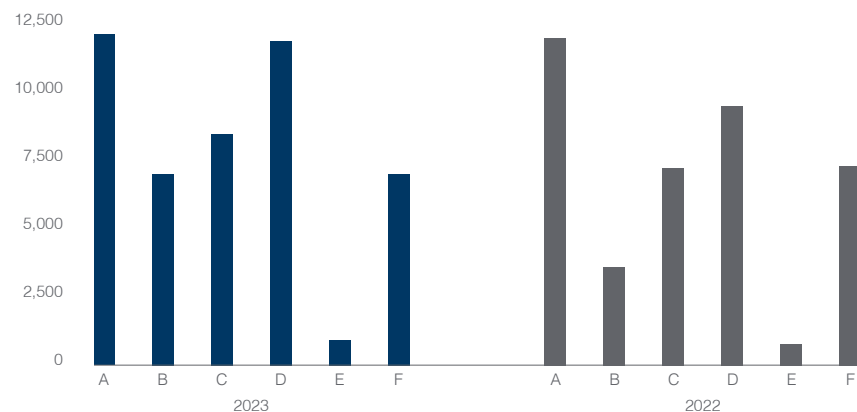
The Management has assessed the potential impairment loss of property, plant and equipment as at 31 March 2023. Based on the assessment, the Group does not foresee any indications of Impairment as at the reporting date.

	Freehold Land Rs. '000	Freehold Building Rs. '000	Expenditure Incurred on Leasehold Buildings Rs. '000	Plant, Machinery and Others Rs. '000	Motor Vehicles Rs. '000	Capital WIP Rs. '000	Total 2023 Rs. '000
Group							
Cost/revaluation							
As at 1 April	11,872,877	3,744,889	13,792,796	26,472,990	2,264,119	7,228,238	65,375,909
Additions	118,076	53,020	300,046	777,111	69,931	9,513,858	10,832,042
Transfers	3,629	3,538,736	1,975,618	3,887,527	415,552	(9,821,062)	–
Disposals	–	–	–	(9,501)	(10,769)	–	(20,270)
As at 31 March 2023	11,994,582	7,336,645	16,068,460	31,128,127	2,738,833	6,921,034	76,187,681
Accumulated Depreciation and Impairment							
As at 1 April	–	187,189	6,647,137	17,055,839	1,473,539	–	25,363,704
Depreciation	–	200,213	1,045,112	2,329,702	340,708	–	3,915,735
Disposals	–	–	–	(4,101)	(10,639)	–	(14,740)
As at 31 March 2023	–	387,402	7,692,249	19,381,440	1,803,608	–	29,264,699
Carrying value as at 31 March 2023	11,994,582	6,949,243	8,376,211	11,746,687	935,225	6,921,034	46,922,982
	Freehold Land Rs. '000	Freehold Building Rs. '000	Expenditure Incurred on Leasehold Buildings Rs. '000	Plant, Machinery and Others Rs. '000	Motor Vehicles Rs. '000	Capital WIP Rs. '000	Total 2022 Rs. '000
Group							
Cost/revaluation							
As at 1 April	11,926,647	3,569,411	12,010,529	24,300,977	1,870,341	4,342,460	58,020,365
Additions	5,624	265,338	1,782,267	2,185,282	424,177	6,542,260	11,204,948
Due to acquisition of subsidiary	–	–	–	2,014	2,143	–	4,157
Transfers	–	–	–	–	–	(3,656,482)	(3,656,482)
Disposals	(5,478)	–	–	(15,283)	(32,542)	–	(53,303)
Transfer to investment property	(53,916)	(89,860)	–	–	–	–	(143,776)
As at 31 March 2022	11,872,877	3,744,889	13,792,796	26,472,990	2,264,119	7,228,238	65,375,909
Accumulated Depreciation and Impairment							
As at 1 April	–	–	5,787,412	14,941,115	1,224,637	–	21,953,164
Depreciation	–	187,189	859,725	2,126,809	279,236	–	3,452,959
Due to acquisition of subsidiary	–	–	–	2,014	2,143	–	4,157
Disposals	–	–	–	(14,099)	(32,477)	–	(46,576)
As at 31 March 2022	–	187,189	6,647,137	17,055,839	1,473,539	–	25,363,704
Carrying value as at 31 March 2022	11,872,877	3,557,700	7,145,659	9,417,151	790,580	7,228,238	40,012,205

	Freehold Land Rs. '000	Freehold Building Rs. '000	Expenditure Incurred on Leasehold Buildings Rs. '000	Plant, Machinery and Others Rs. '000	Motor Vehicles Rs. '000	Capital WIP Rs. '000	Total 2023 Rs. '000
Company							
Cost/revaluation							
As at 1 April	2,655,939	440,282	230,564	430,315	138,194	33,887	3,929,181
Additions	–	–	13,395	58,499	–	3,787	75,681
Disposals	–	–	–	(6,146)	–	–	(6,146)
As at 31 March 2023	2,655,939	440,282	243,959	482,668	138,194	37,674	3,998,716
Accumulated Depreciation and Impairment							
As at 1 April	–	10,365	23,013	297,949	138,194	–	469,521
Depreciation	–	10,367	16,072	41,637	–	–	68,076
Disposals	–	–	–	(828)	–	–	(828)
As at 31 March 2023	–	20,732	39,085	338,758	138,194	–	536,769
Carrying value as at 31 March 2023	2,655,939	419,550	204,874	143,910	–	37,674	3,461,947
	Freehold Land Rs. '000	Freehold Building Rs. '000	Expenditure Incurred on Leasehold Buildings Rs. '000	Plant, Machinery and Others Rs. '000	Motor Vehicles Rs. '000	Capital WIP Rs. '000	Total 2022 Rs. '000
Company							
Cost/revaluation							
As at 1 April	2,655,939	439,561	225,315	418,249	138,194	35,475	3,912,733
Additions	–	721	5,249	26,654	–	–	32,624
Transfers	–	–	–	–	–	(1,588)	(1,588)
Disposals	–	–	–	(14,588)	–	–	(14,588)
As at 31 March 2022	2,655,939	440,282	230,564	430,315	138,194	33,887	3,929,181
Accumulated Depreciation and Impairment							
As at 1 April	–	–	5,876	258,439	138,194	–	402,509
Depreciation	–	10,365	17,137	41,729	–	–	69,231
Disposals	–	–	–	(2,219)	–	–	(2,219)
As at 31 March 2022	–	10,365	23,013	297,949	138,194	–	469,521
Carrying value as at 31 March 2022	2,655,939	429,917	207,551	132,366	–	33,887	3,459,660

Group – PPE

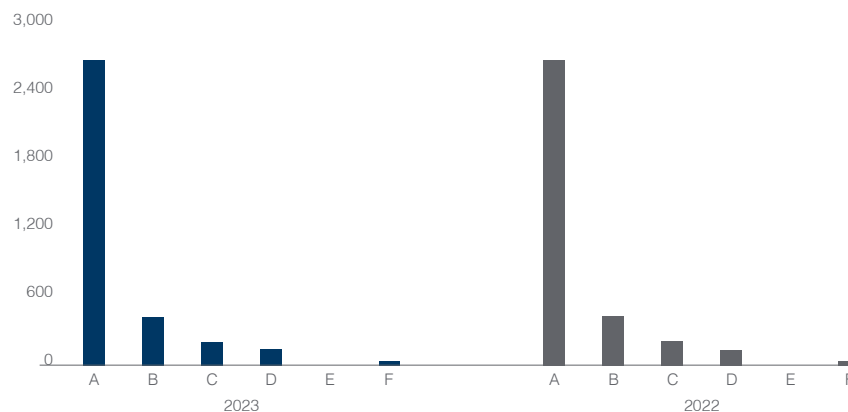
Rs. Mn.



A – Freehold land
B – Freehold building
C – Expenditure incurred on leasehold building
D – Plant, machinery and others
E – Motor vehicle
F – Capital work-in-progress

Company – PPE

Rs. Mn.



A – Freehold land
B – Freehold building
C – Expenditure incurred on leasehold building
D – Plant, machinery and others
E – Motor vehicle
F – Capital work-in-progress

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

The details of assets mortgaged for banking facilities obtained, if any, have been given in Note 26.1 to the Financial Statements.

12.1 Revaluation of Freehold Land and Buildings

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

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value measurement for all lands and buildings classified as property plant and equipment have been categorised as level 3 fair value based on the inputs to the valuation techniques used. Details of the Group lands and buildings measured at fair value as at 31 March 2021 are as follows:

Location	Type of Asset	Method of Valuation	Land Extent	Building Area (sq.ft)	Number of Buildings	Significant Unobservable Inputs	2021 valuation Rs. '000
Colombo – 01	Land	Income approach	140.75 Perches	–	–	Rental per square foot	2,655,939
	Building		–	124,215	1		439,561
Canal Row, Colombo – 01	Land	Income approach	15.25 Perches	–	–	Rental per square foot	308,624
	Building		–	12,300	1		91,667
Staple Street – Colombo – 02	Land	Market approach	81.5 Perches	–	–	Market value per perch	867,975
	Building		–	20,970	2		55,400
Dematagoda	Land	Income approach	84.32 Perches	–	–	Rental per square foot	124,654
	Building		–	71,956	1		244,165
Cargills Square – Jaffna	Building	Income approach	–	99,164	1	Rental per square foot	413,356
Kandy	Land	Income approach	87.96 Perches	–	–	Rental per square foot	1,373,623
	Building		–	25,174	1		52,777
Maharagama	Land	Income approach	145.3 Perches	–	–	Rental per square foot	594,135
	Building		–	15,827	1		89,565

Location	Type of Asset	Method of Valuation	Land Extent	Building Area (sq.ft)	Number of Buildings	Significant Unobservable Inputs	2021 valuation Rs. '000
Nuwara Eliya	Land	Income approach	56.5 Perches	–	–	Rental per square foot	295,737
	Building		–	9,617	1		11,363
Mattakkuliya (111)	Land	Income approach	330 Perches	–	–	Rental per square foot	740,304
	Building		–	80,967	2		107,696
Kohuwala	Land	Income approach	28.65 Perches	–	–	Rental per square foot	158,987
	Building		–	6,225	1		14,013
Mattakkuliya (141)	Land	Income approach	287.96 Perches	–	–	Rental per square foot	514,895
	Building		–	44,469	4		74,905
Gampaha	Land	Income approach	82.6 Perches	–	–	Rental per square foot	158,916
	Building		–	39,565	1		264,860
Moratuwa	Land	Income approach	78.6 Perches	–	–	Rental per square foot	319,028
	Building		–	7,475	1		66,737
Ingiriya (Lot A, C, D, B1)	Land	Market approach	26 Acres	–	–	Market value per perch	248,338
	Building		–	1,300	1		520
Park Road	Building	Income approach	–	4,610	1	Rental per square foot	64,800
Negombo – Kaluwarippuwa	Land	Market approach	28.8 Acres	–	–	Market value per perch	760,750
Ja-Ela – Ma Eliya	Land	Market approach	4 Acres	–	–	Market value per perch	164,000
	Building		–	7,600	1		5,700
Mattakuliya	Land	Market approach	1.3 Acres	–	–	Market value per perch	427,740
	Building		–	17,881	1		46,338
Ja-Ela – Ganemulla	Land	Market approach	5.03 Acres	–	–	Market value per perch	360,155
	Building		–	41,833	1		126,360
Katana	Land	Market approach	11.3 Acres	–	–	Market value per perch	354,540
	Building		–	76,059	1		239,700
Kelaniya	Land	Income approach	1.5 Acres	–	–	Rental per square foot	243,750
	Building		–	55,770	2		251,250
Katoolaya Estate, Thawalatenne	Land	Market approach	4 Acres	–	–	Market value per perch	15,800
	Building		–	19,961	1		51,200
Mirigama, Baduragoda	Land	Market approach	100.2 Perches	–	–	Market value per perch	20,040
Mirigama, Baduragoda	Land	Market approach	38.51 Perches	–	–	Market value per perch	8,672
	Building		–	1,476	1		4,428
Mulleriyawa	Land	Market approach	1.7 Acres	–	–	Market value per perch	150,000
	Building		–	35,528	3		178,717
Bogahawatta	Land	Market approach	1 Acres	–	–	Market value per perch	48,000
	Building		–	33,221	6		437,750
Hatton	Land	Market approach	17.5 Acres	–	–	Market value per perch	62,950
	Building		–	14,569	4		41,472
Bandarawela	Land	Market approach	85.2 Perches	–	–	Market value per perch	415,350
	Building		–	6,345	1		188,111
Katubedda	Land	Market approach	1.15 Acres	–	–	Market value per perch	533,745
	Building		–	3,500	1		7,000
Total							15,496,058

Refer note 38.2.1 for details on valuation techniques used.

12.2 If land and buildings were measured using the cost model, the amounts would have been as follows:

	Land		Building	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Group				
Cost	6,484,971	6,363,266	6,596,186	3,004,430
Accumulated depreciation	–	–	(995,902)	(795,689)
Net book value	6,484,971	6,363,266	5,600,284	2,208,741
Company				
Cost	1,813	1,813	117,855	117,855
Accumulated depreciation	–	–	(30,561)	(20,194)
Net book value	1,813	1,813	87,294	97,661

12.3 Movement in Revaluation Reserve

	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Opening balance	7,013,019	7,017,804	420,431	420,431
Revaluation surplus	–	–	–	–
Deferred tax impact on revaluation	(363,683)	–	(102,001)	–
Disposal of revalued asset	–	(4,785)	–	–
Closing balance	6,649,336	7,013,019	318,430	420,431

Depreciation amounting to Rs. 3,234.59 Mn. (2022 – Rs. 2,793.66 Mn.) and Rs. 681.13 Mn. (2022 – Rs. 659.30 Mn.) has been charged respectively to the cost of sales and, administration and distribution of the Group. The total depreciation amounting to Rs. 68.08 Mn. (2022 – Rs. 69.23 Mn.) is included in the administration expenses of the Company.

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

Fully depreciated assets of the Group as at the year end is Rs. 9,812.71 Mn. (2022 – Rs. 7,384.19 Mn.) and that of the Company is Rs. 376.35 Mn. (2022 – Rs. 331.17 Mn.).

13. Leases

The Group's and Company's leases consist of leasehold land and building. The leases are depreciated over 2 years – 50 years.

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

13.1 Right-of-use Assets

	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Balance as at 1 April	16,825,758	14,334,399	1,089,171	169,268
Additions	6,307,584	4,392,228	–	1,014,501
Recognition of ROU asset on modification of payment	–	482	–	–
Depreciation	(1,900,153)	(1,731,551)	(72,560)	(83,691)
Disposal of ROU assets	–	(169,800)	–	(10,907)
Classification of SLFRS 16	(591,931)	–	–	–
Balance as at 31 March	20,641,258	16,825,758	1,016,611	1,089,171

13.2 Lease Liability

	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Balance as at 1 April	19,641,457	16,493,154	1,025,528	50,356
Additions	6,307,584	4,366,801	–	1,014,501
Recognition of lease liability on modification of payment	–	482	–	–
Interest expense	1,994,425	1,675,739	52,488	56,461
Disposal of lease liability	–	(173,194)	–	(14,301)
Payments	(3,097,721)	(2,606,812)	(80,575)	(81,489)
Negative lease payments due to rent concessions	–	(114,713)	–	–
Lease advance	29,126	–	–	–
Classification of SLFRS 16	(615,795)	–	–	–
Balance as at 31 March	24,259,076	19,641,457	997,441	1,025,528

Lease Liabilities included in the Statement of Financial Position as at 31 March

Current	1,337,820	1,139,378	34,744	22,825
Non-current	22,921,256	18,502,079	962,697	1,002,703
	24,259,076	19,641,457	997,441	1,025,528

Maturity Analysis – Contractual Undiscounted Cash Flows

Less than one year	3,266,820	2,967,491	93,147	79,729
One to five years	12,466,745	11,428,431	506,558	384,757
More than five years	27,868,687	24,530,626	908,937	1,122,283
Total undiscounted liabilities as at 31 March	43,602,252	38,926,548	1,508,642	1,586,769

13.3 Amounts Recognised in Profit or Loss

	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Depreciation of right-of-use assets	1,900,153	1,731,551	72,560	83,691
Interest expense on lease liabilities	1,994,425	1,675,739	52,488	56,461
Negative lease payments due to rent concessions	–	(114,713)	–	–
	3,894,578	3,292,577	125,048	140,152

13.4 Amounts Recognised in Statement of Cash Flows

	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Total cash outflow for leases, net of concessions	(3,097,721)	(2,606,812)	(80,575)	(81,489)
	(3,097,721)	(2,606,812)	(80,575)	(81,489)

Impairment

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

14. Investment property**Accounting Policy**

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

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

Where Group companies occupy a significant portion of the investment property of a subsidiary, such portion of investment properties are treated as property, plant and equipment at group level, and accounted for as per LKAS 16 – Property, Plant and Equipment.

