OUR VALUE CREATION STORY 2021 22

HOLDING TRUE TO OUR PURPOSE

Cargills

SINCE 1844

Our Purpose is to 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.

"We are inspired by the unity and perseverance shown by our fellow Sri Lankans during these challenging times, and it gives us confidence to continue to make investments towards nation building and improving food security. Cargills stands with the people of Sri Lanka at all times and remains committed to finding solutions to the current economic crisis."

Louis Page
– Chairman

"The Management is looking at all available avenues to reduce the costs being passed onto consumers.

Improving productivity in operations and reducing wastage are important short-term measures to achieve this objective. The Group is also exploring import substitutes and alternative food items to secure the meals of the customers, as imported food continues to rise in cost and become scarce.

Developing local raw material suppliers and agricultural producers are a key element in ensuring the long-term food security of the country."

Imtiaz Abdul Wahid
– Group Managing Director

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OUR JOURNEY

1844
Commenced a general warehouse, import and wholesale business in the heart of Fort

1946
Incorporated as a public limited liability Company

1981
Controlling interest was acquired by Ceylon Theatres

1983
Established the first Cargills Food City at Staple Street; thus, introducing the concept of modern trade to Sri Lanka

1993
Tapped into Food Manufacturing market following the acquisition of Goldi meat processing business

1996
Secured the franchise rights to the globally recognised QSR chain KFC, and thereafter, setting up the first KFC restaurant within the Majestic City premises

1999
Established the first fresh produce collection centre in Hanguranketha thereby developing a direct sourcing model with smallholder farmers in the vicinity

2000
Advanced the supermarket model to bring quality of life and affordable nutrition to the general consumer

2002
Entered the dairy industry with the acquisition of an ice cream plant which led to the commencement of sourcing fresh dairy from local farmers

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

2005
Established the Albert A. Page Institute of Food Business to develop regional youth and empower them as entrepreneurs

2008
Launched Cargills *Sarubima*, modelled after the fairtrade concept of investing back into the communities sourced from

2010
Rapidly expanded the modern trade business outside the Western Province, driving regional recruitment and sourcing

Made further investments in the Food Manufacturing business following the acquisition of the 'Kotmale' brand and entered the confectionery industry

2011
Received a Commercial Banking license as part of the vision to offer inclusive finance to smallholder farmers, SMEs and low to middle income groups

2014
Cargills Bank commenced operations

2016
Launched the Cargills *Sarubima* and Farmer Citizens Award

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

2017
Launched the Kotmale Dairy plant, Sri Lanka's first fully integrated dairy processing facility

2018
Opened the 350th Cargills Food City supermarket in Pilimathalawa

2019
Bringing Sri Lanka's first gourmet supermarket experience by establishing Cargills Food Hall at the Colombo City Centre Shopping Mall

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

Opened the 400th Cargills Food City supermarket in Wattala

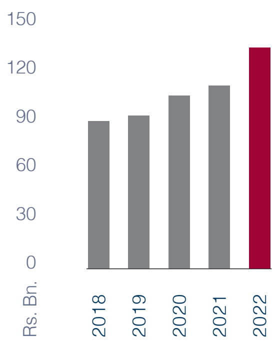
Launched the Kotmale Cheese processing plant in Hatton

2020
Launched the e-grocery store "Cargills Online"

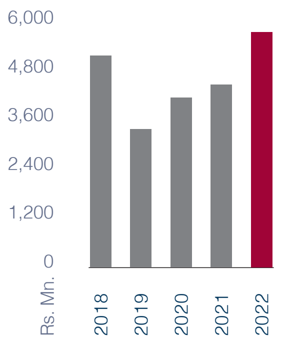
2022
Launch of Cargills AAPI eLearning platform

FINANCIAL HIGHLIGHTS 2021/22

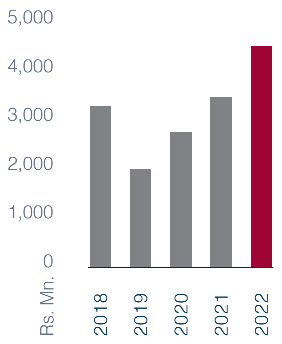
Revenue – Group



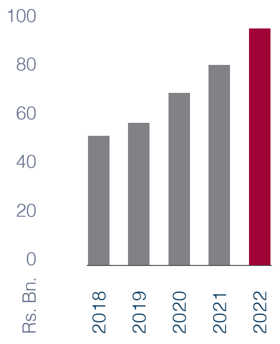
Profit before taxation – Group



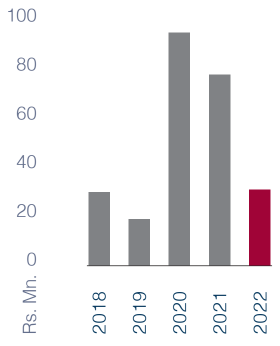
Profit after taxation – Group



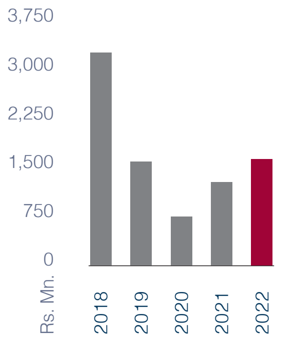
Total Assets – Group



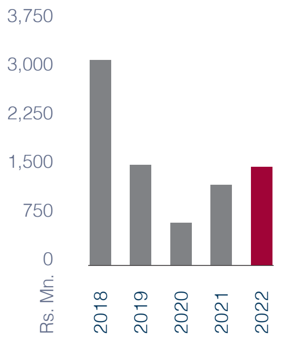
Revenue – Company



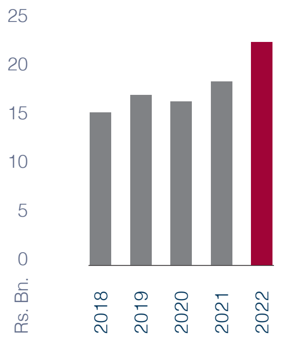
Profit before taxation – Company



Profit after taxation – Company



Total assets – Company



	Group			Company		
	2022 Rs. '000	2021 Rs. '000	Change %	2022 Rs. '000	2021 Rs. '000	Change %
Operations						
Continuing operations						
Revenue	136,691,993	112,607,061	21.39	31,013	78,935	(60.71)
Profit from operations	9,058,383	7,287,074	24.31	1,890,285	1,534,005	23.23
Profit before taxation	5,818,434	4,527,659	28.51	1,637,028	1,271,976	28.70
Profit after taxation	4,538,720	3,483,639	30.29	1,504,329	1,250,006	20.35
Financial position						
Non-current assets	71,265,687	59,468,926	19.84	20,158,404	16,727,901	20.51
Current assets	27,178,089	23,123,652	17.53	2,923,751	2,076,341	40.81
Current liabilities	41,001,806	38,945,230	5.28	4,199,696	4,997,815	(15.97)
Non-current liabilities	28,320,455	20,686,625	36.90	6,280,719	1,372,941	357.46
Capital and reserves, minority interest and other equity	29,121,515	22,960,723	26.83	12,601,740	12,433,486	1.35
Per share data (Rs.)						
Basic earnings per share	17.63	13.51	30.50	5.84	4.85	20.41
Dividends per share	6.10	5.10	19.61	6.10	5.10	19.61
Net assets per share	98.94	89.08	11.07	48.91	48.25	1.37
Market value per share	182.50	235.00	(22.34)	182.50	235.00	(22.34)
Cash flow						
Net cash generated from/(used in)						
– Operating activities	14,166,421	11,630,537		(846,072)	251,537	
- Investing activities	(11,437,225)	(10,010,054)		(635,597)	132,440	
- Financing activities	(1,212,727)	752,879		1,854,563	(185,211)	

BUSINESS IMPACT HIGHLIGHTS 2021/22

TRUSTED BRAND LEGACY

Top 10

Recognised as one of the **Top 10** Most Admired Companies in Sri Lanka

AAA Brand

Among the Top 10 Brands in Sri Lanka with a brand value of **Rs. 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 2022

PEOPLE DEVELOPMENT

9,485

Permanent employees

50:50 gender equality

Achieved 50:50 gender equality at Group level

66%

employees outside Western Province

2,333

new recruits retained as at 31 March 2022

Over 8.1%

employees with **15+ years** of service

249

promotions

135%

Salary Competitiveness Ratio (SCR)*

Calculated based on market information

Rs. 14,411,386

Revenue per employee

REDUCING THE COST OF LIVING

30

new Cargills Food City outlets opened, bringing the total to **484** outlets

All 25 districts

Only supermarket chain present across all 25 districts in Sri Lanka

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

100%

locally sourced agricultural produce

ENHANCING YOUTH SKILLS AND EARLY EDUCATION

1,000+ students and **88** teachers empowered through Early Childhood Education (ECE) Programme

42

preschools implementing the Cargills ECE programme

Launch of AAPI eLearning Platform

Partnered with State Universities to support R&D

BRIDGING REGIONAL DISPARITY

The Agriculture Modernisation Project engaged **130 new farmers** bringing the total to **622 farmers**

The Dairy Enterprise Development Initiative, upskilled 808 dairy farmers

Rs. 650,000

total gifted to 178 students through ***Sarubima* scholarships**

Rs. 865,000

invested in rural community **development projects**

Rs. 17 Mn.

granted in loans under the Cargills *Sarubima* Credit Relief Fund

100+ SMEs

registered under 'Village to Home' rural entrepreneurship development programme

Rs. 5,313,500

invested in Dairy Farmer welfare activities

HEALTHY, SAFE AND AFFORDABLE NUTRITION

398 MT

of GAP-certified Good Harvest produce, **168MT** of agrochemical free BeeSafe produce, **33MT** of Organic Rice and **40MT** of Agriculture produce purchased

57.4 million Litres

of fresh milk procured

11

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

PLAYING OUR PART FOR THE PLANET

2,193,045 kWh

renewable energy consumption with **Rs. 291 Mn.** investments in renewable energy

59,583,900 Litres

of water recycled or treated

Initial carbon footprint assessment for calendar year 2020 was completed at **6** manufacturing facilities, and on-going at **2** facilities plus the Food City retail chain

5

Cargills Food City carparks paved with **1,895 kg of re-purposed waste plastic**

6,114

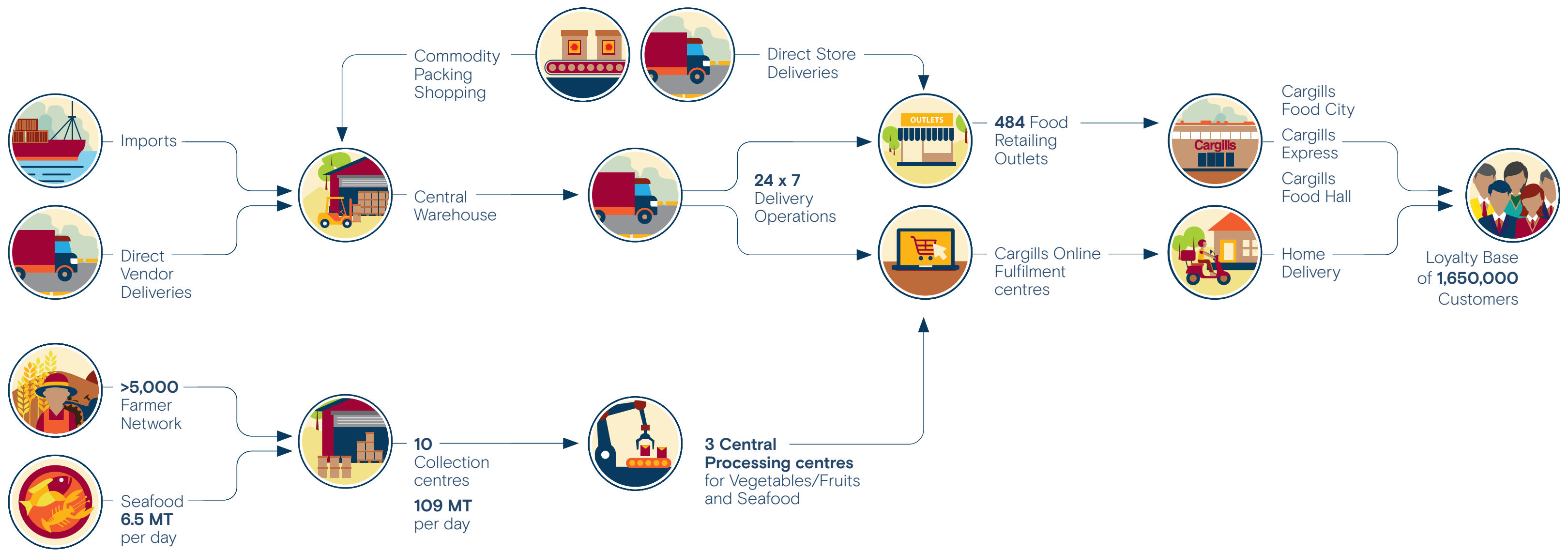
trees planted under 'Breath of Life' initiative

PREAMBLE

OUR BUSINESS

RETAIL OPERATION

75.3%

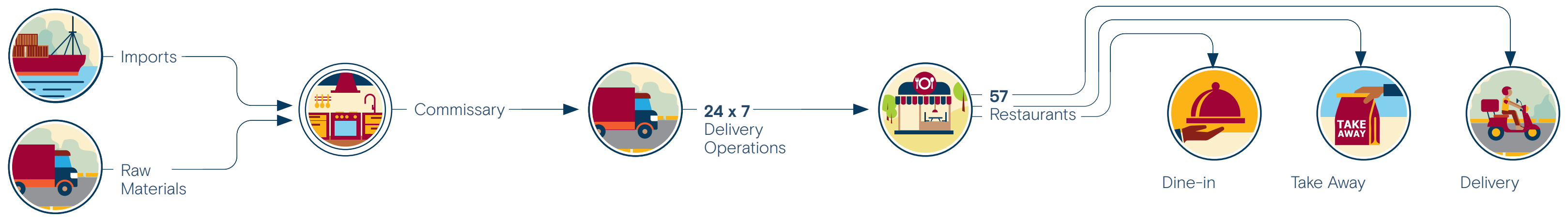


FOOD AND BEVERAGE MANUFACTURING AND DISTRIBUTION OPERATION

20.4%

RESTAURANT OPERATIONS

4.3%



FINANCIAL SERVICES

REAL ESTATE DEVELOPMENT

Empire Investments Company (Private) Limited

CARGILLS FOUNDATION

PREAMBLE

NATIONAL ENDEAVOUR TO IMPROVE FOOD PRODUCTION

Dear shareholder,

I am pleased to present the Annual Report and Financial Statements of Cargills (Ceylon) PLC for the year ended 31 March 2022.

The year presented multiple challenges for the country as well as the Company. The delta-variant spread rapidly during the first and second quarters of the financial year, causing significant loss of life while slowing down economic activity. The fourth quarter posed a different set of challenges due to the depleting foreign exchange reserves which led to shortages of essential food, medicine, fuel, and gas. Operations were periodically impacted by power interruptions and fuel shortages, leading to delays in distribution and loss of productivity.

The crisis has united the people

What started as an economic crisis has now spilled over to a social and political crisis. Public outrage due to the economic hardships has given rise to a large-scale people's movement which continues to date. The youth are standing united in one voice, demanding solutions for the economic crisis and greater accountability in governance. We are inspired by the unity and perseverance shown by our fellow Sri Lankans during these challenging times, and it gives us confidence to continue to make investments towards nation building and improving food security. Cargills stands with the people of Sri Lanka at all times and remains committed to finding solutions to the current economic crisis.

Responding to challenges

Amidst many challenges, the Group remained flexible and agile to serve the needs of the consumers as an essential services provider. Providing affordable nutrition remains the core objective of your Company and this has never been more important, given rapidly increasing food prices across the country and the world. Our teams have been proactive to meet the needs of consumers, while supply chain teams have worked tirelessly to support our partners including farmers and suppliers. Through continuous sourcing of fruits, vegetables, fresh milk and other products, Cargills provides a steady market and a guaranteed price for suppliers all across Sri Lanka.