Derecognition

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

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 sell.

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

Any difference at the date of the change in use between the carrying amount of the property and its fair value is recognised as a revaluation of property, plant and equipment and is not transferred to profit or loss at the date of transfer and at subsequent disposal, any existing revaluation surplus that was recognised under revaluation model to the property will be transferred to retained earnings.

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

Determining Fair Value

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

Investment Property Leased within the Group

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

	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
As at 1 April	7,039,884	2,712,313	3,170,928	4,259,566
Additions	1,903	1,100,632	17,394	454
Due to acquisition of subsidiary	–	2,953,700	–	–
Reclassification from PPE	–	143,776	–	–
Disposals	–	–	–	(1,158,800)
Changes in fair value during the year	300,779	129,463	105,581	69,043
	7,342,566	7,039,884	3,293,903	3,170,263
Capital work-in-progress additions	–	–	–	665
As at 31 March	7,342,566	7,039,884	3,293,903	3,170,928

In accordance with LKAS 40, fair value of the above Investment Properties were ascertained as at 31 March 2023 by Mr T Weeratne (FIV), a member of the Institute of Valuers of Sri Lanka, with appropriate qualifications and recent experience in the valuation of properties in the relevant locations. Mr Tissa Weeratne is not related to the Group.

Rental income earned from the investment properties by the Group and Company amounted to Rs. 5775 Mn. (2022 - Rs. 42.23 Mn.) and Rs. 163.94 Mn. (2022 - Rs. 147.21 Mn.) respectively. Direct operating expenses incurred on investment property by the Group and Company amounted to Rs. 31.42 Mn. (2022 - Rs. 18.77 Mn.) and Rs. 51.83 Mn. (2022 - Rs. 51.39 Mn.). The fair value measurement for all the investment properties have been categorised as level 3 fair value based on the inputs to the valuation techniques used. Details of the Group's investment properties and information relating to their fair values as at 31 March 2023 are as follows:

Location	Type Of Asset	Method Of Valuation	Land Extent	Building Area (Sq.ft.)	No. of Buildings	Current/ Proposed Use	GROUP		COMPANY	
							2023 fair value Rs. '000	2022 fair value Rs. '000	2023 fair value Rs. '000	2022 fair value Rs. '000
Canal Row - Colombo 01	Land	Income approach	15.25 Perches	-	-	Rent	-	-	327,954	309,632
	Building		-	12,300	1		-	-	106,710	90,668
Braybrook Place	Land	Market approach	78.17 Perches	-	-	Undetermined use	766,066	742,615	766,066	742,615
	Building		-	5,146	1		1,600	1,615	1,600	1,615
Cargills Square - Jaffna	Building	Income approach	Leasehold	99,164	1	Rent	637,271	639,554	1,056,835	1,060,620
Staple Street - Colombo 02	Land	Market approach	81.5 Perches	-	-	Rent	-	-	961,700	896,500
	Building		-	20,970	2		-	-	60,600	57,400
Dematagoda	Land	Income approach	84.32 Perches	-	-	Rent	325,137	296,672	-	-
	Building		-	71,956	1		554,921	554,121	-	-
Nittambuwa	Land	Market approach	112 Perches	-	-	Undetermined use	166,750	151,750	-	-
Boralesgamuwa	Land	Income approach	2.5 Acres	-	-	Rent	388,010	379,861	-	-
	Building		-	23,168	4		73,945	67,139	-	-
Gampaha	Land	Income approach	82.6 Perches	-	-	Rent	71,244	62,112	-	-
	Building		-	43,115	1		131,846	110,372	-	-
Kandy	Land	Market approach	170 Perches	-	-	To be developed	811,000	685,283	-	-
	Building		-	937	1		10	10	-	-
Negombo	Land	Market approach	91 Perches	-	-	To be developed	307,500	301,325	-	-
	Building		-	17,534	1		-	2,600	-	-
Kandy	Land	Market approach	11.3 Perches	-	-	To be developed	81,360	78,000	-	-
Kotahena	Land	Market approach	199.8 Perches	-	-	Development plans deferred	1,568,430	1,528,500	-	-
Boralesgamuwa	Land	Market approach	43 Acres	-	-	Undetermined use	1,200,000	1,200,000	-	-
	Building		-	11,400	1		-	-	-	-
Piliyandala	Land	Market approach	114 Perches	-	-	Undetermined use	112,100	102,600	-	-
Commercial property - Piliyandala	Land	Income approach	154.9 Perches	-	-	Rent	109,003	97,063	-	-
	Building		-	21,278	2		36,373	38,692	-	-
							7,342,566	7,039,884	3,281,465	3,159,050
Wellawatta (Preliminary expense)						To be developed	-	-	12,438	11,878
							7,342,566	7,039,884	3,293,903	3,170,928

Refer Note 38.2.1 for details on valuation techniques used.

15. Intangible Assets

Accounting Policy

Intangible Assets

The Group's intangible assets include 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 '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 accumulated amortisation and accumulated impairment losses, if any.

Subsequent Expenditure

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

Useful Economic Lives, Amortisation and Impairment

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

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern

of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in 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.

Derecognition

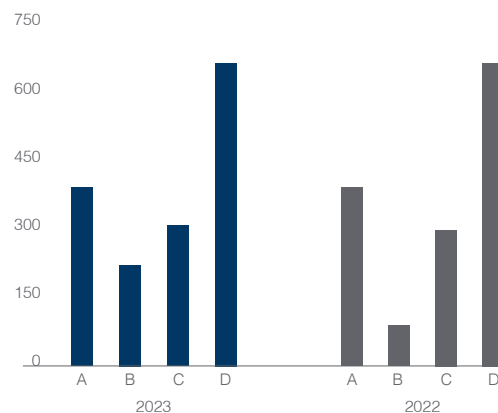
Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the year the asset is derecognised.

Group	Goodwill		Franchisee Fee		Software		Brand Name		Total	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Cost										
As at 1 April	529,767	529,767	302,732	297,227	791,692	643,466	661,865	661,865	2,286,056	2,132,325
Additions	–	–	161,991	5,505	106,869	146,642	–	–	268,860	152,147
Due to acquisition of subsidiary	–	–	–	–	–	1,584	–	–	–	1,584
As at 31 March	529,767	529,767	464,723	302,732	898,561	791,692	661,865	661,865	2,554,916	2,286,056
Amortisation/impairment										
As at 1 April	138,978	138,978	213,865	190,723	493,798	410,838	–	–	846,641	740,539
Amortisation	–	–	28,807	23,142	96,755	81,376	–	–	125,562	104,518
Due to acquisition of subsidiary	–	–	–	–	–	1,584	–	–	–	1,584
As at 31 March	138,978	138,978	242,672	213,865	590,553	493,798	–	–	972,203	846,641
Carrying value as at 31 March	390,789	390,789	222,051	88,867	308,008	297,894	661,865	661,865	1,582,713	1,439,415

Company	Software		Total	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Cost				
As at 1 April	214,931	153,917	214,931	153,917
Additions	102,786	61,014	102,786	61,014
As at 31 March	317,717	214,931	317,717	214,931
Amortisation/impairment				
As at 1 April	152,760	151,867	152,760	151,867
Amortisation for the year	19,050	893	19,050	893
As at 31 March	171,810	152,760	171,810	152,760
Carrying value as at 31 March	145,907	62,171	145,907	62,171

Group - Intangible assets

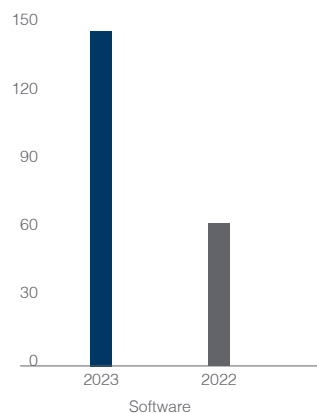
Rs. Mn.



A - Goodwill
B - Franchisee fee
C - Software
D - Brand name

Company - Intangible assets

Rs. Mn.



Impairment Testing for CGUs Containing Goodwill

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

	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Cargills Quality Foods Limited	246,203	246,203	-	-
Cargills Agro Development Company (Private) Limited	133,196	133,196	-	-
CPC Lanka Limited	8,839	8,839	-	-
Cargills Food Processors (Private) Limited	2,532	2,532	-	-
Cargills Distributors (Private) Limited	19	19	-	-
	390,789	390,789	-	-

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

CGU 1 - Cargills Quality Foods Limited

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

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

	2023	2022
Description		
Discount rate	21.93%	17.52%
Terminal value growth rate	3%	3%
Budgeted EBITDA growth rate (average of next five years)	10%	10%

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

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

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

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

CGU 2 - Cargills Agro Development Company (Private) Limited

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

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

	2023	2022
Description		
Discount rate	13.59%	10.88%
Terminal value growth rate	3%	2%
Budgeted EBITDA growth rate (average of next five years)	8%	5%

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

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

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

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

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

Brand Name

The Rs. 661.87 Mn. represents the brand value recognised on the acquisition of Kotmale Holdings PLC.

Brand name 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 an indefinite useful life is subject to annual impairment test which is to be carried out in accordance with LKAS 36 - "Impairment of Assets" and the useful life of the intangible asset that is not being amortised is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for this asset.

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

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

	2023	2022
Description		
Discount rate	31.55%	15.52%
Terminal value growth rate	3%	3%
Budgeted EBITDA growth rate (average of next five years)	10%	10%

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

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

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth of the Kotmale Brands.

Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years.

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

Amortisation of intangible assets amounting to Rs. 70.67 Mn. (2022 - Rs. 57.44 Mn.) have been included in cost of sales and Rs. 54.9 Mn. (2022 - Rs. 47.08 Mn.) in administrative expenses of the Group. Amortisation of intangible assets amounting to Rs. 19.05 Mn. (2022 - Rs. 0.89 Mn.) have been included in administrative expenses of the Company.

16. Investments

16.1 Investments in Subsidiaries

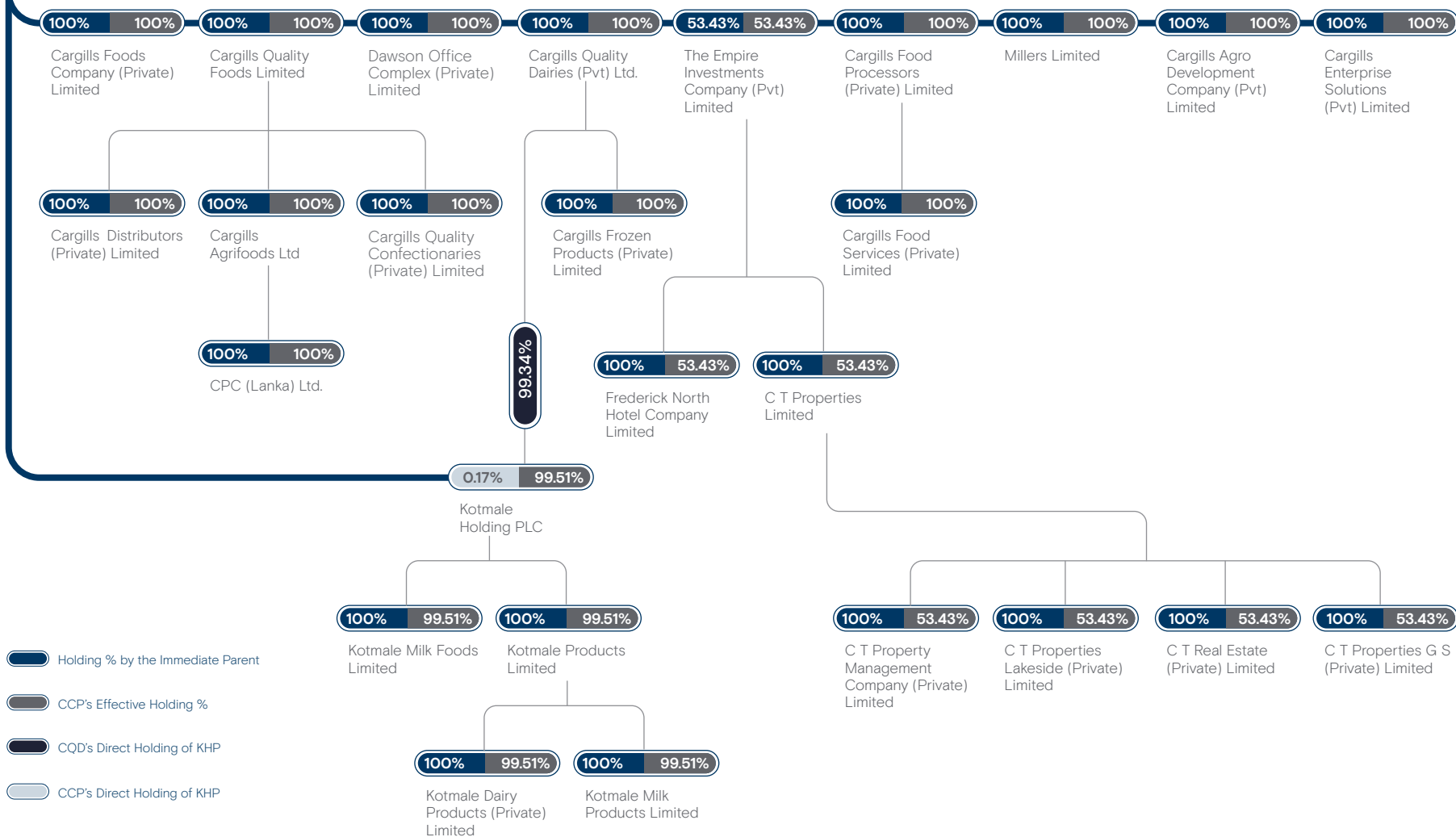
	No of shares	Holding %	GROUP		COMPANY	
			Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Cargills Foods Company (Private) Limited	48,255,426	100	—	—	1,167,947	1,167,947
Cargills Quality Foods Limited	4,860,293	100	—	—	1,193,453	1,193,453
Dawson Office Complex (Private) Limited	1,000	100	—	—	100	100
The Empire Investments Company (Private) Limited (Note 16.12.3)	269,322,944	53.43	—	—	2,980,813	2,980,813
Cargills Food Processors (Private) Limited	5,700,002	100	—	—	61,500	61,500
Kotmale Holdings PLC	54,315	0.17	—	—	3,437	3,437
Frederick North Hotel Company Limited (Note 16.12.4)	—	—	—	—	—	—
Cargills Quality Dairies (Private) Limited	7,500,000	100	—	—	75,000	75,000
Millers Limited	30,000,000	100	—	—	300,000	300,000
Cargills Agro Development Company (Private) Limited	1,460,002	100	—	—	178,019	160,019
Cargills Enterprise Solutions (Pvt) Limited (Stated Capital Rs. 10)	1	100	—	—	—	—
			—	—	5,960,269	5,942,269
Employee share option investment (Note 16.1.1)			—	—	—	190,421
			—	—	5,960,269	6,132,690

16.1.1 Employee Share Option Investment

	COMPANY	
	Rs. '000 2023	Rs. '000 2022
Cargills Foods Company (Private) Limited	—	136,214
Kotmale Dairy Products (Private) Limited	—	3,262
Cargills Food Processors (Private) Limited	—	5,547
Cargills Food Services (Private) Limited	—	1,208
Cargills Quality Confectioneries (Private) Limited	—	284
Cargills Quality Dairies (Private) Limited	—	11,102
Cargills Quality Foods Limited	—	7,428
Cargills Distributors (Private) Limited	—	365
Millers Limited	—	19,650
Cargills Agrifoods Limited	—	5,361
	—	190,421



GROUP SRUCTURE



16.1.2 Common Control Transactions

Cargills (Ceylon) PLC and subsidiaries presently have operations primarily in the following sectors:

- Food retailing
- Restaurants
- Food and beverage manufacturing, and distribution
- Real estate

Significant growth and expansion in these sectors necessitated a reorganisation of the sectors and their sub-sectors into separate growth driven units employing focused management and prudent resource allocation. Accordingly the following common control transactions had taken place during the year 31 March 2022 based on the Board approval dated 25 October 2021.