Investing in community development

We continued to invest in building markets across the country, expand production capacity, strengthen distribution channels, and improve efficiency across business verticals. The Group's total capital investments for the year totalled Rs. 8.8 Bn. As a leading player in the country's agriculture and food sector, Cargills continued to invest in improving food production and reducing waste across the supply chains. During the year under review, Cargills was able to generate direct income of over Rs. 11.2 Bn. to the agricultural community of Sri Lanka through its purchases. In addition to working with over 23,000 smallholder fruit, vegetable, and dairy farmers across the island, Cargills is also proud to support hundreds of small and medium sized entrepreneurs (SMEs) by providing them access to markets, technical expertise, and financial assistance. The Cargills Village to Home initiative has now held 11 programmes, supporting over 90 SMEs and introducing over 600 product varieties to customers. The Group also partnered with the Central Bank of Sri Lanka to assist SMEs with technical assistance and financial literacy training.

Group Financial Performance

The Group posted a revenue of Rs. 136.7 Bn. (up 21% YoY), a gross profit of Rs. 15.6 Bn. (up 25% YoY) and a profit after tax of Rs. 4.5 Bn. (up 30% YoY) for the year ended 31 March 2022. Net finance costs increased 29% due to an exchange loss of Rs. 515 Mn. on trade payables. The Group's net debt decreased to Rs. 16.4 Bn., from Rs. 17.7 Bn. in the previous year as Management made a conscious decision to change the composition of short-term and long-term debt, securing long-term credit facilities to facilitate expansion plans amidst the low interest rate environment that prevailed during the year.

Dividends

The Group declared an interim dividend of Rs. 2.00 per share for the reporting period (Rs. 1.90 per share during the previous financial year), which was paid on 20 December 2021. The Group has proposed a final dividend of Rs. 5.00 per share for the reporting period (compared to Rs. 4.10 per share during the previous financial year).

Appreciation

My heartfelt gratitude to our teams across our businesses from retail, restaurants, manufacturing, supply chains and support services, as they remained steadfast in serving the country. The Group supported the teams during the year to ensure their safety and well-being. I extend my appreciation to our shareholders for continuing to believe in the Cargills business model. I wish to thank our valued customers and partners for your continued trust in the Cargills team. Throughout its 178-year history, Cargills has lived through many challenging times, and your Company is well positioned to navigate the current challenges while doing its utmost to support the country get back on a path to recovery.

Thank you and stay safe,

(Signed)
Louis Page
Chairman
5 July 2022

WE ARE RELENTLESS IN LIVING OUR PURPOSE

External events

The Sri Lankan economy rebounded during 2021 expanding 3.7% after a 3.6% contraction in 2020. The agriculture sector which is the largest in terms of employment expanded 2.0%, while industry grew 5.3% and services grew 3.0%. However, signs are that 2022 will be one of the toughest for Sri Lanka, as the country faces an acute foreign exchange shortage which is threatening to bring economic activity to a grinding halt. The instability in Europe, supply chain disruptions, and a looming global recession could aggravate the current situation as foreign direct investment, tourism, and export growth could be curtailed. Though annual average inflation in 2021 was only 7%, year-on-year inflation at the end of December was 14%. The Central Bank of Sri Lanka decided to allow the Sri Lankan rupee to float in March 2022, which led to a sharp depreciation of the currency. The rupee which was trading in the 198-200 range to the US dollar during 2021 is now trading at 350. The sharp depreciation, rising fuel costs, and increasing raw material prices across the world have led to inflation rising to 45% as at May 2022. With the Central Bank hiking interest rates by 700bps in early April, it is anticipated that inflation will start to trend downwards towards the 2nd quarter of the upcoming financial year. It is also noteworthy to mention that the Sri Lankan Government announced a standstill on all foreign debt in April 2022 in order to preserve foreign exchange to purchase essential imports.

Commitment to Sustainability and Governance

As a leading player in the agriculture and food processing sectors, we have taken pioneering initiatives to move towards sustainable agriculture, cleaner energy consumption, eco-friendly packaging, and waste management. More details on our commitment to protecting the environment and building a sustainable business can be found on "Playing our Part for the Planet" section in Taking Stock. As a signatory to the UN Global Compact (UNGC), we remain committed to upholding the principles of the UNGC. Furthermore, during the 2021/22 financial year, we were also members of the working group for Gender Equality upon joining the UNGC's Target Gender Equality programme. Our commitment to Gender Equality and Women's Empowerment is evident in the many female leaders who hold senior positions in our Company.

Transparency in governance is a cornerstone of the Cargills Group. We take our responsibility towards the consumers and our community seriously and the Group remains committed against bribery and corruption. We expect all team members to share our commitment to integrity and believe that all team members adhere to our policies against corrupt conduct and unethical behaviour.

Performance Review

The 1st and 2nd quarters of the financial year were impacted by lockdowns as the Delta variant spread rapidly across the country. The 2nd quarter was the most challenging as it coincided with extended lockdowns in August and September. Towards the 3rd quarter, we saw people resuming daily activities with confidence as the vaccination drive implemented by the Government got into full force. Consumer spending rebounded after September and continued to be strong till the end of the financial year.

The Group posted a revenue of Rs. 136.7 Bn. (up 21%), a gross profit of Rs. 15.6 Bn. (up 25%), an operating profit of Rs. 9.1 Bn. (up 24%), and a profit before tax of Rs. 5.8 Bn. (up 29%) during the financial year.

Food Retail

As the largest consumer retailer in the country by both reach and turnover, Cargills Retail continued to deliver on its promise of highest value and convenience to the consumer. During the year under review, 30 new outlets were added with one new dark-store to support the expansion of the e-commerce business – Cargills Online. Though we set out to expand our footprint at a faster pace at the start of the year, lockdowns as well as import restrictions have inhibited these plans. In light of the current environment, the Group will carefully evaluate its outlet expansion plan for the coming year but will continue ahead with the rollout of outlets already in the pipeline, where properties have been allocated and the necessary equipment procured. Shipping delays and import restrictions led to temporary shortages of some essential items like milk powder during the year. However, teams have worked diligently to ensure availability of essential items and improve productivity across operations and save costs.

Despite challenges with availability of products as well as lockdowns which had a significant impact on sales in certain months, the retail sector recorded an impressive performance with revenue reaching Rs. 103 Bn. (up 18%) and an operating profit of Rs. 3.8 Bn. (up 47%). Strong topline growth combined with improved operational efficiencies have contributed to a 72 bps increase in the operating margins. Topline growth was driven by both an increase in the basket size as well as a strong pickup in footfall. It must also be noted that the retail business incurred a Rs. 500 Mn. exchange loss on trade payables from directly imported goods due to the sharp depreciation of the Sri Lankan rupee, which led to a 49% increase in net finance costs.

Production volumes of farm produce saw a decline during the year owing to the Government's ban on chemical fertiliser. However, the retail business continued to meet the requirements of customers, in large part due to its extensive farmer outgrower network and the investments made into agriculture modernisation which have helped farmers reduce their usage of agrochemicals.

As the largest consumer retailer in the country by both reach and turnover, Cargills Retail continued to deliver on its promise of highest value and convenience to the consumer.

The Retail sector posted a revenue of

Rs. **103.1** Bn.

Operating profit increased to

Rs. **3.8** Bn.

Food and Beverage Manufacturing and Distribution

The Group's FMCG business once again reaffirmed its position as the leading local food manufacturer in the country by continuing to innovate and add value to consumers. The sector recorded a revenue of Rs. 37.8 Bn. (up 26%) and an operating profit of Rs 4.1 Bn. (up 2.5%) during the year under review. Operating margins declined 255 bps owing largely to rising raw material and packaging costs which have outpaced topline growth.

Dairy – Magic and Kotmale have established themselves as the leading national brands in Sri Lanka in the ice cream and value-added dairy markets, respectively. Kotmale offers the complete portfolio of dairy products in the Sri Lankan market and continues to innovate on its product range, bringing healthier and more exciting varieties to the consumer. During the year, Kotmale launched the strawberry lite drinking yoghurt, aloe vera drinking yoghurt, non-fat yoghurt, low fat cheese wedges, and the chocolate milk with oats. Customer response to these new products has been very positive, indicative of a growing health-conscious consumer base.

The dairy sector recorded another strong performance during the year under review with growth across both modern and general trade channels. However, costs of all raw materials have increased sharply due to global supply chain disruptions and the currency depreciation. Farmgate prices of fresh milk have also trended upwards during the year as demand for fresh milk has increased and an increasing number of collectors compete for a limited supply of milk in the country. Kotmale, given its long-standing relationships with dairy farmers across Sri Lanka, has been able to continuously secure the required milk supply. Though increasing costs have added margin pressure, the dairy business has been able to cushion the impact through forward buying, selective price revisions, and cost control measures.

With shortages of milk powder experienced in the market during the course of the year, liquid milk consumption across Sri Lanka has increased. Unfortunately, Sri Lanka's domestic milk production capacity is still only 40% of the national milk requirement, which

The Group's FMCG business once again reaffirmed its position as the leading local food manufacturer in the country by continuing to innovate and add value to consumers. The sector recorded a Revenue of Rs. 37.8 Bn. (up 26%) and an Operating Profit of Rs 4.1 Bn. (up 2.5%) during the year under review. Operating margins declined 255bps owing largely to rising raw material and packaging costs which have outpaced topline growth.

The Food and Beverage Manufacturing, and Distribution sector posted a revenue of

Rs. **37.8** Bn.

Operating profit increased to

Rs. **4.1** Bn.

leads to over US$ 310 Mn. of milk related imports every year to cover the deficit. As the leading dairy company in the country and the largest private sector milk collector, Kotmale has continued to invest in building the production capacity of local smallholder dairy farmers through technical and financial assistance. The Company continues to encourage farmers to adopt better management practices and supports them with feed procurement and veterinary care, which are key components of increasing the milk yield. The dairy business also invested in two new milk chilling centres during the year, further strengthening the supply chain and collection network. This takes the total number of milk chilling centres to 35 within the dairy sector.

Beverage, Culinary, and Confectionery – The KIST business which consists of a range of culinary, beverage, and confectionery products further consolidated its market position during the reporting period. On premise and on-the-go consumption of beverages recorded a recovery as consumers stepped out from their homes more often while events and social gatherings resumed. The KIST RIDE energy drink launched in the previous year has become one of the top performing products with strong acceptance from consumers – especially the youth. It is a testament to the Group's focus on innovation and local value addition, manufacturing products which compete with international brands at a competitive price. The culinary food range which was a leading beneficiary during the lockdown periods last year, as people stayed at home and prepared meals, continued its momentum during the year under review. The Group is also focusing on increasing its exports to regional markets in both the KIST beverage and culinary range. Investments into the business will be focused on expanding capacity to meet demand from larger markets. The confectionery range recorded consistent growth during the year, with the Group's focus on value added confectionery proving to be successful. The chocolate enrobed range as well as the cookies, which are higher value-added products, outperformed the other confectionery categories.
Raw material availability has been a continuous challenge for all manufacturing businesses due to low agricultural production as a result of the fertiliser crisis, import restrictions, and the foreign

The Restaurants business recorded a strong recovery in volumes during the year under review, after pandemic-related lockdowns led to a decline in revenue in the previous year.

The Restaurants sector posted a revenue of

Rs. **5.9** Bn.

Operating profit increased to

Rs. **967** Mn.

exchange shortages in the market. With around 70% of raw materials sourced locally, the Group is relatively well cushioned though local suppliers too have faced challenges given the prevailing operating environment.

Convenience Foods – Sam's, Goldi, and Cargills Finest are the Group's convenience food brands. The segment recorded a strong 2nd half after a challenging first six months. The breaded range launched under the Sam's brand during the previous financial year has been well received by consumers. The convenience food business continues to look for ways to introduce healthier product offerings while providing convenience to consumers. As animal feed costs have increased due to a host of reasons across the world, many local and global livestock companies have been challenged, consequently impacting downstream processors who rely on these supplies. To overcome these challenges, the Group is looking to strengthen its partnerships with local breeders and livestock companies to secure continuous supplies.

Distribution – Millers, which is the trading and distribution arm of the Group operates across both the modern and general trade channels, importing and distributing a range of local and imported FMCG brands. Given import restrictions, the sharp depreciation of the Sri Lankan rupee, and the scarcity of US Dollars in the local banking system, the business has faced numerous challenges. However, the team has carefully navigated the current operating climate by increasing its focus on distributing local brands.

Restaurants

The restaurants business recorded a strong recovery in volumes during the year under review, after pandemic-related lockdowns led to a decline in revenue in the previous year. The sector posted a revenue of Rs. 5.9 Bn. (up 72%) compared to Rs. 3.4 Bn. in the previous year. Operating profit increased to Rs. 967 Mn. (up 120%) and operating margins improved 363 bps on account of both record volume growth and cost savings in outlet operations.

Given the growing popularity of the KFC brand, the Company expanded the operation beyond urban centres, adding 14 new outlets during the year taking the total number of KFC restaurants to 56 as of 31 March 2022. New locations, particularly in suburban regions, have performed extremely well and exceeded expectations. The dine-in channel recorded an impressive recovery as customers regained confidence to go out and spend time with friends and family. Selective price revisions to the menu were undertaken during the year in order to mitigate the impact of rising raw material costs. Consumption has remained strong despite price increases indicating the fact that KFC continues to be one of the more affordable and preferred dining options for consumers. We continued to partner with multiple delivery aggregators and expanded our delivery fleet to improve the reach and convenience to the consumer. The TGI Fridays restaurant located at the One Galle Face Mall also recorded a recovery during the year, with consumer confidence to dine in picking up.

Real Estate

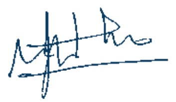
The real estate sector which was previously consolidated under "Other" in the Group segmental summary is now provided as a separate segment. The Board of Directors of Cargills and our holding company CT Holdings PLC (CTH) approved the transfer of all properties designated for development and holdings in the Group's unlisted Real Estate/Property Development subsidiaries into a single subsidiary – The Empire Investments Company (Private) Limited, which would serve as the property development arm of the Group going forward. The restructuring was done with a view to facilitate further expansion of the sector with a focused management team to oversee operations. The Group owns several properties in strategic locations of the island and will continue to look at ways to unlock the value of such properties. The Group opened its third mini mall (the Cargills Square in Dematagoda) late last year and has seen good patronage post pandemic. Two more mini malls are under construction in Bandarawela and Katubedda.

Outlook

The Management believes the next few months will be extremely critical for Sri Lanka given the current shortages of daily essentials, fuel, and cooking gas which are crippling economic activity. It is important that authorities take all available measures to restore a normal supply of essential commodities, fuel, and cooking gas. This will ease a large part of the burden facing consumers. It will also reduce delays in food distribution which have led to shortages of many essential food products. We are encouraged by steps taken to engage with the IMF and believe that the newly introduced tax rates are the need of the hour to stabilize the Government's fiscal position and meet recurrent expenditure. Cargills remains committed to support the Government in its initiatives to stabilise the economy, bridge the foreign exchange gaps, and improve local production to ensure long-term food security. Currently, the Management is looking at all available avenues to reduce the costs being passed onto consumers. Improving productivity in operations and reducing wastage are important short-term measures to achieve this objective. The Group is also exploring import substitutes and alternative food items to secure the meals of the customers, as imported food continues to rise in cost and become scarce. Developing local raw material suppliers and agricultural producers are a key element in ensuring the long-term food security of the country. Cargills will continue to invest in building local supply chains and raw materials for production and reduce the country's dependence on imports.

Appreciation

The Management would like to thank all our customers, partners, the farming community, and shareholders, who have continued to be with us and continue to believe in the Cargills brand and the way we do business. Our business reach goes beyond those we serve directly. As a community developer, the Company will continue to create markets and opportunities for local farmers, SMEs, and our partners. This discussion would not be complete without thanking our team members, who have worked tirelessly to serve the needs of the customers and the country. In conclusion, I would like to pay my deep appreciation to all frontline staff, in healthcare, the military, and the police, for ensuring daily economic activity continues despite many challenges. I am confident that Sri Lanka will come out of this economic crisis the same way we overcame the COVID-19 pandemic.