16.1.2.1 Cargills (Ceylon) PLC purchased C T Land Development PLC's investment in C T Properties Limited for Rs. 75 Mn. and thereafter disposed its total investment in Associate (C T Properties Limited) to The Empire Investments Company (Private) Limited under a common control transaction amounting to Rs. 434 Mn. (Group - Rs. 429 Mn.) resulting in a gain of Rs. 12 Mn. (Group Rs. 5 Mn.).

16.1.2.2 The Empire Investments Company (Private) Limited acquired CT Properties Limited's shares from Cargills Ceylon PLC and CT Holdings PLC.

16.1.2.3 The Empire Investments Company (Private) Limited issued new additional shares amounting to Rs. 4,905 Mn. which was invested by Cargills (Ceylon) PLC and C T Holdings PLC amounting to Rs. 2,205 Mn. and Rs. 2,700 Mn. resulting in Cargills (Ceylon) PLC's shareholding in The Empire Investments Company (Private) Limited falling to 53.43% from 100% which did not result in a loss of control.

16.1.2.4 Cargills (Ceylon) PLC disposed its investment in subsidiary (Frederick North Hotel Company Limited) to The Empire Investments Company (Private) Limited for Rs. 428 Mn. resulting in a gain of Rs. 117 Mn.

16.1.2.5 As a result of common control transactions, total investment in subsidiaries and associates amounted to Rs. 2,815 Mn. at the Company level and Rs. 1,284 Mn. at the Group level.

16.2 Investment in Equity Accounted Investees

Unquoted Equity Investments			GROUP		COMPANY	
No of shares	Holding %		Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Cargills Bank Limited	350,696,905	39.71	4,364,261	4,207,228	4,717,843	4,717,843
			4,364,261	4,207,228	4,717,843	4,717,843

16.3 Other Financial Assets

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Non-Current				
Equity investments at FVOCI (Note 16.3.1)	69,942	26,215	69,461	25,941
Fair value through profit or loss (Note 16.3.2)	1,500,000	1,500,000	1,500,000	1,500,000
	1,569,942	1,526,215	1,569,461	1,525,941
Current				
Other non-equity investments (Note 16.3.3)	119,667	1,016,556	—	—
	119,667	1,016,556	—	—

16.3.1 Equity Investments at FVOCI – “Non-current”

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Quoted Equity Investments				
Lanka IOC PLC	6,160	3,800	6,160	3,800
Sierra Cables PLC	341	258	67	56
Aitken Spence PLC	19,715	14,846	19,715	14,846
	26,216	18,904	25,942	18,702
Increase in fair value of investments	43,726	7,311	43,519	7,239
	69,942	26,215	69,461	25,941

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

The market value of quoted equity investments of Group as at 31 March 2023, as quoted by the Colombo Stock Exchange amounted to Rs. 69.94 Mn. (2022 - Rs. 26.21 Mn.)

No disposals were made during the year.

Dividend income recognised on quoted equity investments is as follows:

	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Lanka IOC PLC	450	170	450	170
Aitken Spence PLC	1,070	268	1,070	268
	1,520	438	1,520	438

16.3.2 Debt Investments Measured at Fair Value Through Profit or Loss (FVTPL) – “Non-current”

	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Debt investments measured at Fair Value Through Profit or Loss (FVTPL)	1,500,000	1,500,000	1,500,000	1,500,000
	1,500,000	1,500,000	1,500,000	1,500,000

The Company Invested in Fifteen Million (15,000,000) Basel III Additional Tier 1 Compliant Rated Unlisted Unsecured Subordinated Perpetual Convertible Debentures issued by Cargills Bank Limited, with a conversion at the option of the debenture holder and Non-Viability Conversion upon the occurrence of a trigger event at the par value of Sri Lankan Rupees One Hundred (LKR 100/-). The interest rate is based on the Weighted Average Twelve-Month Net Treasury Bill Rate + 2% p.a. The debenture holder has the right to convert the debenture to ordinary shares of the Bank during the conversion period.

The Interest is cumulative and will be paid only if the Bank has distributable profits. The Bank has discretion at all times to cancel the interest payments. However the agreement does not stipulate interest, on interest deferred/cancelled and therefore as the Investment does not meet the SPPI criteria, it has been classified as FVTPL.

16.3.3 Other Non-Equity Investments – Current

	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Call deposits/fixed deposit	119,667	1,016,556	–	–
	119,667	1,016,556	–	–

16.4 Investment in Equity Accounted Investees

	GROUP	
	Rs. '000 2023	Rs. '000 2022
As at 1 April	4,207,228	4,727,183
Acquisition (Note 16.1.2.1)	–	75,530
Share of profit/(loss)	193,692	(114,181)
Share of other comprehensive income	(36,660)	(52,542)
Disposal (Note 16.1.2.1)	–	(428,762)
As at 31 March	4,364,261	4,207,228

16.5 Summarised Financial Information of Associates

	GROUP			
	C T Properties Ltd		Cargills Bank Limited	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Revenue/operating income	–	4,776	2,817,202	1,773,997
Operating expenses	–	(3,923)	(2,369,427)	(2,036,498)
Finance expenses	–	(19,848)	–	–
Income tax expense	–	–	39,989	(14,626)
Profit/(loss) for the year	–	(18,995)	487,764	(277,127)
Other comprehensive income/(expense)	–	–	(92,320)	(132,313)
Total comprehensive income/(expense)	–	(18,995)	395,444	(409,440)
Group's share of profit/(loss)	–	(4,134)	193,692	(110,047)
Group's share of other comprehensive income	–	–	(36,660)	(52,542)
Group's share of total comprehensive income/(expense)	–	(4,134)	157,032	(162,589)

As at 31 March	GROUP			
	C T Properties Limited		Cargills Bank Limited	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Total assets	–	–	53,752,809	55,767,061
Total liabilities	–	–	(44,032,504)	(46,442,200)
Net assets	–	–	9,720,305	9,324,861
Ownership interest	–	–	39.71%	39.71%
Group's share of net assets	–	–	3,859,945	3,702,912
Goodwill	–	–	504,316	504,316
	–	–	4,364,261	4,207,228

17. Prepayment on Leasehold Land and Building

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Cost				
As at 1 April	200,912	200,912	–	–
Prepayments	–	–	–	–
As at 31 March	200,912	200,912	–	–
Amortisation				
As at 1 April	–	–	–	–
Amortisation	–	–	–	–
As at 31 March	–	–	–	–
Carrying value as at 31 March	200,912	200,912	–	–
Non-current portion of the prepayment	200,912	200,912	–	–

Property	Lease period	Amount Rs. '000
Cargills Foods Company (Private) Limited		
Kolonnawa land	99 years	200,912

The prepayment relates to amounts paid in advance for lease contracts that are not finalised as of 31 March 2023.

18. Biological Assets

Accounting Policy

Biological assets shall be qualified for recognition if the Group controls the assets as a result of past events and it is probable that future economic benefits associated with the assets will flow to the Group and fair value or cost of the asset can be measured reliably. The Group measures Biological Assets at cost less any impairment losses.

Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Livestock and day-old chicks have been identified as Consumable biological assets

Bearer biological assets are those other than Consumable biological assets. Bearer biological assets are not agricultural produce but, rather, are self-regenerating. The Group has identified grandparent and parent birds as bearer biological assets.

The Group determined that a fair value cannot be determined for the consumer biological assets as quoted market prices were not available as at 31 March 2023 and other alternative measures of fair value were deemed unreliable. No indicators for impairment were identified as at 31 March 2023.

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Balance as at 1 April	–	–	–	–
Additions during the year	64,168	–	–	–
Sale of livestock during the year	(6,614)	–	–	–
Balance as at 31 March	57,554	–	–	–
Non-current	23,873	–	–	–
Current	33,681	–	–	–
	57,554	–	–	–

The Group's biological assets are exposed to the risk of damage from diseases, and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspection, implementing disease control policies and procedures.

19. Deferred Tax Asset/liability

	GROUP				COMPANY			
	Assets		Liabilities		Assets		Liabilities	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
As at 1 April	14,070	16,228	729,805	895,798	–	–	287,150	238,754
Acquisition of subsidiary	–	–	–	11,993	–	–	–	–
Charge/(reversal) recognised in profit or loss	15,695	(2,261)	239,613	(215,584)	–	–	99,557	39,993
Charge/(reversal) recognised in OCI	(1,936)	103	368,233	37,598	–	–	97,444	8,403
As at 31 March	27,829	14,070	1,337,651	729,805	–	–	484,151	287,150
Deferred tax asset/liability as at the year end is arising from temporary differences of:								
- Property, plant and equipment	12	2,106	1,970,019	1,227,828	–	–	260,297	243,549
- Revaluation surplus of freehold building	–	–	687,715	393,708	–	–	232,287	132,036
- Revaluation surplus of freehold land	–	–	502,472	263,460	–	–	216,484	61,464
- Equity settled share based payment	–	–	–	2,359	–	–	–	9,419
- Provisions	8,813	6,139	(91,341)	(65,126)	–	–	–	–
- Employee benefit liability	1,304	740	(548,489)	(363,214)	–	–	(218,011)	(142,794)
- Capital grants	–	–	(1,348)	(2,875)	–	–	–	–
- Carried forward tax losses	17,217	4,356	(22,266)	(18,301)	–	–	–	–
- ROU assets and lease liabilities	483	729	(1,159,111)	(708,034)	–	–	(6,906)	(16,524)
	27,829	14,070	1,337,651	729,805	–	–	484,151	287,150

20. Inventories

Accounting Policy

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

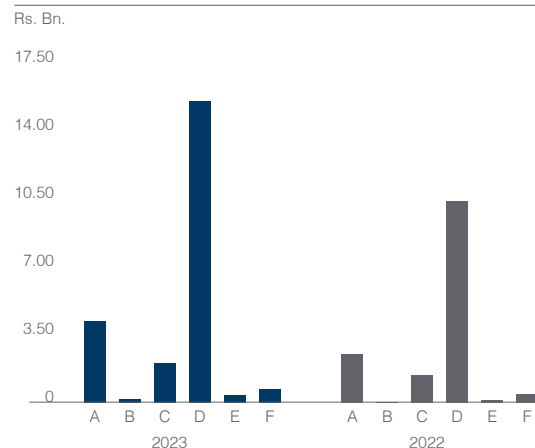
The cost of each category of inventory of the Group is determined on the following basis:

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

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

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Raw and packing materials	4,141,347	2,482,262	–	–
Work-in-progress	182,327	42,756	–	–
Finished goods	2,024,031	1,374,126	–	–
Merchandising stock-for-sale	15,272,507	10,212,031	7,646	13,162
Food and beverages - restaurant operations	381,641	126,125	–	–
Consumables	665,565	423,429	–	–
	22,667,418	14,660,729	7,646	13,162
Provision for obsolete inventories	(171,086)	(131,127)	–	–
	22,496,332	14,529,602	7,646	13,162
Goods in transit	376,494	272,682	–	–
	22,872,826	14,802,284	7,646	13,162

Group Inventories



A – Raw and packing materials
B – Work-in-progress
C – Finished goods
D – Merchandising stock-for-sale
E – Food and beverages – restaurant operations
F – Consumables

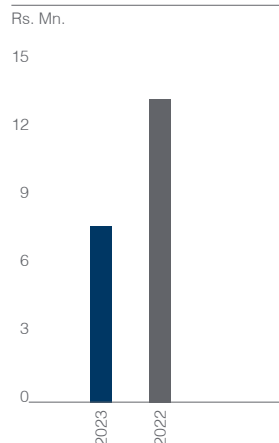
The details of inventories mortgaged for banking facilities obtained have been given in the Note 26.1 to the Financial Statements, if any.

21. Trade and Other Receivables

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Trade receivables	5,358,130	3,943,279	–	–
Provision for impairment of trade receivables	(235,781)	(265,281)	–	–
	5,122,349	3,677,998	–	–
Other prepayments and deposits	2,424,910	2,329,336	477,133	380,200
Other receivables	1,227,083	843,832	136,677	61,010
Loans and advances (Note 21.1)	288,502	139,600	12,544	5,345
Tax recoverable (Note 21.2)	788,244	447,319	57,368	57,253
	9,851,088	7,438,085	683,722	503,808

The details of trade receivable mortgaged for banking facilities obtained have been given in the Note 26.1 to the Financial Statements, if any.

Company Inventories



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

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
As at 1 April	139,600	114,974	5,345	5,279
Loans granted	188,574	44,956	28,809	6,750
	328,354	159,930	34,154	12,029
Repayments	(39,852)	(20,330)	(21,610)	(6,684)
As at 31 March	288,502	139,600	12,544	5,345

21.2 Tax Recoverable

This includes Social Security Contribution Levy, VAT recoverable, WHT recoverable and income tax overpayments.

22. Amounts due from/to Related Companies

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Amounts due from Subsidiaries				
Cargills Foods Company (Private) Ltd.	–	–	28,673	–
Cargills Quality Foods Limited	–	–	4,229	2,159
Cargills Food Processors (Private) Limited	–	–	–	–
Cargills Food Services (Private) Limited	–	–	287	75
Cargills Agrifoods Limited	–	–	2,776	5,704
Cargills Quality Dairies (Private) Limited	–	–	3,685	2,668
CPC (Lanka) Limited	–	–	985	1,680
Cargills Quality Confectioneries (Private) Limited	–	–	1,166	1,895
Kotmale Dairy Products (Private) Limited	–	–	1,244	4,779
Kotmale Holdings PLC	–	–	–	–
Millers Limited	–	–	–	–
Cargills Agro Development Company (Private) Limited	–	–	2,510	359
The Empire Investments Company (Private) Limited	–	–	2,551,464	993,475
Frederick North Hotel Company Limited	–	–	224	6
Cargills Enterprise Solutions (Private) Ltd.	–	–	14,964	8,000
C T Properties Limited	–	–	1,068,920	982,539
	–	–	3,681,127	2,003,339
Amounts due from Holding Company				
C T Holdings PLC	6,743	28,580	6,743	18,868
	6,743	28,580	6,743	18,868
Amounts due from Associate Companies				
Cargills Bank Limited	47,556	38,410	14,876	14,018
	47,556	38,410	14,876	14,018

235

Cargills
(Ceylon)
PLC
Annual
Report
2022/23

Notes to the Financial Statements

FINANCIAL STATEMENTS

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Amounts due from Other Related Companies				
Ceylon Hotels Corporation PLC	347	379	–	–
Ceylon Theatres (Private) Limited	95,230	74,551	68,304	63,700
C T Land Development PLC	140	231	–	–
Galle Face Hotel 1994 Ltd.	1,061	–	–	–
Galle Face Hotel Company Limited	563	494	–	–
Kandy Hotels Company (1938) PLC	469	434	–	–
The Cargo Boat Despatch Co. Ltd.	307	–	–	–
United Hotels Company (Private) Ltd.	2,089	466	–	–
Cargills Foundation	235,245	233,520	235,245	233,352
Albert A. Page Institute	1,689	–	1,689	–
Suisse Hotel Kandy (Pvt) Ltd.	229	–	–	–
	337,369	310,075	305,238	297,052
Total amount due from related companies	391,668	377,065	4,007,984	2,333,277

Amounts due to Subsidiaries

Cargills Food Company (Private) Limited	–	–	–	9,712
Cargills Food Processors (Private) Limited	–	–	1,211	2,084
Millers Limited	–	–	75	3,542
C P C (Lanka) Limited	–	–	–	–
Kotmale Dairy Products (Private) Limited	–	–	–	–
Cargills Foods Services (Private) Limited	–	–	–	–
	–	–	1,286	15,338

Amounts due to Holding Company

C T Holdings PLC	6,150	1,738	–	–
	6,150	1,738	–	–

Amounts due to Other Related Companies

Unidil Packaging Limited	–	2,834	–	–
CT Land Development PLC	–	–	–	–
Ceylon Theatres (Private) Limited	257	–	–	–
	257	2,834	–	–
Total amount due to related companies	6,407	4,572	1,286	15,338

23. Stated Capital**Accounting Policy**

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

	Number of shares	Rs. '000 2023	Number of shares	Rs. '000 2022
Balance as at 1 April	257,677,731	6,841,068	257,314,500	6,773,878
Exercise of share options	–	–	363,231	67,190
Balance as at 31 March	257,677,731	6,841,068	257,677,731	6,841,068

Pursuant to the Employee Share Option Scheme of the Company approved by the Shareholders on 29 June 2017, 456,688 options were exercised by employees during the period 1 April 2020 to 31 March 2021 and in respect of which 363,231 shares were issued during the period.