Imtiaz Abdul Wahid
Group Managing Director
5 July 2022

A REVIEW OF OUR OPERATIONS

OPERATING SEGMENTS

Cargills Group diversified its operations into multiple segments to address various consumer market gaps over the years, growing into Sri Lanka's largest supply chain operation across distinct agriculture verticals as well as commodities, processed food, beverages, pharmaceuticals and other dry goods. Our investments in local agriculture, manufacturing, sourcing and procurement have contributed to saving invaluable foreign exchange for Sri Lanka, while providing local consumers with affordable nutrition that meets international standards. With a growing island-wide network of retail outlets and restaurants, our unparalleled reach across Sri Lanka has also enabled us to develop lean processes and leading capabilities in other support services such as replenishment and sourcing, inventory optimisation, and end-to-end logistics and delivery.

Following the pandemic, Cargills continued to source produce from both within and outside our agriculture supply chain, expanding manufacturing capacities to sustain our farmers, and increasing our distribution to improve the availability of products for consumers.

Food Retailing

Cargills Food City is Sri Lanka's largest and most extensive modern retailer, with 484 outlets located across all 25 districts of Sri Lanka. The food retailing operation is managed by Cargills Foods Company (Pvt) Ltd., with a decentralised network consisting of 10 collection centres, 3 central processing centres and a 24-hour distribution operation powered by a continuously maintained cold-chain. The dry goods warehouse acts as a central distributing hub to the entire retail network while selected suppliers carry out direct store deliveries.

The brick-and-mortar retail operation is carried out in three formats;

Cargills Food City Supermarkets

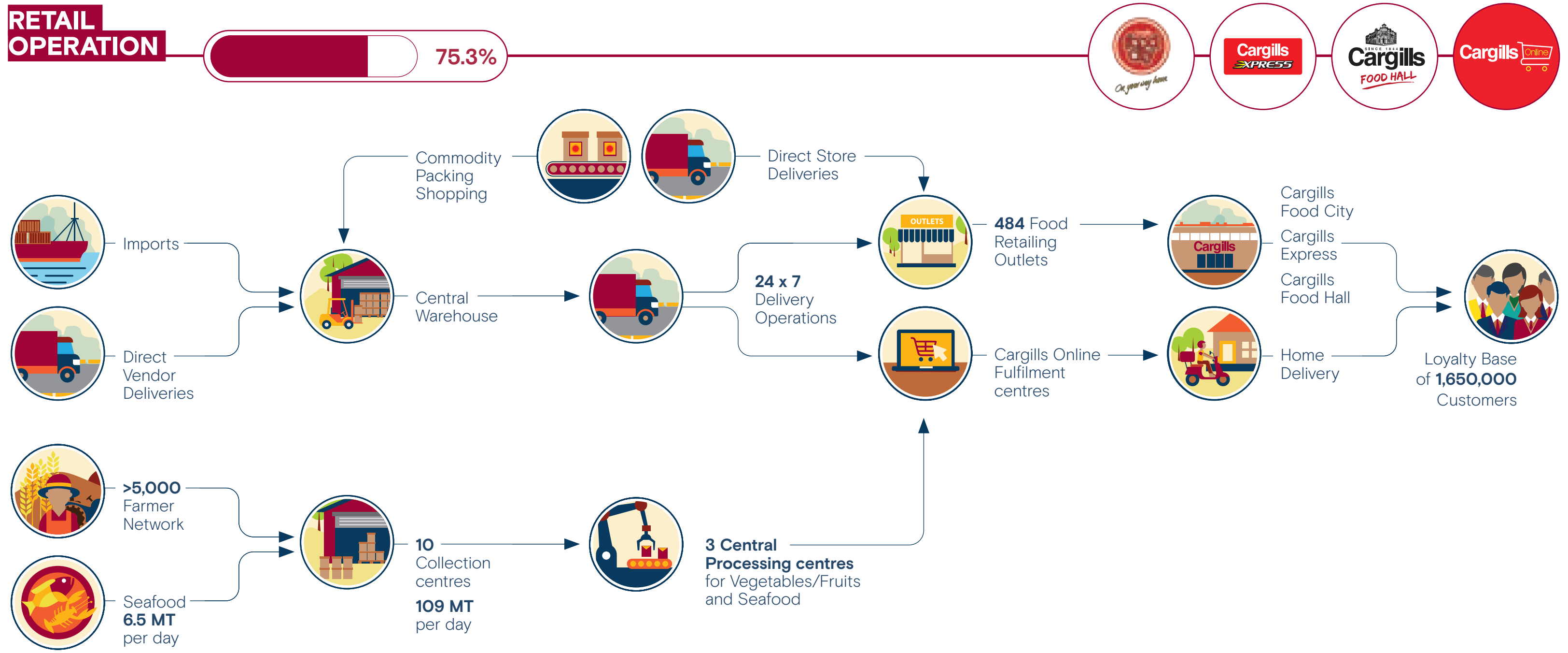
Modern retailing experience providing consumers access to high-quality, affordable produce, products and over the counter medicine

Cargills Express Convenience Stores

Select Cargills outlets at strategic locations with 24*7 accessibility all year round for enhanced customer experience

Cargills Food Halls

An extended supermarket with a café, bakery, salad and juice bars alongside a live action station for a special gourmet food experience



Cargills Online

Cargills also became Sri Lanka's first mobile e-grocer by launching Cargills Online in August 2020, fast adapting to address pandemic-driven lockdowns and inaccessibility consumers faced to essential produce and products. Two Cargills Online fulfilment centres were set up to better manage the supply chain and meet the needs of the customers.

2021 | 22 Highlights

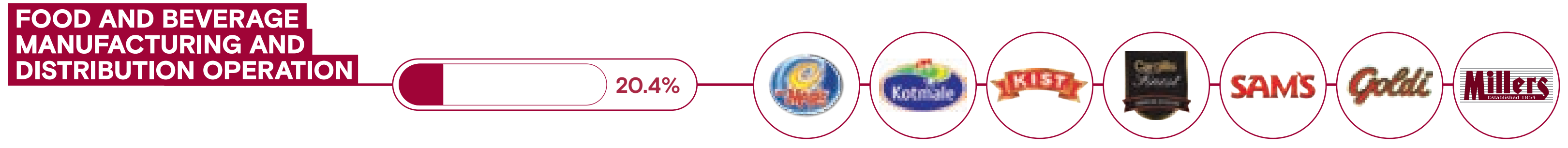
For the period under review, the Cargills retail operation continued to expand its footprint prudently across both physical and online serviceable locations outside Colombo city limits to address the challenging operating environment.

Food and Beverage Manufacturing

With eight manufacturing facilities, the food and beverage manufacturing sector consists of the dairy operation, fruit-based value-added products, processed and fresh meat products, convenience food items and confectionary. Cargills food and beverage brands are widely distributed across Sri Lanka, reaching over 50,000 general trade stores in addition to the Cargills Food City network, with limited exports to several countries in the US, EMEA and Asia.

Dairy farmers are integrated to the Cargills supply chain through an island-wide network of over 950 collection points, which are directly linked to 35 Cargills Milk Chilling centres. The meat processing sector sources from several medium and large-scale suppliers engaged in the poultry and livestock industry, while the seafood operation is undertaken by the Cargills Fish Collection Unit located in Negombo.

Cargills is engaged in the procurement of various locally produced items from small, medium and large-scale Sri Lankan suppliers, and imports a number of selected commodities. The dry goods operation is undertaken through six permanent Cargills distribution centres and a number of temporary distribution centres with a combined storage capacity exceeding 400,000 sq. ft.



Dairy

Facilities

Cargills Quality Dairies (Private) Limited

- 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

Kotmale Dairy Products (Private) Limited

- ISO 14064-1:2018 Environment Management System
- ISO 22000:2018 – Food Safety Management System
- ISO 9001:2015 – Quality Management System
- Halal Accreditation Council Sri Lanka – Certification

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

Facilities

Cargills Agrifoods Limited

- I SO 14064 -1:2018 Environment Management System
- ISO 9001:2015 - Quality Management System
- ISO 22000:2018 - Food Safety Management System

CPC Lanka Limited

- ISO 9001:2015 - Quality Management System
- ISO 22000:2018 - Food Safety Management System

Brands

Kist –

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

CPC Lanka -

Knuckles

Products

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

Processed Meats

Facilities

Cargills Quality Foods Limited

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

Brands

Goldi, Sam's, Finest –
Cargills was Sri Lanka's largest processed meat exporter in 2020

Products

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

Confectionery

Facilities

Cargills Quality Confectionaries (Private) Limited

- ISO 22000:2018 - Food Safety Management System

Brands

Kist, Kist Magic

Products

- **Biscuits and Confectionery**

Trading and Distribution

The Group's Distribution arm, Millers Limited, provides distribution services for an assortment of international FMCG brands such as Kraft, Cadbury, Bonlac, Oreo, Toblerone, Rauch, Lorenz, Energizer and Eveready. With a fully automated distributor network and field sales operation, Millers provides all supply chain logistics for importation, storage and door-to-door distribution of frozen, temperature controlled and ambient temperature products, reaching over 30,000 retailers island-wide.

In addition, Millers is the local distributor of Kodak Digital Imaging products and represent Carestream Health Inc., the world leader in Healthcare Imaging, offering Digital Diagnostic Imaging Equipment and Computerised Radiology Solutions. Millers is also the Distributor and Authorised Technical Services Provider for Noritsu Photographic Printing Equipment from Japan.

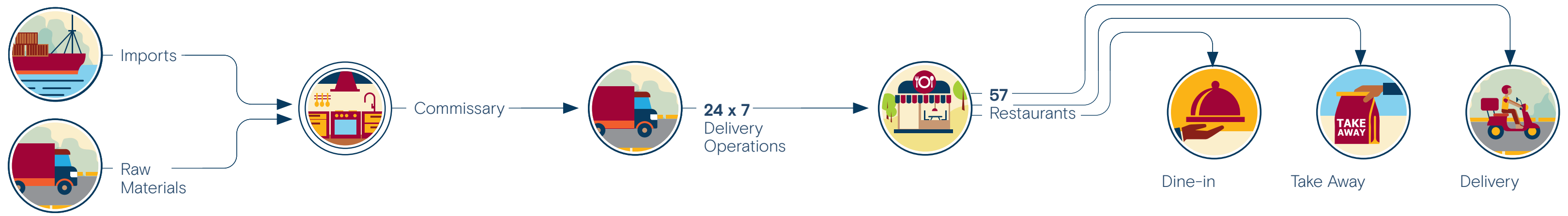
Restaurants

Cargills is the franchisee of KFC and TGI FRIDAYS in Sri Lanka. Since its launch in Sri Lanka in 1995, KFC has grown into one of the largest and most popular international restaurant chains in the country with 56 outlets island-wide. The success and growing consumer-base of KFC lies in Cargills' innovative fusion menu that localised the international brand to better suit the Sri Lankan consumer palate. These locally inspired additions to the KFC menu have now been included into the franchise's regional product portfolio.

The TGI Fridays franchise was introduced to the Sri Lankan consumer by Cargills in 2013, to meet the catering and fast-food demands of a fast-growing leisure and entertainment sector in the country.

RESTAURANT OPERATIONS

4.3%



2021 | 22 Highlights

KFC expanded its local footprint by establishing new restaurants. The restaurant business has undergone a clear shift in the channel mix post-lockdown, with customers continuing to opt for delivery and take-away as opposed to dining-in. This resulted in the further expansion of our delivery fleet during the financial year, as well as our partnership with multiple third-party vendors in order to improve reach and customer experience.

Operating Segments

TAKING STOCK

Financial Services

Financial inclusion and access to economic resources plays a key role in the development of our nation, more so for the agrarian farming communities living in rural Sri Lanka. Cargills Bank was established in 2014 with Cargills (Ceylon) PLC and our parent company C T Holdings as major shareholders, to address growing credit constraints of the Cargills farmer network, and to provide additional financial assistance that was inaccessible from most local banks.

Cargills Bank offers customers a full range of products and services including savings accounts, investment planner accounts, credit and debit cards, consumer loans, agriculture and micro financing, SME and business banking loans and trade facilities. The Bank also provides a range of flexible and convenient digital banking services, ensuring 24/7 access and absolute convenience. Cargills Bank accounts are also accessible through Cargills Food City outlets island-wide and customers enjoy free cash withdrawals and deposits at any Cargills Food City counter, courtesy of the Cargills Cash Service.

True to the tagline of "Banking on the Human Spirit", Cargills Bank continued to carefully navigate challenging operating environments over the past few years, implementing a number of initiatives to steer the performance of the Bank, improve operating efficiencies, utilize technology to optimise our channels and processes, enhance internal controls, and stringently manage recoveries. With its unique model and vision to become 'The Most Inclusive Bank', Cargills Bank remains well poised to contribute to Sri Lanka's economic revival.

2021 | 22 Highlights

Amidst a challenging operating environment, Cargills Bank recorded a resilient performance during the period under review on account of strong portfolio growth and improved asset quality. The Bank's deposit portfolio grew by 26% to Rs. 40.2 Bn., while loans and advances increased by a healthy 39% to Rs. 40.5 Bn. Total Assets increased by 20% to Rs. 55.8 Bn., while total Operating Income rose 22% YoY to Rs. 2.5 Bn. on account of strong core and fee-based income growth.

Real Estate and Property Management

Property development in terms of identifying locations and setting up retail outlets and restaurants has been a fundamental part of the Cargills business model for several years. Our official foray into retail real estate development, however, came in 2012 when we introduced the Cargills Square Concept – a mini mall with Cargills Food City, KFC and sister-company Ceylon Theatres as anchor tenants. Following the success of the first Cargills Square developed in Jaffna, a second was opened in Gampaha in 2017 while a third was opened in Dematagoda in 2020.

In 2021, the Boards of Directors of Cargills and our holding company C T Holdings PLC (CTH) approved the transfer of all properties designated for development and holdings in the Group's unlisted Real Estate/Property Development subsidiaries into a single subsidiary – The Empire Investments Company (Private) Limited, which would serve as the property development arm of the Group going forward. Cargills and CTH acquired equity of the new subsidiary in the respective proportion of the value of properties/equity holdings transferred plus equity injection. As a result, two prime properties owned by CTH few large-scale development projects held under C T Properties Limited came under TEIC. Cargills transferred all its mini mall properties to the subsidiary, including two ongoing developments.

Cargills identified real estate development as a core growth sector with potential to achieve scale and attract equity capital for future real estate developments. The restructuring was aimed at unlocking the value of existing properties while developing mini malls outside Colombo city limits where the gaps for family-friendly multipurpose development projects present opportunities for investment.

2021 | 22 Highlights

During the year under review, properties and unlisted investments in property-owning subsidiaries valued at Rs 4.55 Bn were transferred to The Empire Investments Company (Private) Limited. Cargills will continue to develop the subsidiary into a fully-fledged, real estate development company in the future, leveraging group synergies. Aligned with the commitment to reduce our operational carbon footprint, sustainable practices and environmentally-friendly initiatives will be one of our focus areas for this sector in the future.

TAKING STOCK
Operating Segments

SHARED SERVICES

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

Information Technology

In keeping with the rapid pace of digitisation and evolving innovative technologies across global supply chains, the centralised Information Technology (IT) Division of Cargills has embraced digital disruption over the past decade, ensuring the effective use of IT to elevate our operational efficiencies across all operational segments of Cargills.

The Central IT Division is tasked with modernising the Group's IT and digital environment to enable business scaling and expansion as well as unrestrained connectivity as we accelerated our transition from a 100% brick-and-mortar business to digital platforms following the outbreak of COVID-19. Of equal priority was the requirement to provide users a more robust experience across our IT systems.

We have emphasised on Disaster Recovery (DR) and Business Continuity Planning (BCP) following the pandemic, and have planned on expanding our DR and BCP framework to fill loopholes. Cargills continued to enhance data governance and data security aspects to the level expected by our management and leadership. Internally, users are segregated according to respective access levels while a strict password policy with an expiration cycle of 90 days has been implemented when accessing centralised systems.