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

Consequent to this share issue the stated capital of the Company at the balance sheet date amounted to Rs. 6,841 Mn. (2022 – Rs. 6,841 Mn.) comprising 257,677,731 ordinary (voting) shares (2022 – 257,677,731).

24. Reserves**Accounting Policy****Equity Reserves**

The reserves recorded in equity on the Group's Statement of Financial Position include:

"Revaluation reserve" consists of net surplus resulting from the revaluation of property, plant and equipment.

"FVOCI" reserve which comprises changes in fair value of equity investments at FVOCI.

"Capital reserve" comprises share of capital reserve resulting from consolidation.

"Employee share option reserve" consists of stock options granted to specified employees of Group and Company. ESOS offers the option holder the right to buy a certain amount of Company shares at a predetermined price.

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Capital Reserves				
Revaluation reserve (Note 12.3)	6,649,336	7,013,019	318,430	420,431
Capital reserve	7,928	7,928	–	–
Employee share option reserve (Note 24.1)	–	72,482	–	72,482
	6,657,264	7,093,429	318,430	492,913
Revenue Reserve				
FVOCI reserve	51,691	7,965	49,883	6,364
	51,691	7,965	49,883	6,364
	6,708,955	7,101,394	368,313	499,277

24.1 Employee Share Option Reserve**24.1.1 Employee Share Option Scheme**

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

Under the terms of the ESOS, which are in compliance with the Listing Rules of the Colombo Stock Exchange, a maximum number of seven million six hundred seventy nine thousand nine hundred and ninety seven (7,679,997) ordinary voting shares could be issued which is equivalent to 3.0% of the issued capital of the Company. The share options would be granted in three tranches which would constitute –

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

Each of the aforesaid tranches would be subdivided in to sub tranches with different vesting periods and exercise periods. Share options would be issued to employees who are eligible for the award of the share options for a consideration that is equivalent to the volume weighted average price during the period of thirty (30) market days immediately prior to the respective grant dates for each tranche.

The key terms and conditions related to the grants under these tranches are as follows; all options are to be settled by the physical delivery of shares.

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

The cost of Share Based Payments accounted in the Group's Financial Statements for the year amounted to Rs. Nil. (2022 – Nil)

Grant Date

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

24.1.2 Measurement of Fair Values

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

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

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

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

24.1.3 Reconciliation of Outstanding Share Options

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

In thousands	Number of Options 2023	*WAEP 2023 Rs.	Number of Options 2022	*WAEP 2022 Rs.
Outstanding as at 1 April	640	211.40	1,920	198.38
Forfeited during the year	(640)	211.40	(1,280)	191.87
Outstanding as at 31 March	–	–	640	211.40
Exercisable as at 31 March	–	–	–	–

*WAEP – Weighted Average Exercise Price

Pursuant to the Employee Share Option Scheme of the Company approved by the Shareholders on 29 June 2017, 456,688 options were exercised by employees during the period 1 April 2020 to 31 March 2021 and in respect of which 363,231 shares were issued during the period. All options have expired as at 31 March 2023.

25. Cash and Cash Equivalents

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Cash in hand and at bank	2,222,362	3,196,256	5,294	73,504
Fixed deposits - Maturity period is less than or equal to 3 months	2,619,054	347,843	2,639	-
Cash and cash equivalents in the Statement of Financial Position	4,841,416	3,544,099	7,933	73,504
Bank overdraft	(2,509,946)	(1,702,050)	(159,714)	(95,664)
Cash and cash equivalents in the Statement of Cash Flows	2,331,470	1,842,049	(151,781)	(22,160)

26 Interest Bearing Loans And Borrowings

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Current				
Current portion of long-term loan	3,215,103	3,902,685	1,607,955	1,946,255
Short-term loans	18,617,798	6,877,486	5,165,000	1,205,000
Bank overdraft	2,509,946	1,702,050	159,714	95,664
	24,342,847	12,482,221	6,932,669	3,246,919
Non-current				
Long-term loans	4,114,873	7,523,412	2,789,844	4,395,893
	4,114,873	7,523,412	2,789,844	4,395,893
Total borrowings	28,457,720	20,005,633	9,722,513	7,642,812
Movement (excluding bank overdraft)				
At the beginning of the year	18,303,583	18,118,551	7,547,148	4,108,189
Loans obtained	62,688,000	77,244,000	23,638,000	24,210,000
Accrued interest	656,592	566,204	402,578	202,144
Repayments	(55,700,401)	(77,625,172)	(22,024,927)	(20,973,185)
At the end of the year	25,947,774	18,303,583	9,562,799	7,547,148

26.1 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 and Interest Rate	Security Offered
Cargills (Ceylon) PLC				
Bank Overdrafts				
Commercial Bank of Ceylon PLC	200,000	16,645	On demand, based on monthly AWPLR+1.75%	Clean basis
Deutsche Bank	45,000	43,784	On demand, based on the prevailing market rates	Clean basis
Nations Trust Bank PLC	20,000	-	On demand, based on weekly AWPLR+1.0%	Clean basis
Sampath Bank PLC	100,000	99,285	On demand, based on monthly AWPLR+1.0%	Clean basis
		159,714		
Short-term Loans				
Bank of Ceylon	1,500,000	-	1-12 months, based on the prevailing market rates	Clean basis
Commercial Bank of Ceylon PLC	500,000	-	1-12 months, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	700,000	685,000	1-4 months, based on Money Market Rates (AWPLR weekly review)	Clean basis
Nations Trust Bank PLC	2,980,000	2,680,000	1-3 months, based on the prevailing market rates	Clean basis
Sampath Bank PLC	1,800,000	1,800,000	1-6 months, based on the prevailing market rates	Clean basis
		5,165,000		
Long-term Loans				
Commercial Bank of Ceylon PLC	167,947	170,516	Interest to be serviced monthly and capital to be repaid in 3 bi-annual installments	Clean basis
Hatton National Bank PLC	4,200,000	4,227,283	Interest to be serviced monthly and capital to be repaid in 20 quarterly installments of 400.0 Mn. No grace period for Capital repayment	Clean basis
		4,397,799		
		9,722,513		

Institution and Facility	Principal Amount Rs. '000	Amount Outstanding Rs. '000	Repayment Terms and Interest Rate	Security Offered
Cargills Foods Company (Private) Limited				
Bank Overdrafts				
Bank of Ceylon	115,000	115,117	On demand, based on monthly AWPLR+0.5%	Clean basis
Cargills Bank Limited	–	677,339	On demand, based on the prevailing market rates	Fully secured against cash
Commercial Bank of Ceylon PLC	500,000	136,780	On demand, based on monthly AWPLR+1.75%	Clean basis
Deutsche Bank	500,000	483,720	On demand, based on the prevailing market rates	Clean basis
		1,412,956		
Short-term Loans				
Bank of Ceylon	500,000	–	1-12 months, based on the prevailing market rates	Clean basis
Commercial Bank of Ceylon PLC	4,500,000	4,060,000	1-12 months, based on the prevailing market rates	Clean basis
Deutsche Bank	1,000,000	1,000,000	1-3 months, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	2,550,000	2,525,000	1-4 months, based on Money Market Rates (AWPLR weekly review)	Clean basis
Standard Chartered Bank	1,250,000	1,250,000	1-4 months, based on the prevailing market rates	Clean basis
Union Bank PLC	300,000	–	1-4 months, based on monthly AWPLR+1.00%	Clean basis
		8,835,000		
Long-term Loans				
Commercial Bank of Ceylon PLC	990,000	1,000,275	Interest to be serviced monthly and capital to be repaid in 3 bi-annual installments	Clean basis
Hatton National Bank PLC	650,000	653,001	Interest to be serviced monthly and capital to be repaid in 20 quarterly installments of 50.0 Mn. No grace period for Capital repayment	Clean basis
Standard Chartered Bank	624,999	625,166	Interest to be serviced quarterly and capital to be repaid in 12 quarterly installments	Clean basis
		2,278,442		
		12,526,398		
Cargills Agrifoods Limited				
Bank Overdraft				
Cargills Bank Limited	–	12,275	On demand, based on the prevailing market rates	Fully secured against cash
Commercial Bank of Ceylon PLC	150,000	6,621	On demand, based on monthly AWPLR+1.75%	Clean basis
		18,896		
Short-term Loan				
Commercial Bank of Ceylon PLC	850,000	810,000	1 month, based on the prevailing market rates	Clean basis
		810,000		
		828,896		
Cargills Food Processors (Private) Limited				
Bank Overdrafts				
Cargills Bank Limited	–	117,465	On demand, based on the prevailing market rates	Fully secured against cash
Commercial Bank of Ceylon PLC	100,000	1,573	On demand, based on monthly AWPLR+1.75%	Clean basis
Deutsche Bank	100,000	28,978	On demand, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	–	1,561	On demand, based on the prevailing market rates	Clean basis
		149,577		
Short-term Loan				
Commercial Bank of Ceylon PLC	250,000	–	1-12 months, based on the prevailing market rates	Clean basis
		149,577		

Institution and Facility	Principal Amount Rs. '000	Amount Outstanding Rs. '000	Repayment Terms and Interest Rate	Security Offered
Cargills Food Services (Private) Limited				
Bank Overdrafts				
Commercial Bank of Ceylon PLC	–	911	On demand, based on the prevailing market rates	Clean basis
Deutsche Bank	5,000	–	On demand, based on the prevailing market rates	Clean basis
		911		
Cargills Quality Confectionaries (Private) Limited				
Bank Overdrafts				
Commercial Bank of Ceylon PLC	100,000	11,407	On demand, based on monthly AWPLR+1.75%	Clean basis
		11,407		
Short-term Loans				
Hatton National Bank PLC	200,000	75,000	1-4 months, based on Money Market Rates (AWPLR weekly review)	Corporate guarantee for Rs. 200 Mn. from Cargills (Ceylon) PLC
		75,000		
		86,407		
Cargills Quality Dairies (Private) Limited				
Bank Overdrafts				
Commercial Bank of Ceylon PLC	250,000	4,390	On demand, based on monthly AWPLR+1.75%	Clean basis
Deutsche Bank	100,000	98,146	On demand, based on the prevailing market rates	Clean basis
		102,536		
Short-term Loans				
Commercial Bank of Ceylon PLC	1,750,000	950,000	1-12 months, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	2,500,000	10,789	1-4 months, based on Money Market Rates (AWPLR weekly review)	Clean basis
Standard Chartered Bank	1,150,000	880,000	1-12 months, based on the prevailing market rates	Clean basis
		1,840,789		
Long-term Loan				
Hatton National Bank PLC	650,000	653,734	Interest to be serviced monthly and capital to be repaid in 20 quarterly installments of 50.0 Mn. No grace period for Capital repayment	Clean basis
		653,734		
		2,597,059		
Cargills Quality Foods Limited				
Bank Overdrafts				
Commercial Bank of Ceylon PLC	300,000	–	On demand, based on monthly AWPLR+1.75%	Clean basis
Deutsche Bank	350,000	342,989	On demand, based on the prevailing market rates	Clean basis
		342,989		
Short-term Loans				
Hatton National Bank PLC	1,000,000	585,000	1-4 months, based on Money Market Rates (weekly review)	Clean basis
Standard Chartered Bank	750,000	520,000	1-12 months, based on the prevailing market rates	Clean basis
		1,105,000		
		1,447,989		

Institution and Facility	Principal Amount Rs. '000	Amount Outstanding Rs. '000	Repayment Terms and Interest Rate	Security Offered
Millers Limited				
Bank Overdrafts				
Commercial Bank of Ceylon PLC	300,000	53,702	On demand, based on monthly AWPLR+1.75%	Clean basis
Cargills Bank Limited	–	7,532	On demand, based on the prevailing market rates	Fully secured against cash
Deutsche Bank	200,000	198,747	On demand, based on the prevailing market rates	Clean basis
		259,981		
Short-term Loans				
Hatton National Bank PLC	200,000	10,000	1-4 months, based on Money Market Rates (AWPLR weekly review)	Corporate Guarantee for Rs. 335 Mn. from Cargills (Ceylon) PLC
		10,000		
		269,981		
Cargills Agro Development Company (Private) Limited				
Bank Overdraft				
Commercial Bank of Ceylon PLC	–	1,726	On demand, based on the prevailing market rates	Clean basis
		1,726		
Short-term Loans				
Commercial Bank of Ceylon PLC	250,000	227,000	1 month, based on the prevailing market rates	Clean basis
		227,000		
		228,726		
The Empire Investment Company (Private) Limited				
Bank overdraft				
Cargills Bank Limited	–	47,656	On demand, based on the prevailing market rates	Fully secured against cash
		47,656		
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
Commercial Bank of Ceylon PLC	50,000	1,598	On demand, based on monthly AWPLR+1.75%	Clean basis
		1,598		
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
Short-term loans				
Hatton National Bank PLC	1,000,000	290,009	1-4 months, based on Money Market Rates (AWPLR weekly review)	Clean basis
Commercial Bank of Ceylon PLC	450,000	260,000	1-12 months, based on the prevailing market rates	Letter of comfort obtained from Cargills Quality Dairies (Private) Limited
		550,009		
		551,607		
Grand Total		28,457,720		

27. Capital Grant

Accounting Policy

Government Grants

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

	GROUP	
	Rs. '000 2023	Rs. '000 2022
As at 1 April	15,975	27,456
Amortisation	(11,482)	(11,481)
As at 31 March	4,493	15,975

The unamortised grant balance refers to grants received by Cargills Agrifoods Limited in respect of projects in Dehiattakandiya and Kilinochchi from USAID.

The grants received have been accounted as per LKAS 20 - "Accounting For Government Grants and Disclosure of Government Assistance".

28. Employee Benefit Liabilities

Accounting Policy

Defined Benefit Plan - Gratuity

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

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

The assumptions based on which the results of the actuarial valuation was determined, are included in this Note to the Financial Statements.

Recognition of Actuarial Gains And Losses

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

Funding Arrangements

The gratuity liability is not externally funded.

28.1 Movement in Present Value of Defined Benefit Obligations

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
As at 1 April	1,549,184	1,529,000	594,973	580,027
Due to acquisition of subsidiary	–	693	–	–
Transferred in/(out) to subsidiary/ equity accounted investees	–	–	–	(114)
Interest cost	232,377	122,304	89,246	46,402
Current service cost	144,438	127,973	48,748	41,999
Past service cost	–	(7,080)	–	(3,270)
Actuarial (gain)/loss	(21,303)	(158,313)	15,189	(35,014)
Benefits paid	(71,029)	(65,393)	(21,454)	(35,057)
As at 31 March	1,833,667	1,549,184	726,702	594,973

28.2 Amount Recognised in the Profit/loss

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Continuing Operations				
Current service cost	144,438	127,973	48,748	41,999
Interest cost	232,377	122,304	89,246	46,402
Past service cost	–	(7,080)	–	(3,270)
	376,815	243,197	137,994	85,131

During the year ended 31 March 2022, the pension arrangements were adjusted to reflect new legal requirements in that country regarding the retirement age. As a result of the plan amendment, the Group and Company's defined benefit obligation decreased by Rs. 7.08 Mn. and Rs. 3.27 Mn. respectively. A corresponding past service credit was recognised in profit or loss during the year ended 31 March 2022.