Cargills consults TechCERT Sri Lanka – the country's largest cybersecurity emergency readiness team – to develop internal information systems security policies and carry out quarterly as well as annual reviews for our data security policies and practices. The Cargills IT division also works with External Auditors to continuously be up-to-date with regulated security concerns such as Vulnerability Assessment and Penetration Testing (VAPT) reports and SSL certificates for secure online communication. In addition to that, we are working with a few offshore partners such as Cloudflare for web performance and security and Cloudfuze for cloud migration of all our business-critical applications and data to improve data governance and eliminate our sole dependency of our in-house data center. We have also strengthened our cyber environment with next generation firewalls from global cybersecurity leaders Palo Alto Networks and Check Point Software. Our internal information systems security policies and procedures have been developed in consultation with TechCERT, and we continue to lay the relevant framework to facilitate the ISO Information Security Management System certification in the near future.

As a centralised business support function, the IT team also facilitates faster and more informative decision making by providing business intelligence through data visualisation software like Microsoft Power BI as well our own predictive formulas and algorithms, for procurement as well as management and operational teams.

Human Resources

Refer page 93 to 103 on Building Equality, Diversity and Inclusivity.

2021 | 22 Highlights

A number of digitisation initiatives were fast tracked during the period under review, with Cargills continuing the momentum of its digital transformation in a post-COVID modern trading environment.

COMMUNITY FRIENDLY NATIONAL DEVELOPMENT

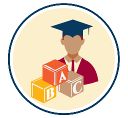
OUR APPROACH TO SUSTAINABILITY

Cargills has always upheld an unwavering commitment to sustainable and responsible business operations as a corporate role model with a deep-vested interest in community-centric national development. This vision has led us to invest our efforts, insights and resources across six key areas of interest that drives national development across Sri Lanka:


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 sustainability strategy is adaptable, and is regularly monitored, reviewed and strengthened under the direction of our Group leadership. Our business leaders are encouraged to always look beyond profit margins and gains, and contribute towards overall efforts by measuring business performance against identified sustainability indicators. Our investments have supported the upliftment of communities and improved the lives and livelihoods of people across Sri Lanka.

The UN Sustainable Development Goals (SDGs) are strongly aligned with the mission of Cargills, giving us an ideal position to contribute to the economic recovery and sustainable development of Sri Lanka. Likewise, 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

Rising living costs have been a constant challenge in Sri Lanka, mainly among rural, underdeveloped communities. While the pandemic exposed underlying weaknesses in the Sri Lankan economic model, the socio-economic gap that was aggravated during this time was deep rooted. It is a gap Cargills identified at the very onset of our retail operation, one we aimed to bridge through long-term solutions across multiple verticals of the business. Cargills drove a backward-chaining approach from a single plate of food, re-engineering our process to reduce costs and increase efficiencies across the retail value chain to ensure the affordability of a meal for the average Sri Lankan consumer.

Value Delivered in 2021/22

Total number of Cargills outlets opened during the year

30

Contribution to SDGs:

When Cargills entered the local food retail landscape in 1983 we had an opportunity to explore a largely untapped sector with much promise. Eventually as new market entrants made their presence felt, we cemented our market dominance by expanding outside the urban and suburban areas where a majority of supermarkets were concentrated.

To further differentiate ourselves, we focused on pricing, innovation, service, and nutrition, to bring consumers the best quality products for the most affordable price – "Food with Love". A majority of Sri Lanka's population could not afford three meals per day. Urban and semi-urban households too, were spending more than 50% of their income on food and losing out on other fundamental investments such as education, housing, and healthcare.

We began by addressing inefficiencies at the source of our supply chain, strengthening logistics and empowering farmers with access to new knowledge, techniques, and financial assistance (page 54). By modernising the agriculture and dairy farming process, Cargills was able to reduce input and production costs, increase yield and improve farmer income levels. At the same time, by eliminating farmer dependencies on middlemen, we were able to offer an unmatched low retail price for consumers at our retail outlets. As the dominant market player, Cargills has been able to set the pricing benchmark for local consumers and contain pricing of essential food products over the years, directly reducing the cost of living.

This became the brand promise at Cargills Food City; each town or village we extended to, was able to cut costs on food expenses, while enjoying an enhanced retail and service experience. Store locations too, thrived with direct and indirect employment opportunities, with money going back to the community. As a business built on trust, our teams continued to increase back-end and front-end efficiencies, ensuring no spill-over costs affected our suppliers or customers.

In 2012, Cargills launched a 365-day Lowest Price Challenge in our continued bid to reduce cost of living. Cargills Food City had the volume, efficiency, and commitment to offer the lowest price for daily essentials including fresh produce for a year, across a network of almost 200 outlets at the time.

2021 | 22 Highlights

For the period under review, Cargills Food City was voted "Supermarket brand of the Year" by consumers at the SLIM-KANTAR People's Awards in March 2022, a clear indication of consumer loyalty to a brand that continues to deliver on its promise.

We continued to contain our overhead costs in the face of Sri Lanka's rising inflation and economic crisis, introducing initiatives from hybrid working to carpooling from the top-down to control costs, increase productivity, nurture a mindset of saving, and spend responsibly during the reporting period.

To address Sri Lanka's looming food scarcity, Cargills continued to focus on increasing production volume while eliminating waste across the supply chain. One key area of focus has been food product dating for perishable items and the resulting food wastage at retail and consumer levels.

Essential items at Cargills retail outlets continued to set the pricing benchmark across the local consumer market.

FUTURE OUTLOOK

Sri Lanka's retail sector recorded formidable growth in recent years prior to the pandemic and mounting financial crisis and was valued at Rs. 1 Tn. with potential to grow due to increased demand from an emerging middle-class with disposable income. It is more imperative now, with the ongoing economic crisis and soaring inflation for Cargills to stabilise Sri Lanka's rising cost of living by optimising our supply chain for maximum local sourcing, thereby curbing the outflow of foreign currency on imports.

In the face of challenging local and global operating environments, Cargills will continue to engage with more farmers and expand our farmer network, improve yields and increase production volume. Uncertainties provide us opportunities to review and reset the way we do things, and Cargills aims to rise to the occasion, and not deviate or lose focus of our overarching purpose, "to serve every Sri Lankan once a day, every day."

BRIDGING REGIONAL DISPARITY

Regional disparities have been a persistent and intractable problem in the economic development of Sri Lanka. As a result of numerous historical, geographical, and political factors, the Western Province has been the primary site of the country's economic growth, urbanisation, and infrastructural development, and it contributes nearly 40% of the GDP (CBSL 2020). This uneven development has led to significant gaps in a range of indicators such as income, education and access to public services between provinces and in particular, between rural and urban areas. In a country where over 80% of the population is rural, the bridging of regional disparities remains an urgent and pivotal issue.

Over twenty years ago, while engaging with farmers and working closely within their communities, Cargills identified these growing disparities between urban and rural Sri Lanka as an area in which we had an important role to play. Since then, Cargills has implemented an integrated approach towards community development that promotes balanced growth and improved quality of life across these communities. Our focus has included both material sufficiency as well as non-economic aspects such as education and women's empowerment in an effort to create durable foundations for community development.

Value Delivered in 2021/22

Total value invested through *Sarubima* scholarships:	Total value invested in community development projects:
Rs. 650,000.00 among 178 beneficiaries	**Rs. 865,000.00**
Total value of loans granted under the Cargills *Sarubima* Credit Relief Fund:	**Total value of incentives offered to dairy farmers:**
Rs. 17,317,000.00	**Rs. 15,417,000.00**

Contribution to SDGs

RE-ENGINEERING THE AGRICULTURE SUPPLY CHAIN

Over two decades ago, Cargills, just like other retailers, purchased our fresh produce at wholesale price from the Manning Market – Sri Lanka's central trading complex, which was the hub of trading for the conventional agriculture supply chain. In 1999 however, our Management, following a chance encounter with agri-producing farmers from Hanguranketha, visited the sourcing farms in the central highlands of Sri Lanka to better understand the inefficiencies of the agricultural supply chain at ground level.

Farmers faced a number of structural barriers due to an inefficient and, at times, perhaps even exploitative supply chain. Inconsistent transportation, inadequate logistics and poor handling practices meant that as much as 40% of a farmer's produce went to waste. Within this system, a great deal of control was wielded by a range of middlemen between producer and consumer, and farmers lacked the power to negotiate standard prices. Ultimately, the farmer received only about 30% of the retail price of his produce that reached the market.