28.3 Amount Recognised in Other Comprehensive Income

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Actuarial (Gain)/loss Arising from:				
- Demographic assumptions	(15)	(31,640)	–	(22,877)
- Financial assumptions	21,545	(14,979)	7,735	(10,730)
- Experience adjustment	(42,833)	(111,694)	7,454	(1,407)
	(21,303)	(158,313)	15,189	(35,014)

28.4 Actuarial Assumptions

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

	% 2023	% 2022
Discount rate	18	15
Salary increment rate		
- Executive	17	14
- Staff	17	14
Staff turnover rate	20	20
Retirement age	60 years	60 years

The defined benefit obligation liability of the Company is based on an actuarial valuation carried out by Mr M Poopalanathan, AIA Messrs Actuarial and Management Consultants (Private) Limited, an Independent Actuary. The actuarial valuation involves making assumptions about discount rates and future salary increases. Due to the complexity of the valuation and the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The Company has considered the impact on the defined benefit obligations due to changes in economic factors as a result of the prevailing macroeconomic conditions, with support of the independent actuarial expert. As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing employee benefit obligations as per LKAS 19. Further, the salary increment rate of 17% is considered appropriate to be in line with the Group's targeted future salary increments when taking into account the current market conditions and inflation rate. Due to the discount rate and salary increment rate assumptions used, nature of non-financial assumptions and experience of the assumptions of the Company, there is no significant impact to employment benefit liability as a result of prevailing macro-economic conditions.

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

28.5 Sensitivity Analysis

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

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

As at 31 March	2023		2022	
	Increase Rs. '000	Decrease Rs. '000	Increase Rs. '000	Decrease Rs. '000
Group				
Discount rate (1% movement)	(58,974)	63,567	(51,207)	55,356
Salary increment rate (1% movement)	70,468	(66,404)	61,276	(57,598)
Company				
Discount rate (1% movement)	(19,302)	20,671	(16,220)	17,429
Salary increment rate (1% movement)	23,143	(21,953)	19,456	(18,403)

28.6 Maturity Profile of the Retirement Benefit Obligations

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Less than 1 year	547,318	465,243	325,739	272,304
Between 1 - 5 years	748,714	627,377	231,147	177,436
Between 6 - 10 years	389,104	329,849	128,941	111,539
Over 10 years	148,531	126,715	40,875	33,694
	1,833,667	1,549,184	726,702	594,973

As at 31 March 2023, the weighted average duration of the defined benefit obligation for the Company was 3.20 years (2022: 3.21 years).

29. Trade and Other Payables

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Trade payables	20,673,240	15,782,767	12,921	20,171
Other payables	4,870,834	4,984,195	493,507	519,070
Accrued expenses	2,392,209	2,342,056	58,159	64,664
	27,936,283	23,109,018	564,587	603,905

30. Dividend Payable

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
At 1 April	72,295	63,804	72,295	63,804
Dividends declared to shareholders (Note 11)	2,190,261	1,571,834	2,190,261	1,571,834
Dividends paid to shareholders	(2,167,856)	(1,557,918)	(2,167,856)	(1,557,918)
Write back of unclaimed dividends	(16,027)	(5,425)	(16,027)	(5,425)
At 31 March	78,673	72,295	78,673	72,295

31. Segmental Information

Accounting Policy

Segment Reporting

The Group's primary segments are food retailing, food and beverage manufacturing and distribution, restaurant and real estate. There are no distinguishable components to be identified as geographical segments for the Group.

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

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

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

The following summary describes the operations of each reportable segment:

Reportable segment	Operations
Food retailing	Operating a chain of retail outlets under the brand names of "Food City", "Cargills Express", "Food Hall" and eCommerce platform "Cargills Online"
Food and beverage manufacturing and distribution	Manufacturing and distributing ice cream and other dairy products, fruit based products, processed and fresh meat products, biscuits, distribution of international FMCG products, production, importation and distribution of agricultural seeds and poultry and breeder farming.
Restaurant	Operating a chain of "KFC" and "TGIF" restaurants under franchise agreements.
Real estate	Owner/operator of the "Cargills Square" shopping and entertainment malls.

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

Revenue



	2023	2022
■ Retail	74%	75%
■ Food and beverage manufacturing and distribution	21%	20%
■ Restaurant	5%	4%
■ Other	0%	0%

Profit Before Tax



	2023	2022
■ Retail	38%	18%
■ Food and beverage manufacturing and distribution	50%	69%
■ Restaurant	18%	15%
■ Real estate	1%	0%
■ Other	-7%	-3%

Segmental Assets



	2023	2022
■ Retail	55%	51%
■ Food and beverage manufacturing and distribution	19%	19%
■ Restaurant	4%	5%
■ Real estate	7%	8%
■ Other	15%	16%

	Food Retailing		Food and Beverage Manufacturing and Distribution		Restaurant		Real Estate		Others		Group	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Revenue	145,586,716	103,061,948	57,749,543	37,760,972	8,931,458	5,875,972	–	–	36,062	31,013	212,303,779	146,729,905
Intra-segment revenue	–	–	(1,098,588)	(297,445)	–	–	–	–	–	–	(1,098,588)	(297,445)
Inter-segment revenue	(192,891)	(121,473)	(15,358,339)	(9,587,981)	–	–	–	–	(36,062)	(31,013)	(15,587,292)	(9,740,467)
	145,393,825	102,940,475	41,292,616	27,875,546	8,931,458	5,875,972	–	–	–	–	195,617,899	136,691,993
Segment operating profit	6,422,416	3,750,626	5,525,287	4,148,593	1,482,462	966,556	(19,112)	(82,496)	348,482	275,104	13,759,535	9,058,383
Net finance cost	(3,151,165)	(2,684,097)	(1,355,697)	(120,848)	26,764	(87,690)	3,397	369	(1,260,663)	(362,965)	(5,737,364)	(3,255,231)
Change in fair value of investment property	–	–	15,000	7,950	–	–	207,333	90,534	78,446	30,979	300,779	129,463
Share of equity accounted investees results	–	–	–	–	–	–	–	–	193,692	(114,181)	193,692	(114,181)
Profit before taxation	3,271,251	1,066,529	4,184,590	4,035,695	1,509,226	878,866	191,618	8,407	(640,043)	(171,063)	8,516,642	5,818,434
Income Tax Expense												
Current tax expense	(986,729)	(512,636)	(1,046,486)	(773,113)	(421,609)	(240,616)	(599)	(1,492)	(87,313)	(25,907)	(2,542,736)	(1,553,764)
Deferred tax expense	222,426	220,947	(215,595)	25,424	30,215	15,628	(187,200)	(13,730)	(73,642)	(34,946)	(223,797)	213,323
Other tax expense	–	–	(38,781)	127,957	–	–	–	–	(330,484)	(67,230)	(369,265)	60,727
Profit for the year	2,506,948	774,840	2,883,728	3,415,963	1,117,832	653,878	3,819	(6,815)	(1,131,482)	(299,146)	5,380,845	4,538,720
Attributable to:												
Equity shareholders of the parent	2,506,948	774,840	2,880,888	3,414,581	1,117,832	653,878	(8,180)	(1,109)	(1,131,482)	(299,146)	5,366,006	4,543,044
Non-controlling interest	–	–	2,840	1,382	–	–	11,999	(5,706)	–	–	14,839	(4,324)
	2,506,948	774,840	2,883,728	3,415,963	1,117,832	653,878	3,819	(6,815)	(1,131,482)	(299,146)	5,380,845	4,538,720
Segment Assets												
Non-current Assets												
Property plant and equipment	25,295,250	21,104,711	10,196,328	8,928,211	1,627,554	1,410,292	2,133,750	2,132,148	7,670,100	6,436,843	46,922,982	40,012,205
Right-of-use assets	18,258,498	13,665,548	78,342	81,314	1,287,809	1,991,365	–	–	1,016,609	1,087,531	20,641,258	16,825,758
Investment property	–	–	200,347	151,750	–	–	5,721,646	5,504,350	1,420,573	1,383,784	7,342,566	7,039,884
Intangible assets	119,460	169,602	698,032	724,057	227,980	93,134	–	–	537,241	452,622	1,582,713	1,439,415
Other financial assets	–	–	243	140	238	134	–	–	1,569,461	1,525,941	1,569,942	1,526,215
Prepayments on leasehold land and buildings	200,912	200,912	–	–	–	–	–	–	–	–	200,912	200,912
Investment in equity accounted investees	–	–	–	–	–	–	–	–	4,364,261	4,207,228	4,364,261	4,207,228
Biological assets	–	–	23,873	–	–	–	–	–	–	–	23,873	–
Deferred tax assets	–	–	27,829	11,969	–	2,101	–	–	–	–	27,829	14,070
	43,874,120	35,140,773	11,224,994	9,897,441	3,143,581	3,497,026	7,855,396	7,636,498	16,578,245	15,093,949	82,676,336	71,265,687

	Food Retailing		Food and Beverage Manufacturing and Distribution		Restaurant		Real Estate		Others		Group	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Current Assets												
Inventories	15,625,261	10,329,414	6,857,229	4,329,647	382,690	130,061	–	–	7,646	13,162	22,872,826	14,802,284
Biological assets		–	33,681	–	–	–	–	–	–	–	33,681	–
Trade and other receivables	4,519,772	3,134,168	3,761,138	3,202,038	262,137	177,267	624,114	420,805	683,927	503,807	9,851,088	7,438,085
Amount due from related companies	38,878	40,987	7,787	4,578	–	–	18,146	1,562	326,857	329,938	391,668	377,065
Other financial assets	–	904,695	100,924	92,453	–	–	18,743	19,408	–	–	119,667	1,016,556
Cash and cash equivalents	2,248,620	1,044,381	1,028,619	1,397,962	1,481,545	921,829	4,273	45,834	78,359	134,093	4,841,416	3,544,099
	22,432,531	15,453,645	11,789,378	9,026,678	2,126,372	1,229,157	665,276	487,609	1,096,789	981,000	38,110,346	27,178,089
Total Segmental Assets	66,306,651	50,594,418	23,014,372	18,924,119	5,269,953	4,726,183	8,520,672	8,124,107	17,675,034	16,074,949	120,786,682	98,443,776
Segment Liabilities												
Non-current Liabilities												
Interest-bearing loans and borrowings	671,295	2,274,267	653,734	853,252	–	–	–	–	2,789,844	4,395,893	4,114,873	7,523,412
Lease liability	20,412,604	15,382,893	54,380	48,283	1,491,575	2,070,085	–	–	962,697	1,000,818	22,921,256	18,502,079
Deferred tax liability	(268,236)	(200,152)	821,297	461,270	(47,069)	(14,665)	256,222	28,981	575,437	454,371	1,337,652	729,805
Capital grant	–	–	4,493	15,975	–	–	–	–	–	–	4,493	15,975
Employee benefit liability	959,200	828,149	147,336	125,433	–	–	429	629	726,702	594,973	1,833,667	1,549,184
	21,774,863	18,285,157	1,681,240	1,504,213	1,444,506	2,055,420	256,621	29,610	5,054,680	6,446,055	30,211,941	28,320,455
Current Liabilities												
Trade and other payables	21,024,679	17,466,943	4,666,571	3,937,862	1,636,859	1,088,762	43,465	11,483	564,709	603,968	27,936,283	23,109,018
Current tax liabilities	1,642,333	957,745	2,954,985	2,399,167	923,846	583,669	155	495	433,586	253,246	5,954,905	4,194,322
Amount due to related companies	–	–	257	2,834	–	–	6,150	1,738	–	–	6,407	4,572
Dividends payable	–	–	–	–	–	–	–	–	78,673	72,295	78,673	72,295
Interest bearing loans and borrowings	11,855,104	6,657,040	5,356,930	2,472,779	150,488	105,483	47,656	–	6,932,669	3,246,919	24,342,847	12,482,221
Lease liability	1,152,027	889,943	22,888	33,531	128,161	193,079	–	–	34,744	22,825	1,337,820	1,139,378
	35,674,143	25,971,671	13,001,631	8,846,173	2,839,354	1,970,993	97,426	13,716	8,044,381	4,199,253	59,656,935	41,001,806
Total Segmental Liabilities	57,449,006	44,256,828	14,682,871	10,350,386	4,283,860	4,026,413	354,077	43,326	13,099,061	10,645,308	89,868,876	69,322,261
Other Information												
Capital expenditure	6,501,082	5,244,146	2,542,935	1,440,536	656,336	619,173	1,218,918	1,450,371	183,534	92,322	11,102,805	8,846,548
Depreciation	2,275,101	1,953,551	1,268,749	1,150,751	279,223	259,467	4,754	8,510	87,908	80,680	3,915,735	3,452,959

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

32. Commitments

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Capital Commitment				
Approved and contracted	749,269	3,047,782	–	9,000
Financial Commitments				
(a) Future payments of operating lease rentals*				
– within 1 year	–	–	–	–
– between 1 –5 years	–	–	–	–
– more than 5 years	–	–	–	–
(b) Settlement of letter of credits and import bills	41,679	495,341	–	–

* Future payments of operating lease rentals are disclosed in Note 13.2 under Maturity analysis – Contractual undiscounted cash flows:

33. Contingent Liabilities

Accounting Policy

Contingencies

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 “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

An assessment has been received from the Department of Inland Revenue on prices charged on the related party transactions of Cargills Ceylon PLC. Contingent liabilities on potential income tax payment is Rs. 70.20 Mn. Having sought professional advice, the Management is confident that no liabilities would arise. Accordingly, no provision has been made in the Financial Statements.

Letter of Guarantee to Commercial Banks

The Company has given letters of guarantee to Commercial Banks on behalf of subsidiary companies amounting to Rs. 535 Mn. Kotmale Holding PLC a subsidiary of the company has given letters of guarantee to Commercial Banks on behalf of its subsidiary company; Kotmale Dairy Products (Pvt) Ltd. amounting to Rs. 50 Mn. The Directors do not expect any claim on these guarantees. Accordingly, no provision has been made in the Financial Statements.

Bank Guarantee

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

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

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

34. Events after the Reporting Date

34.1 Proposed Dividend

Subsequent to the reporting period, on 16 May 2023, the Board of Directors proposed a second interim dividend of Rs. 8.50 per share for the year ended 31 March 2023.

In accordance with LKAS 10 – “Events after the reporting period”, the dividend has not been recognised as a liability in the Financial Statements as at 31 March 2023.

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

35. Transactions with Group Companies

Accounting Policy

Related Party Transaction

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

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

The Company has provided corporate guarantees for the term loans and banking facilities obtained by its subsidiary companies, the details of which has been disclosed under Note 26.1 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 22 to the Financial Statements.

35.1 Transactions with Key Management Personnel (KMP)

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

Key Management Personnel compensation comprise the following:

Year ended 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Salaries and other short-term employee benefits	531,570	461,784	139	124
	531,570	461,784	139	124

35.2 Amount Due from/due to Related Companies

Amounts due from and due to related companies as at the year end have been disclosed under Note 22 to these Financial Statements.

35.3 Transactions with Related Companies

For the year ended 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Transaction with Related Parties				
Subsidiaries				
Sale/(purchase)	—	—	36,061	31,013
Other income/(expense)	—	—	2,522,809	1,792,627
Fund transfer/(settlement)	—	—	(1,787,814)	(995,366)
Holding Company				
Sale/(purchase)	—	—	—	—
Other income/(expense)	16,405	21,148	16,405	11,437
Fund transfer/(settlement)	(28,530)	393	(28,530)	395
Associates				
Sale/(purchase)	925	—	—	—
Other income/(expense)	70,836	79,621	22,062	41,577
Fund transfer/(settlement)	46,323	(94,348)	(21,203)	(21,079)
Other Related Companies				
Sale/(purchase)	26,827	(24,171)	—	—
Other income/(expense)	93,700	49,512	17,709	15,718
Fund transfer/(settlement)	(19,525)	(12,696)	(32,331)	(5,217)

The administration expense relating to Company includes employee benefit cost transfer to subsidiaries amounting to Rs. 68.39 Mn. (2022 - 49.23 Mn.) for the year ended 31 March 2023.

	Rs. '000 2023	Rs. '000 2022
Dividend received from subsidiary companies		
Cargills Quality Foods Limited	511,692	1,210,455
Cargills Foods Company (Private) Limited	595,954	300,149
Cargills Foods Processors (Private) Limited	750,063	155,040
Cargills Quality Dairies (Private) Limited	665,100	—
	2,522,809	1,665,644

35.4 Transactions, Arrangements and Agreements Involving Key Management Personnel (KMP) and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include;

- (a) the individual's domestic partner and children;
- (b) children of the individual's domestic partner; and
- (c) dependence of the individual or the individual's domestic partner

CFM are related parties to the entity. There were no transactions other than disclosed below with the CFM during the year.

Double Yummm (Private) Limited

Mrs R Page, wife of the Deputy Chairman is a Director of the above company with which Cargills Food Company (Private) Limited had regular transactions in the ordinary course of business and the amount outstanding as at 31 March 2023 was Rs. 29.89 Mn. (2022 - Rs. 16.20 Mn.).

Purchases for re-sale in the ordinary course of business amounted to Rs. 295.53 Mn. (2022 - Rs. 158.42 Mn.).

Directors have no direct or indirect interest in any other contacts with the Company.

36. Comparative Information

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

37. Assessment of Going Concern

The Financial Statements of Cargills Ceylon Plc for the year ended 31 March 2023, have been prepared on the basis that the Company is a Going Concern.

Based on the prevailing information, the management has considered the consequences of the uncertainties faced by the country and, whilst these challenges would have a bearing on the inflation, consumer demand and supply chain, The Company has adapted strategies to mitigate its impact and does not contemplate a significant doubt upon the entity's ability to continue as a Going Concern.

38. Financial Instruments

38.1 Accounting Classification and Fair Values

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

Financial Assets by Categories (Group)		Financial assets at amortised cost		FVTOCI – equity instruments		FVTPL - debt instruments	
As at 31 March	Note	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Financial Assets Measured at Fair Value							
Other financial instruments – Equity	16.3.1	–	–	69,942	26,215	–	–
Other financial instruments – Debt	16.3.2	–	–	–	–	1,500,000	1,500,000
Financial Assets not Measured at Fair value							
Trade and other receivables, excluding prepayments, deposits and tax recoverable	21	6,637,934	4,661,430	–	–	–	–
Amounts due from related companies	22	391,668	377,065	–	–	–	–
Other financial assets	16.3.3	119,667	1,016,556	–	–	–	–
Cash and cash equivalents	25	4,841,416	3,544,099	–	–	–	–
Total		11,990,685	9,599,150	69,942	26,215	1,500,000	1,500,000

Financial Liabilities by Categories (Group)		Financial liabilities at amortised cost	
As at 31 March	Note	Rs. '000 2023	Rs. '000 2022
Financial Liabilities not Measured at Fair Value			
Interest bearing loans and borrowings	26	28,457,720	20,005,633
Lease liability	13	24,259,076	19,641,457
Trade and other payables, excluding accrued expenses	29	25,544,074	20,766,962
Amounts due to related companies	22	6,407	4,572
Total		78,267,277	60,418,624

Financial Assets by Categories (Company)		Financial assets at amortised cost		FVTOCI – equity instruments		FVTPL - debt instruments	
As at 31 March	Note	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Financial Assets Measured at Fair Value							
Other financial instruments – Equity	16.3.1	–	–	69,461	25,941	–	–
Other financial instruments – Debt	16.3.2	–	–	–	–	1,500,000	1,500,000
Financial Assets not Measured at Fair Value							
Trade and other receivables, excluding prepayments, deposits and tax recoverable	21	149,221	66,355	–	–	–	–
Amounts due from related companies	22	4,007,984	2,333,277	–	–	–	–
Cash and cash equivalents	25	7,933	73,504	–	–	–	–
Total		4,165,138	2,473,136	69,461	25,941	1,500,000	1,500,000

Financial Liabilities by Categories (Company)
As at 31 March

Financial Liabilities by Categories (Company) As at 31 March	Note	Financial liabilities at amortised cost	
		Rs. '000 2023	Rs. '000 2022
Financial Liabilities not Measured at Fair Value			
Interest bearing loans and borrowings	26	9,722,513	7,642,812
Lease liability	13	997,441	1,025,528
Trade and other payables, excluding accrued expenses	29	506,428	539,241
Amounts due to related companies	22	1,286	15,338
Total		11,227,668	9,222,919

38.1.1 The above table does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

38.2 Fair Value Hierarchy

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

The different levels have been defined as follows:

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

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

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

As at 31 March	Level 1		Level 2		Level 3		Total	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Group								
Freehold land and buildings (Note 12)	–	–	–	–	18,943,825	15,430,577	18,943,825	15,430,577
Investment property (Note 14)	–	–	–	–	7,342,566	7,039,884	7,342,566	7,039,884
Equity investment at FVOCI (Note 16.3.1)	69,942	26,215	–	–	–	–	69,942	26,215
Debt investment at FVTPL (Note 16.3.2)	–	–	1,500,000	1,500,000	–	–	1,500,000	1,500,000

As at 31 March	Level 1		Level 2		Level 3		Total	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Company								
Freehold land and buildings (Note 12)	–	–	–	–	3,075,489	3,085,856	3,075,489	3,085,856
Investment property (Note 14)	–	–	–	–	3,293,903	3,170,928	3,293,903	3,170,928
Equity investment at FVOCI (Note 16.3.1)	69,461	25,941	–	–	–	–	69,461	25,941
Debt investment at FVTPL (Note 16.3.2)	–	–	1,500,000	1,500,000	–	–	1,500,000	1,500,000

38.2.1 Assets and Liabilities Measured at Fair Value – Recurring

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

Assets and Liabilities	Valuation Technique	Significant Unobservable Inputs	Sensitivity of the Input to the Fair Value
Property, plant and equipment – Freehold land and building	Market approach – This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	Market value per perch of land/price per square foot Rs. 800,000 – Rs. 18,000,000 per perch	Estimated fair value will increase (decrease) if; market value per perch/price for sq.ft. increases (decreases)
	Income approach – The net income generated by the property is used in conjunction with certain factors is used to calculate its fair value.	Cash flows from property discounted at an appropriate rate Contractual rental Rs. 50,000 – 9,000,000 per month. Capitalisation rates 5% – 8% Repairs and insurance 25% – 30%	Estimated fair value will increase (decrease) if; market interest rate increases (decreases) Contractual rentals were higher/(lower) Capitalisation rate was (higher)/lower Repair and insurance was (higher)/lower Market value per perch was higher/(lower)
Investment property – Freehold land and building	Market approach – This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property	Construction cost per square foot Rs. 400 – Rs. 10,000 Market price per perch. The valuer has used a range of prices for respective lands based on adjusted fair value taking into account other valuation considerations- Rs. 800,000 – Rs. 9,800,000 per perch	The estimated fair value would increase/(decrease) if Cost per square foot was higher/(lower) Market value per perch was higher/(lower)
	Income approach – The net income generated by the property is used in conjunction with certain factors is used to calculate its fair value.	Capitalisation rates 5.5% – 6% Repairs and insurance 23% – 37.5% Contractual rental Rs. 2,520,000 – 8,670,102 per month.	The estimated fair value would increase/(decrease) if Contractual rentals were higher/(lower) Occupancy rates were higher/(lower) Capitalisation rate was (higher)/lower Repair and insurance was (higher)/lower Market value per perch was higher/(lower)

39. Financial Risk Management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk Management Framework

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

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

The Audit Committee oversees 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 the Risk Management team and Internal Audit, who undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

39.1 Credit Risk

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

Group implemented several initiatives such as periodic review of the creditworthiness of its counterparties, Financial Statements reviews, and industry information.

Carrying amount of financial assets represents the maximum credit exposure.

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

As at 31 March	Note	GROUP		COMPANY	
		Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Trade and other receivables, excluding prepayments and tax recoverable	21	6,637,934	4,661,430	149,221	66,355
Amount due from related companies	22	391,668	377,065	4,007,984	2,333,277
Cash and cash equivalents, excluding cash in hand	25	3,435,517	2,830,498	7,773	10,786
		10,465,119	7,868,993	4,164,978	2,410,418

39.1.1 Trade Receivables Net of Provision for Impairment

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Past due 1 – 30 days	3,301,647	2,628,689	–	–
Past due 31 – 60 days	1,349,160	556,254	–	–
Past due 61 – 90 days	282,673	230,716	–	–
> 91 days	188,869	262,339	–	–
	5,122,349	3,677,998	–	–

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

39.1.2 Amount due from Related Companies

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

39.1.3 Cash and Cash Equivalents

The Group and the Company held cash and cash equivalents of Rs. 4,841.42 Mn. and Rs. 793 Mn. at 31 March 2023 (2022 – Rs. 3,544.01 Mn. and Rs. 73.50 Mn.), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks, which are rated AAA(Ika) to BBB-(Ika), based on Fitch Ratings.

39.1.4 Guarantees

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

39.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group holds cash and undrawn committed facilities to manage its liquidity risk.

The Group monitors its risk to shortage of funds by considering maturity of both the Group's financial investments 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 agreements or secured borrowings.

The following are the contractual maturities of financial liabilities of the Group as at 31 March 2023:

Contractual Cash Flows					
Group	Carrying Amount Rs. '000	Total Rs. '000	Within 1 year Rs. '000	Between 1-5 years Rs. '000	More than 5 years Rs. '000
Trade and other payables, excluding accrued expenses	25,544,074	25,544,074	25,544,074	–	–
Amounts due to related companies	6,407	6,407	6,407	–	–
Short-term loan	18,617,798	18,617,798	18,617,798	–	–
Long-term loan	7,329,976	7,329,976	3,215,103	4,114,873	–
Bank overdraft	2,509,946	2,509,946	2,509,946	–	–
Lease liabilities	24,259,076	43,602,252	3,266,820	12,466,745	27,868,687
	78,267,277	97,610,453	53,160,148	16,581,618	27,868,687

The following are the contractual maturities of financial liabilities of the Group as at 31 March 2022:

Contractual Cash Flows					
Group	Carrying Amount Rs. '000	Total Rs. '000	Within 1 year Rs. '000	Between 1-5 years Rs. '000	More than 5 years Rs. '000
Trade and other payables, excluding accrued expenses	20,766,962	20,766,962	20,766,962	–	–
Amounts due to related companies	4,572	4,572	4,572	–	–
Short-term loan	6,877,486	6,877,486	6,877,486	–	–
Long-term loan	11,426,097	11,426,097	3,902,685	7,523,412	–
Bank overdraft	1,702,050	1,702,050	1,702,050	–	–
Lease liabilities	19,641,457	38,926,548	2,967,491	11,428,431	24,530,626
	60,418,624	79,703,715	36,221,246	18,951,843	24,530,626

The following are the contractual maturities of financial liabilities of the Company as at 31 March 2023:

Contractual Cash Flows					
Company	Carrying Amount Rs. '000	Total Rs. '000	Within 1 year Rs. '000	Between 1-5 years Rs. '000	More than 5 years Rs. '000
Trade and other payables, excluding accrued expenses	506,428	506,428	506,428	–	–
Amounts due to related companies	1,286	1,286	1,286	–	–
Short-term loan	5,165,000	5,165,000	5,165,000	–	–
Long-term loan	4,397,799	4,397,799	1,607,955	2,789,844	–
Bank overdraft	159,714	159,714	159,714	–	–
Lease liabilities	997,441	1,508,642	93,147	506,558	908,937
	11,227,668	11,738,869	7,533,530	3,296,402	908,937

The following are the contractual maturities of financial liabilities of the Company as at 31 March 2022:

Contractual Cash Flows					
Company	Carrying Amount Rs. '000	Total Rs. '000	Within 1 year Rs. '000	Between 1-5 years Rs. '000	More than 5 years Rs. '000
Trade and other payables, excluding accrued expenses	539,241	539,241	539,241	–	–
Amounts due to related companies	15,338	15,338	15,338	–	–
Short-term loan	1,205,000	1,205,000	1,205,000	–	–
Long-term loan	6,342,148	6,342,148	1,946,255	4,395,893	–
Bank overdraft	95,664	95,664	95,664	–	–
Lease liabilities	1,025,528	1,586,769	79,729	384,757	1,122,283
	9,222,919	9,784,160	3,881,227	4,780,650	1,122,283

39.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

39.3.1 Currency Risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the Sri Lankan Rupee (LKR). The Group has limited exposure in respect of recognised foreign currency assets and liabilities. The Group applied Rs. 327 per USD and Rs. 357 per EUR as at the reporting date in translating its assets and liabilities. The following table shows the estimated impact on profitability by fluctuation of exchange rates assuming that all other variables remain constant;

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
5% - Increase in exchange rate USD	8,354	152,568	–	–
5% - Decrease in exchange rate USD	(8,354)	(152,568)	–	–

39.3.2 Interest Rate Risk

The Group is exposed to interest rate risk on borrowings and deposits. The Group's interest rate policy seeks to minimise the cost and volatility of the Group's interest expense by maintaining a diversified portfolio of fixed rate, floating rate and inflation-linked liabilities.

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

Sensitivity Analysis

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

As at 31 March	GROUP		COMPANY	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
+100 basis points	(284,577)	(144,061)	(97,225)	(70,277)
-100 basis points	284,577	144,061	97,225	70,277

39.3.3 Market Price Risk

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

- Equity investment decisions are based on fundamentals rather than on speculation; and
- Decisions are based on in depth macroeconomic and industry analysis as well as research reports on company performance. Market price risk is not material to the Group.

39.4 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain shareholder, 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	
	Rs. '000 2023	Rs. '000 2022	Rs. '000 2023	Rs. '000 2022
Total borrowings	28,457,720	20,005,633	9,722,513	7,642,812
Less: Cash and cash equivalents	6,531,025	6,086,870	7,933	73,504
Net debt	21,926,695	13,918,763	9,714,580	7,569,308
Total equity	30,917,807	29,121,515	11,880,856	12,601,740
Net debt to equity ratio	0.71	0.48	0.82	0.60

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

ANNEXURES

255

Cargills
(Ceylon)
PLC
Annual
Report
2022/23

ABOUT
THE REPORT

256

FIVE YEAR FINANCIAL
SUMMARY

260

INVESTOR RELATIONS
SUPPLEMENT

261

GROUP REAL ESTATE
PORTFOLIO

263

NOTICE OF ANNUAL
GENERAL MEETING

264

ABOUT THE REPORT

Cargills (Ceylon) PLC is proud to present our Integrated Annual Report for the financial year ended 31 March 2023. This report has been compiled in accordance with the International Integrated Reporting Framework proposed by the International Integrated Reporting Council (IIRC) and displays amplified efforts to incorporate more insights and data that validate our commitment towards sustainable and ethical business practices. Having set out on a journey to instill further transparency in our reporting process with our inaugural Integrated Annual Report introduced in the previous fiscal year, this report is emblematic of the advancement made by Cargills towards a clearer communication of its strategy, governance, performance, and potential for growth while taking into consideration its impact on the external environment and the use of resources. It serves to evidence the value created by Cargills over the short-term, medium-term, and long-term.

How this Report is Organised

With the International Integrated Reporting <IR> Framework and the Global Reporting Initiative (GRI) Sustainability Reporting Standards as principal references, the Management Discussion and Analysis (MDA) of this report has been structured according to the value delivered and value created by Cargills, by living up to its mission statement. Similar to the previous report, this structure allows stakeholders and shareholders to observe how the Company is pursuing its purpose, conducting business, and developing a strategy in accordance with its mission and identity. A high level of compliance and transparency of business conduct has continued to guide Cargills' growth and progress; accordingly, transitioning to an integrated approach expands our reporting of responsible business activities, which grants stakeholders the opportunity and the means to openly communicate with Cargills on material issues, and permits shareholders to make well-informed decisions on aligning their investments and trust with the

Company. This Report provides both quantitative and qualitative data, with a preference for offering quantitative information where available to facilitate comparisons and further analysis.

Scope, Boundaries, and Reporting Structure

The Annual Report remains consistent with the Company's conventional annual reporting cycle and covers the operations of Cargills (Ceylon) PLC and its subsidiaries as listed out in the Corporate Information of the compilation (collectively addressed as the "Group") for the 12-month period from 1 April 2022 to 31 March 2023. All financial and non-financial analysis is conducted within the realm of sectoral activities and their associated business units.

The reporting system facilitates the review of all Group businesses in terms of operations, strategy, and performance while GRI reporting is systematically compiled at Group level through data collection and review by operation and by sector. Therefore, the primary entity for which the social and environmental data is presented in the narrative reports, unless specified otherwise, is the Group as a whole, and material aspects and boundaries are based on internal assessments encompassing the Group's activities in Sri Lanka.

Financial Reporting

The financial information reported in this Integrated Annual Report has been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS) as laid down by the Institute of the Chartered Accountants of Sri Lanka in compliance with the Companies Act No. 07 of 2007 and the listing rules of the Colombo Stock Exchange, and have been audited by M/s KPMG. Furthermore, the report is in adherence with the Code of Best Practice on Corporate Governance issued jointly by the Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

Non-Financial Reporting

The Cargills Integrated Annual Report 2022/23 serves as a comprehensive framework in disclosing the Group's impact, progress and contribution made to the UN Sustainable Development Goals (SDGs) and UNGC Principles. An Independent Assurance Report by M/s KPMG provides reasonable assurance on the Financial Highlights (pages 16 and 17) and limited assurance on the Non-Financial Highlights (pages 18 and 19) and Performance Summary (pages 30 to 161).

Feedback

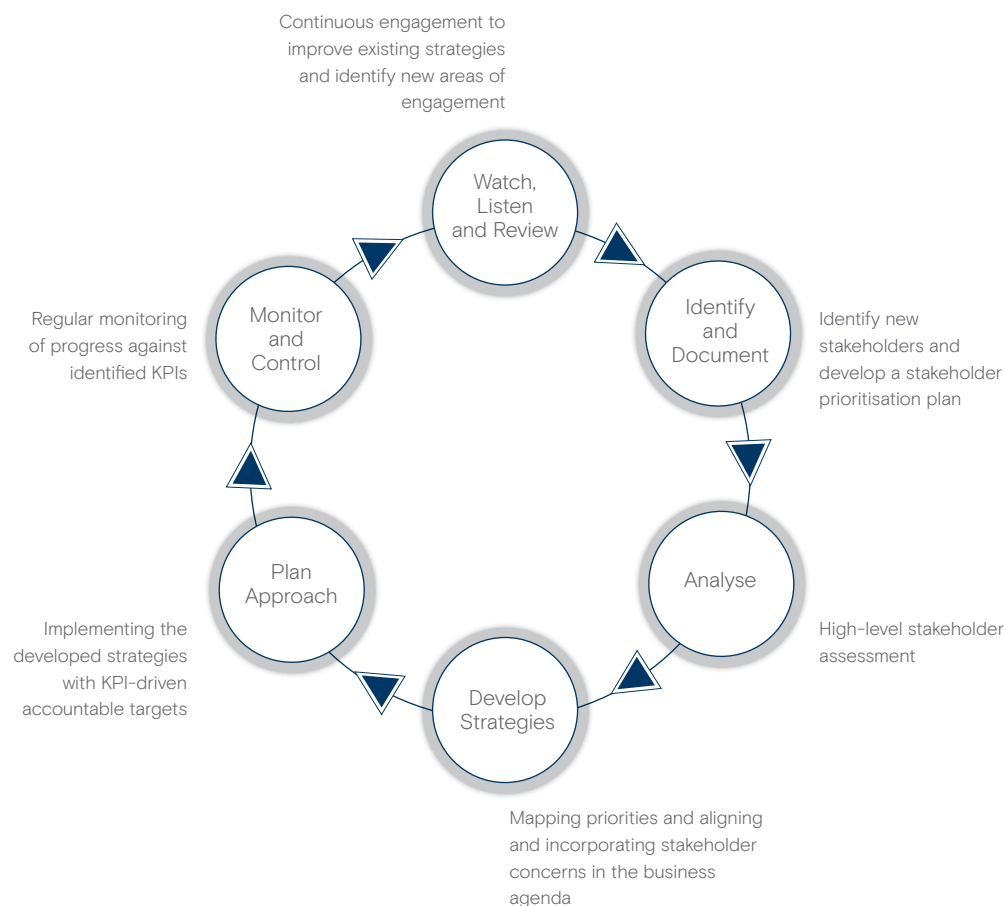
All questions, suggestions, and feedback on the Annual Report 2022/2023 can be sent to info@cargillsceylon.com

Stakeholder Engagement

Cargills maintains an open and ongoing two-way dialogue with internal and external stakeholders in order to ensure that our business is proactive in addressing the changing needs and expectations of our stakeholders, enhancing shareholder value, and promoting long-term sustainability across all business verticals.

Our Engagement Process

At Cargills, we recognise the importance of effective stakeholder engagement in the process of translating stakeholders' needs into our organisational goals to form a successful strategy. To this end, we have implemented a structured method of engagement, which includes the identification and monitoring of key performance indicators. This process of continual vigilance further enhances our understanding of the current developments and changes we face in our operational environment, enabling us to respond effectively and in a timely manner.

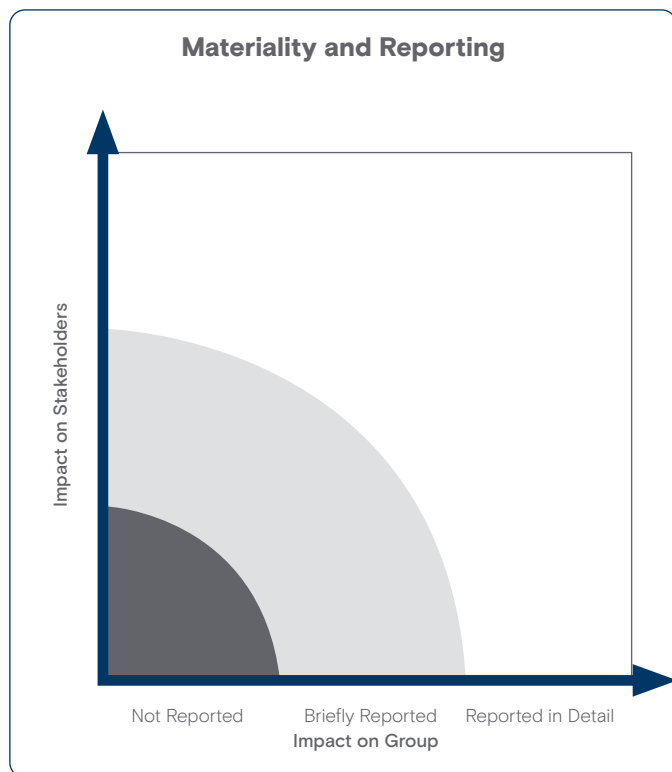


Stakeholder	Engagement Mechanism	Key Concerns Raised in 2022/23	Measures taken by Cargills in Response
Farmers, SMEs and Traders Over 20,000 farmers and more than 600 suppliers are directly linked to markets through the Cargills value chain	- Ongoing Daily Engagement - Ongoing Monthly Meetings - Ongoing Field Visits - Monthly/Quarterly Partnership Meetings - Monthly/Quarterly Farmer Group Meetings - Digital Engagement Platforms	- Increasing inflation and input costs - Access to new markets - Access to financial services - Price regulations	- Successful expansion of the Agriculture Modernisation Project and Dairy Development Programme - Expansion of retail chain to access new, untapped suburban markets - Introducing Village to Home initiative for SMEs - Continuous dissemination of technical knowledge and training to farmers - Strengthened financial assistance through subsidies and the Cargills <i>Sarubima</i> Credit Relief Fund, with Rs. 10 Mn. reserved from the <i>Sarubima</i> Fund for the purpose
Employees The Cargills team comprises 11,033 members spread across 25 districts and over 400 locations	- Ongoing training and mentoring via an online portal - Ongoing orientation programmes - Daily briefings - Open door policy - Monthly/quarterly briefings by senior management - Periodic face-to-face and remote HR engagements - Annual regional staff conventions - Staff events and get-togethers	- Increasing living costs - Access to training and capacity building with mapped career development - Rewards and recognition - Grievance sharing - Team building and interaction - Transparency of corporate decisions	- Providing employment across townships and additional income streams - Expanding the online training portal with 16 new modules to provide anytime-anywhere accessibility to mandatory training courses requisite for promotions and career progression - More transparency in achievement recognition through online portal - Increased access and connectivity across the board through online meetings and enhanced platforms - Launch of highly effective and efficient integrated HR Portal - Formal grievance handling process - Continuous and open communication between leadership and employees - Resuming team building events and engagements
Customers We serve millions of customers through our extensive, island-wide retail and restaurant network and food value chain	- Ongoing daily customer interactions at all sales points, Cargills Online and the Cargills app - Ongoing promotional messaging and print/electronic media publications - Ongoing social media engagement - Customer service hotline - Ongoing consumer research and periodic customer satisfaction surveys - Trade fairs and events	- Addressing rising inflation and cost of living - Growing health-conscious market segment - Growing socially-conscious market segment - Multi-channel accessibility to products and services - Food security	- Increasing access to highest quality produce and consumer goods at the lowest market price by extending the Cargills retail network - Providing access to affordable nutrition through price regulations on essential items - Enhancing Cargills Online services and extending service areas - The increased agricultural output of healthy, socially responsible brands such as Good Harvest, BeeSafe, Cargills Rice, and 27 new healthier product variants - Increasing production volume and eliminating waste across the supply Chain - Ensuring consistent availability of food items around the island through a prudently managed distribution process
Shareholders Cargills aims to annually deliver increased value to shareholders who continue to support the Cargills business model built on long-term value and sustainable growth	- Ongoing information on CSE - Media reports - Corporate website - Open door policy for investor inquiries - Quarterly reports - Monthly/quarterly investor calls and meetings - Monthly/quarterly Road Shows - Annual General Meeting	- Financial performance - Risk management - Capacity expansion - ESG disclosures	- Addressing immediate risks stemming from the ongoing national crisis while continuing to build capabilities for the future - Laying a strong foundation for benchmarked ESG disclosures by continuing to enhance existing reporting and compliance standards - Ensuring transparency and timeliness in disclosing material matters
Local Community Cargills continues to take a multi-faceted approach in contributing to the sustainable development of the local communities in which we operate and those from which we source	- Cargills <i>Sarubima</i> Activities - Cargills Foundation Activities	- Growing Regional Disparities - Access to equal opportunities in education and employment - Female and Youth Empowerment	- Provision of 774 scholarships through the <i>Sarubima</i> Fund - Creating equal access to job opportunities for communities by extending Cargills retail network, with 68% of the team hailing from outside the Western Province - Partnering with State Universities for product development and commercialisation - Investment of Rs. 24 Mn. in community development projects - Expansion of the Early Childhood Education (ECE) Programme - Maintaining a 50:50 gender parity across the Company

Stakeholder	Engagement Mechanism	Key Concerns Raised in 2022/23	Measures taken by Cargills in Response
Government and Regulatory Authorities Cargills drives policy change and implementation towards better health, nutrition and overall living standards by engaging with local lawmakers and regulators	- Ongoing regulatory reporting - Meetings and representation at various Government Forums, Events and Chambers	- Market and community impact - Youth unemployment - Good governance and ethics - Use of resources and environmental impact	- Creating promising job opportunities for youth with 7,068 of our employees under the age of 30 - Contributing to Government policy and decision making by setting benchmarks for the agriculture sector as well as consumer health and nutrition - Responsible waste management and commitment to sustainable environmental practices in production and operations

Materiality

Cargills evaluates the potential impacts on our business and stakeholders concerning various topics in order to determine which are deemed material. Through our Enterprise Risk Management (ERM) framework, we identify, analyse, evaluate, mitigate and monitor risks to inform our assessment. The Global Reporting Index (GRI) standards are considered when mapping the risks incurred. Our materiality assessment helps inform our company's reporting approach, allowing us to focus on relevant, higher-priority topics for our stakeholders.



GRI Content Index

The material issues identified by Cargills and their corresponding levels of materiality are detailed below:

No.	Material Issue	GRI Standard	Materiality	
			To Group	To Stakeholder
1.	Corporate Governance	Internal	102	High
2.	Reputation	Internal	102	High
3.	Risk Management	Internal	102	High
4.	Economic Performance	Internal	201	High
5.	Market Presence	Internal	202	High
6.	Indirect Economic Impact	External	203	High
7.	Anti-Corruption	Internal	205	High
8.	Anti-Competitive Behaviour	Internal	206	Low
9.	Energy Consumption	Internal	302	Moderate
10.	Water Management	Internal	303	Moderate
11.	Emissions	Internal	305	Moderate
12.	Waste Management	Internal	306	High
13.	Environmental Protection	Internal	307	High
14.	Labour Practices and Grievances	Internal	402	Moderate
15.	Occupational Health and Safety	Internal	403	High
16.	Employee Training and Development	Internal	404	High
17.	Diversity and Equal Opportunity	Internal	405	High
18.	Community Development	External	413	High
19.	Customer Health and Safety	External	416	High
20.	Product Labelling	External	417	Moderate
21.	Product Responsibility	Internal	417	High
22.	Regulatory Compliance	Internal	417	Moderate
23.	Customer Privacy	External	418	High

FIVE YEAR FINANCIAL SUMMARY

260

Cargills
(Ceylon)
PLC
Annual
Report
2022/23

Group	Rs. '000 2019	Rs. '000 2020	Rs. '000 2021	Rs. '000 2022	Rs. '000 2023
Continuing Operations					
Revenue	94,662,991	107,051,866	112,607,061	136,691,993	195,617,899
Profit from operations	4,682,326	7,060,621	7,287,074	9,058,383	13,759,535
Profit before taxation	3,402,935	4,199,634	4,527,659	5,818,434	8,516,642
Profit for the year	2,033,813	2,761,419	3,483,639	4,538,720	5,380,845
Attributable to					
Owners of the Company	1,980,246	2,692,092	3,480,991	4,543,044	5,366,006
Non controlling interest	53,567	69,327	2,648	(4,324)	14,839
	2,033,813	2,761,419	3,483,639	4,538,720	5,380,845
Financial Position					
Stated capital	6,530,709	6,756,591	6,773,878	6,841,068	6,841,068
Reserves	10,890,361	11,092,673	16,179,971	18,654,175	20,236,127
Non controlling interest	521,831	515,554	6,874	3,626,272	3,840,612
Capital and Reserves	17,942,901	18,364,818	22,960,723	29,121,515	30,917,807
Current assets	21,632,870	21,832,167	23,123,652	27,178,089	38,110,346
Current liabilities	(34,365,900)	(39,556,049)	(38,945,230)	(41,001,806)	(59,656,935)
Working capital	(12,733,030)	(17,723,882)	(15,821,578)	(13,823,717)	(21,546,589)
Non current assets	36,642,556	49,375,858	59,468,926	71,265,687	82,676,336
Non current liabilities	(5,966,625)	(13,287,158)	(20,686,625)	(28,320,455)	(30,211,940)
Non controlling interest	(521,831)	(515,554)	(6,874)	(3,626,272)	(3,840,612)
Net Assets Attributable to Equity Holders of the Parent	17,421,070	17,849,264	22,953,849	25,495,243	27,077,195

Group	Rs. '000 2019	Rs. '000 2020	Rs. '000 2021	Rs. '000 2022	Rs. '000 2023
Key Indicators					
Growth in turnover (%)	3.69	13.09	5.19	21.39	43.11
Growth in earnings (%)	(38.94)	35.78	26.15	30.29	18.55
Operating profit to turnover (%)	4.95	6.60	6.47	6.63	7.03
Earnings to turnover (%)	2.15	2.58	3.09	3.32	2.75
Return on total assets (%)	3.49	3.88	4.22	4.61	4.45
Growth in total assets (%)	10.11	22.18	15.99	19.19	22.70
Growth in capital and reserves (%)	6.67	2.35	25.03	26.83	6.17
Return on capital and reserves (%)	11.33	15.04	15.17	15.59	17.40
Return on investment (%)	11.70	15.21	16.86	17.43	17.92
Earnings per share (Rs.)	7.68	10.45	13.51	17.63	20.82
Dividends per share (Rs.)	1.90	6.00	5.10	6.10	8.50
Net assets per share (Rs.)	67.61	69.27	89.08	98.94	105.08
Dividends paid per share (Rs.)	1.90	6.00	5.10	6.10	8.50
Dividend payout (%)	24.56	57.33	37.75	34.60	40.40
Dividends paid	486,400	1,543,326	1,311,996	1,571,834	2,190,261
Debt to equity ratio (times)	0.72	0.82	0.70	0.48	0.71
Interest cover (times)	3.29	2.69	2.90	3.33	2.09
Current ratio (times)	0.63	0.55	0.59	0.66	0.64
Quick assets ratio (times)	0.34	0.29	0.29	0.30	0.26
Capital additions	5,431,854	5,518,880	6,403,947	8,846,548	11,102,805
Market value per share as at reporting date (Rs.)	200.00	170.00	235.00	182.50	233.00
Market capitalisation	51,200,000	43,727,577	60,468,908	47,026,186	60,038,911

- a) Return on investment is computed by dividing the profit for the year by total average assets employed.
b) Debt to equity ratio is computed by dividing the total net borrowings by the shareholders' funds.
c) Above per share details have been computed based on 257,677,731 shares in issue as at 31 March 2023.

INVESTOR RELATIONS SUPPLEMENT

1. General

Stated capital	Rs. 6,841,068,486
Issued shares	257,677,731
Class of shares	Ordinary shares
Voting rights	One vote per ordinary share

2. Stock Exchange Listing

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

3. Distribution of Shareholders

Size of	31 March 2023				31 March 2022			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 - 1,000	1,305	65.02	191,184	0.07	1,377	65.04	213,131	0.08
1,001 - 10,000	465	23.17	1,573,705	0.61	488	23.05	1,647,218	0.64
10,001 - 100,000	179	8.92	5,308,041	2.06	192	9.07	5,741,415	2.23
100,001 - 1,000,000	44	2.19	13,711,385	5.32	49	2.31	14,288,033	5.54
1,000,001 and over	14	0.70	236,893,416	91.93	11	0.52	235,787,934	91.50
	2,007	100.00	257,677,731	100.00	2,117	100.00	257,677,731	100.00

4. Analysis of Shareholders

Group of	31 March 2023				31 March 2022			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Institutions	99	4.93	216,045,207	83.84	119	5.62	218,662,900	84.86
Individuals	1,908	95.07	41,632,524	16.16	1,998	94.38	39,014,831	15.14
Total	2,007	100.00	257,677,731	100.00	2,117	100.00	257,677,731	100.00
Residents	1,924	95.86	240,273,950	93.25	2,036	96.17	243,046,271	94.32
Non residents	83	4.14	17,403,781	6.75	81	3.83	14,631,460	5.68
Total	2,007	100.00	257,677,731	100.00	2,117	100.00	257,677,731	100.00

5. Share Valuation

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

	Rs. 2023	Rs. 2022
Highest	247.00	260.00
Lowest	150.00	175.00
Last traded price	233.00	182.50

6. Top 20 Shareholders

The holdings of the top 20 shareholders

	31 March 2023		31 March 2022	
	Number of Shares	%	Number of Shares	%
C T Holdings PLC	183,404,417	71.18	183,404,417	71.18
Mr V R Page	19,228,346	7.46	19,168,346	7.44
Employees' Provident Fund	8,407,333	3.26	8,407,333	3.26
Ms M M Page	6,322,224	2.45	5,892,552	2.29
Odeon Holdings (Ceylon) (Private) Limited	5,511,909	2.14	5,511,909	2.14
Mr A I Dominic	4,484,963	1.74	1,960,677	0.76
Seb Ab-Tundra Frontier Opportunities Fund	3,797,770	1.47	3,797,770	1.47
CITI Bank New York S/A Norges A/C No. 2	3,595,773	1.40	3,595,773	1.40
Ceylon Guardian Investment Trust PLC - A/C No. 2	1,807,002	0.70	1,807,002	0.70
GF Capital Global Limited	1,136,605	0.44	1,124,605	0.44
Dr A Aravinda Page	952,451	0.37	769,105	0.30
Serendip Investments Limited	910,788	0.35	760,788	0.30
Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	682,675	0.26	770,675	0.30
Sir Chittampalam A Gardiner Trust	643,474	0.25	643,474	0.25
East India Holding (Pvt) Ltd.	564,103	0.22	-	-
Mr T Nadesan	553,467	0.21	453,467	0.18
Mr P E Muttukumaru	527,000	0.20	527,000	0.20
J B Cocoshell (Pvt) Ltd.	524,167	0.20	461,317	0.18
Mr J C Page	520,000	0.20	520,000	0.20
Hatton National Bank PLC - Senfin Growth Fund	500,210	0.19	500,210	0.19
	244,074,677	94.72	240,076,420	93.17
Others	13,603,054	5.28	17,601,311	6.83
Total	257,677,731	100.00	257,677,731	100.00

7. Public Holding

The percentage of shares held by the public and number of public shareholders as at 31 March 2023 is 18.60%. (2022 - 18.65%) and 1,990 (2022 - 2,070) respectively. The total number of shares in issue is 257,677,731, of which Public Holding represents 48,018,144 shares. The float adjusted market capitalisation amounts to Rs 11.17 Bn. Accordingly, the Company complies with the Minimum Public Holding requirement of the Main Board as per Option 1 of Section 7.14.1 (a) of the CSE Listing Rules.

GROUP REAL ESTATE PORTFOLIO

Location	Land Extent	Building Area (Sq.Ft.)	Valuation/cost Rs. '000	Year of Valuation
Cargills (Ceylon) PLC				
Colombo 1	140.75 Perches	124,215	3,095,500	2021
Staple Street – Colombo 2	81.5 Perches	20,970	1,022,300	2023
Braybrooke Place	78.17 Perches	5,146	767,666	2023
Canal Row – Colombo 1	15.25 Perches	12,300	419,696	2023
Cargills Square – Jaffna	Leasehold	99,164	1,057,182	2023
Cargills Foods Company (Private) Limited				
Kandy	87.96 Perches	25,174	1,426,400	2021
Maharagama	145.3 Perches	15,827	683,700	2021
Nuwara Eliya	56.5 Perches	9,617	307,100	2021
Mattakkuliya (111)	330 Perches	80,967	848,000	2021
Park Road	–	4,610	64,800	2021
Kohuwala	28.65 Perches	6,225	173,000	2021
Mattakkuliya (141)	287.96 Perches	44,469	589,800	2021
Moratuwa	78.6 Perches	7,475	385,765	2021
Ingiriya (Lot A,C,D,B1)	26 Acres	1,300	248,858	2021
Katana	28.8 Acres	–	760,750	2021
Cargills Quality Foods Limited				
Ja-Ela – Ganemulla	5.03 Acres	41,833	486,515	2021
Ja-Ela – Ganemulla	257 Perches	–	5,624	–
Mattakkuliya	1.3 Acres	17,881	517,114	2023
Ja-Ela – Ma Eliya	4 Acres	18,643	236,455	2022
Marawila	3.03 Acres	22,869	140,913	–
Cargills Agrifoods Limited				
Katana	11.3 Acres	76,059	594,240	2021
Millers Limited				
Kelaniya	1.5 Acres	55,770	495,000	2021
Nittambuwa	112 Perches	–	166,750	2023

Location	Land Extent	Building Area (Sq.Ft.)	Valuation/cost Rs. '000	Year of Valuation
CPC Lanka Limited				
Katoolaya estate, Thawalantenne	4 Acres	19,961	67,000	2021
Cargills Quality Dairies (Private) Limited				
Mirigama, Baduragoda	100.2 Perches	–	20,040	2021
Mirigama, Baduragoda	38.51 Perches	1,476	13,100	2021
Kotmale Dairy Products (Private) Limited				
Mulleriyawa	1.7 Acres	35,528	328,717	2021
Bogahawatta	1 Acres	33,221	485,750	2021
Hatton	17.5 Acres	14,569	104,422	2021
Frederick North Hotel Company Limited				
Boralesgamuwa	2.5 Acres	23,168	461,956	2023
The Empire Investments Company (Private) Limited				
Bandarawela	85.2 Perches	63,653	1,275,374	2023
Katubedda	1.15 Acres	47,171	1,828,914	2023
Dematagoda	84.32 Perches	71,956	1,290,928	2023
Gampaha	82.6 Perches	43,115	598,604	2023
Negombo	91 Perches	17,534	307,500	2023
Kandy	170 Perches	937	811,010	2023
Bare land – Kandy	11.3 Perches	–	81,360	2023
C T Real Estate (Private) Limited				
Piliyandala (193)	114 Perches	–	112,100	2023
Commercial property – Piliyandala	154.9 Perches	21,278	145,376	2023
C T Properties Lakeside (Private) Limited				
Boralesgamuwa	43 Acres	11,400	1,200,000	2023
C T Properties G S (Private) Limited				
Kotahena	199.8 Perches	–	1,568,430	2023

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventy Seventh Annual General Meeting of Cargills (Ceylon) PLC (the Company) will be held at the Institute of Chartered Accountants of Sri Lanka, No. 30A Malalasekara Mawatha, Colombo 07 on Friday, 28 July 2023, at 9.00 a.m and the business to be brought before the meeting will be:

To read the Notice convening the Meeting, and

1. To receive and consider the Annual Report of the Directors and the Financial Statements for the year ended 31 March 2023, with the Report of the Auditors thereon.
2. To re-elect Directors
 - (a) Mr J C Page and
 - (b) Mr S Gardiner who retire by rotation in terms of the Company's Articles of Association and, being eligible, offer themselves for re-election and
 - (c) Mr L R Page,
 - (d) Mr A T P Edirisinghe, and
 - (e) Mr E A D Perera who retire in terms of Section 210 (2) (b) of the Companies Act No. 07 of 2007 having surpassed seventy years of age and offer themselves for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 07 of 2007 with the unanimous support of the other Directors.

Ordinary Resolution (i)

"Resolved that Mr L R Page, 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 (ii)

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

Ordinary Resolution (iii)

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

3. To authorise the Directors to determine contributions to charities for the financial year 2023/24
4. To authorise the Directors to determine the remuneration of the Auditors, Messrs. KPMG, who are deemed reappointed as Auditors at the Annual General Meeting of the Company in terms of Section 158 of the Companies Act No. 07 of 2007

The Annual Report and Financial Statements of Cargills (Ceylon) PLC for the year ended 31 March 2023 are available on the:

- Corporate website : https://www.cargillsceylon.com/investors/annual-reports/Cargills_Ceylon_PLC_Annual_Report_2022_2023.pdf
- The Colombo Stock Exchange : <https://www.cse.lk/home/company-info/CARG.N0000/financial>

The said Annual Report and Financial Statements of Cargills (Ceylon) PLC for 2022/23 can also be accessed by scanning the following QR code.



Taking into consideration the waiver of the CSE Listing Rule 7.5 (b)(i) in relation to providing hard copies of the Annual Report for the financial year ended 31 March 2023, the members are advised to refer to the two websites noted above, as a printed copy of the Annual Report will not be provided on request due to the limited availability of paper in the market.

For any inquiries or clarifications, please contact Mr Mansoor on + 94 74 0635 624 during normal office hours (8.30 a.m. to 5.00 p.m.).

By Order of the Board
Cargills (Ceylon) PLC

H S Ellawala
Company Secretary
5 July 2023

Notes:

- (i) A member is entitled to appoint a proxy to attend and vote at the meeting in his or her stead and the proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose.
- (ii) The duly completed instrument appointing the proxy should be deposited at the Registered Office of the Company not less than 48 hours before the date of the meeting.

FORM OF PROXY

SEVENTY SEVENTH ANNUAL GENERAL MEETING

Cargills (Ceylon) PLC (PQ 130)

*I/We (name of the shareholder/s)

Holder of NIC/Passport/Company Registration No./s of (address of shareholder/s)

being a *shareholder/s of Cargills (Ceylon) PLC (the Company) hereby appoint:

Please indicate your preference with a ☒

☐ Name of the proxy holder: *Mr/Mrs/Miss

Holder of NIC/Passport/Company Registration No./s

of (address of shareholder/s)

Mobile number of proxy holder:

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 seventh Annual General Meeting of the Company to be held on Friday, 28 July 2023 and at any adjournment thereof.

Please mark your preference with "X"

No.	Resolution	For	Against
1.	To receive and consider the Annual Report of the Board of Directors and the Financial Statements for the year ended 31 March 2023, with the report of the Auditors thereon.	☐	☐
2a.	To re-elect Mr J C Page as a Director	☐	☐
2b.	To re-elect Mr S Gardiner as a Director	☐	☐
2c.	To re-elect Mr L R Page as a Director	☐	☐
2d.	To re-elect Mr A T P Edirisinghe as a Director	☐	☐
2e.	To re-elect Mr E A D Perera as a Director	☐	☐
3.	To authorise the Directors to determine contributions to charities for the financial year 2023/24	☐	☐
4.	To authorise the Directors to determine the remuneration of the Auditors, Messrs KPMG who 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.	☐	☐

Signed on this day of 2023

Signature/s of shareholder/s NIC/PP/Co.Reg.No. of shareholder/s

Witnesses:

NOTES:

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

INSTRUCTIONS FOR COMPLETION OF THE PROXY FORM

1. To be valid, the completed Form of Proxy should be deposited at the Registered Office of the Company at No. 40, York Street, Colombo 1, or an electronic document with e-signature or scan of the signed document emailed to ccp.agm@cargillsceylon.com, with the subject title "CCP-AGM 2023" 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 needs to 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/
Group CEO)

Imtiaz Abdul Wahid (Group
Managing Director/Deputy CEO)

Priya Edirisinghe

Sanjeev Gardiner

Joseph Page

Errol Perera

Yudhishtan Kanagasabai

Asoka Pieris

Indira Malwatte

Asite Talwatte

Dilantha Jayawardhana

Company Secretary

Hemali Sagarika Ellawala

Remuneration Committee

Asite Talwatte (Chairman)

Priya Edirisinghe

Indira Malwatte

Audit Committee

Asite Talwatte (Chairman)

Priya Edirisinghe

Errol Perera

Yudhishtan Kanagasabai

Related Party Transactions Review Committee

Asite Talwatte (Chairman)

Priya Edirisinghe

Errol Perera

Yudhishtan Kanagasabai

Stock Exchange Listing

Colombo Stock Exchange

Registered Office

40, York Street, Colombo 1,

Sri Lanka

Telephone : +94 (0) 11 242 7777

Facsimile : +94 (0) 11 233 8704

E-mail : ccl@cargillsceylon.com

Postal Address

P.O. Box 23, Colombo 1

Auditors

KPMG

Chartered Accountants

Bankers

Bank of Ceylon

Cargills Bank

Commercial Bank of Ceylon

Deutsche Bank

DFCC Bank

Habib Bank

HNB Bank

HSBC Bank

MCB Bank

NDB Bank

Nations Trust Bank

Pan Asia Bank

People's Bank

Sampath Bank

Seylan Bank

Standard Chartered Bank

Union Bank

Subsidiary Companies*

Cargills Agrifoods Limited

Cargills Agro Development Company (Private) Limited

Cargills Distributors (Private) Limited

Cargills Enterprise Solutions (Private) Limited

Cargills Food Processors (Private) Limited

Cargills Food Services (Private) Limited

Cargills Foods Company (Private) Limited

Cargills Frozen Products (Private) Limited

Cargills Quality Confectioneries (Private) Limited

Cargills Quality Dairies (Private) Limited

Cargills Quality Foods Limited

C P C (Lanka) Limited

C T Properties Limited

C T Properties G S (Private) Limited

C T Real Estate (Private) Limited

C T Property Management Company (Private) Limited

C T Properties Lakeside (Private) 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*

Cargills Bank Limited



This Integrated Annual Report is GHG-neutral

Produced by Smart Media (Pvt) Limited, a GHG-neutral company that reduces and offsets its direct and indirect greenhouse gas emissions through certified sources.

Net-zero GHG since 2011



The
ANNUAL REPORT
Company

www.SmartAnnualReport.com



www.carbonfund.org



Global Standard Annual Report Number®
LKA5300CCPXX0220230E109

* All Companies are incorporated and carrying out business operations in Sri Lanka.



Cargills (Ceylon) PLC No. 40, York Street, Colombo 01. Tel : +94 112427777, +94 11 2427500