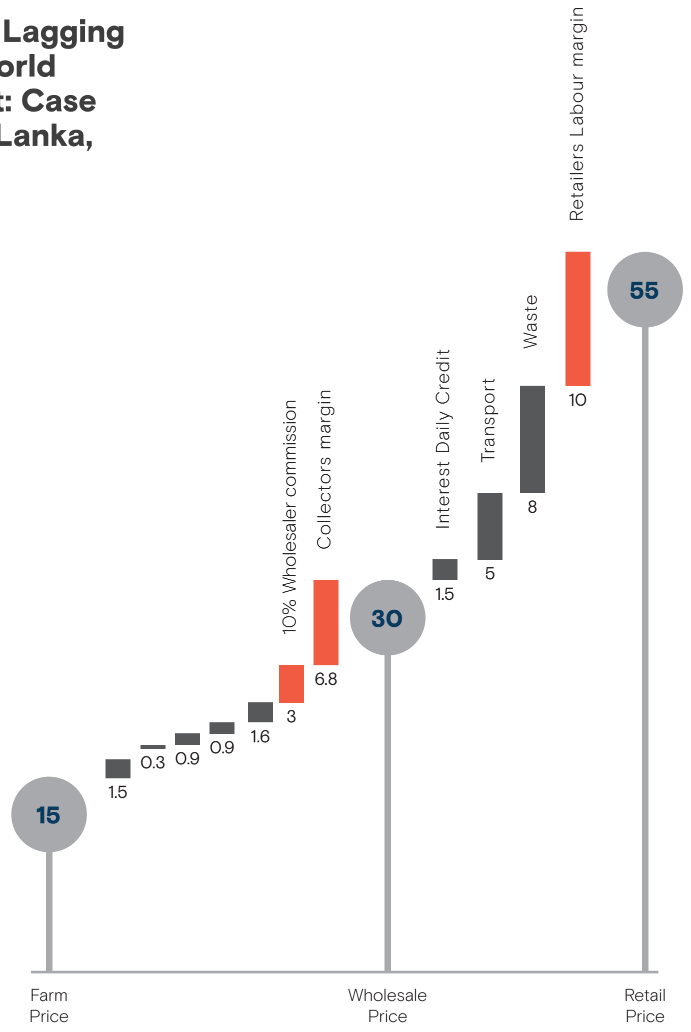
In order to address these supply chain inefficiencies, in 1999, Cargills began to purchase directly from farmers, supported by a collection centre in Hanguranketha, giving them direct access to the mass market, bypassing the middlemen. We began gradually introducing and building a total supply chain 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 10 collection centres spread across the island, handling over 109,000 kg of fresh produce daily. Each collection centre is managed by qualified agriculture graduates who continue to disseminate new technologies and extension services, nurturing our long-standing relationships with the farming communities.

The impact of our business model at the time was highlighted in a World Bank study titled "Production Resources in Lagging Regions 2007". Their analysis revealed how reducing the dependency on the traditional system of middlemen resulted in a lower retail price for consumers, and a higher proportion of the retail price being shared with the producer.

Bridging Regional Disparity

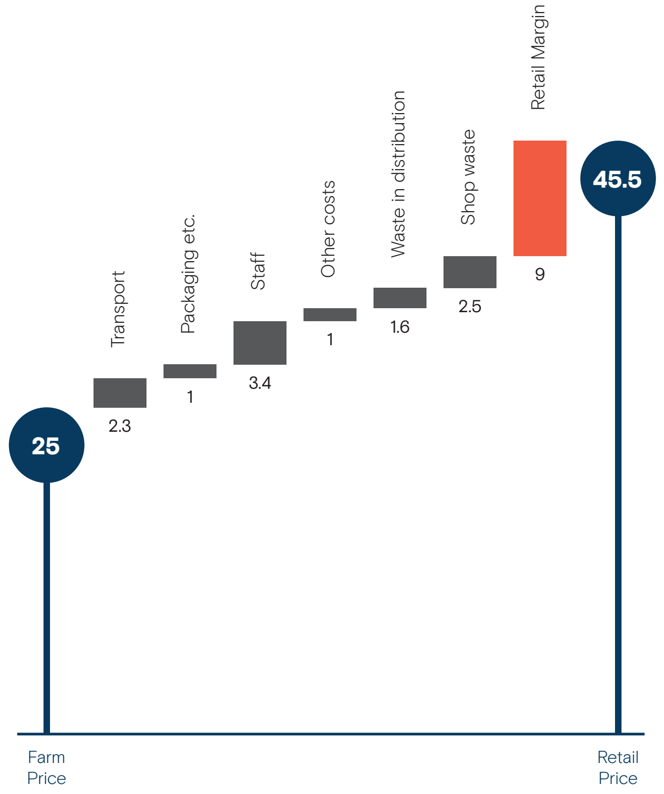
TAKING STOCK

“Production Resource in Lagging Regions”, World Bank Report: Case Study – Sri Lanka, June 2007



Generic Supply Chain

This shows a generic supply chain cost analysis for low land vegetables from Uva being sold by a wholesaler in the Manning Market Colombo to a vegetable retailer in Colombo. The retailer will make about $4.5/day to cover labour and to cover labour costs and earn a profit.



With Cargills Involvement

This shows a generic supply chain cost analysis for vegetables being supplied into the Food City. The reader should be aware that this costing only covers produce of supermarket quality, possibly 60% of production.

The Agriculture Modernisation Project

With the fundamental elements of our supply chain established over the course of two decades, our efforts were reorganised in 2019 with the launch of the Agriculture Modernisation Project under Cargills Agro Development Co. (CADC), a dedicated business entity established in 1994. The objective of the project retained the essence of our overarching goal: to enhance the livelihoods of farmers through sustainable, nutrition-sensitive agricultural production.

Under this programme we gave the opportunity to a select group of farmers and Cargills Extension Officers to visit high-tech farms and technical parks in India and receive first-hand exposure to new, precision agricultural techniques across Agronomy – the branch of agriculture that deals with field crop production and soil management. Local farmers were educated on innovative approaches to reduce the cost of production, enhance yield and increase profitability upon their return to Sri Lanka, as well as responsible farming techniques that mitigate negative impact on the soil and environment.

The learnings were implemented across a number of farming zones, where farmers succeeded in cutting down water requirements by 60% through micro irrigation methods such as drip systems and sprinklers, and preserving soil moisture through polythene mulch. An almost 80% reduction of agro-chemical usage was recorded through the newly implemented fertigation technique (where fertiliser is incorporated to the drip irrigation systems). CADC evolved and diversified over the years to support farmers with the distribution of inputs varying from insect proof nets and non-chemical pest-control systems to plant stimulants and agricultural water pumps.

We continue to work closely with the Department of Agriculture to simultaneously ensure health, safety, and quality standards of the agricultural produce we retail at our outlets, a focus area elaborated in detail in the Healthy, Safe and Affordable Nutrition section (pages 73 to 83) of this Report.

2021 | 22 Highlights

Now in its third year, the Agriculture Modernisation Project extended to 130 farmers, bringing the total number of farmers engaged in the programme to 622 in 10 key locations across Sri Lanka.

A policy research study funded by the World Bank's International Development Association (IDA) and implemented by the International Institute of Development Training (IIDT) in 2021, published the success story of the Cargills value chain model, where it was recorded that the cost of production had reduced over 50% while doubling yields, exceeding initially projected targets. As reported by the farmers, this was achieved due to the provision of modern technology, extension services by agricultural officers of the Company, credit facilities and purchasing of the produce by Cargills.

Other findings of this research highlighted the high regard with which Cargills was held by the farming community, and the success of the Agriculture Modernisation Project being a key contributor in attracting the younger generation of farmers back to farming.

TAKING STOCK
Bridging Regional Disparity

Transferring Technology and Technical Knowledge to the Grassroots

As we engaged with the farming communities to curtail supply chain inefficiencies, we identified gaps in the dissemination of technical and agriculture-specific knowledge – knowledge that can help farmers navigate larger global trends such as changing crop patterns, yields, fuel price increases and climate conditions. Patterns of agriculture in Sri Lanka have changed drastically; an industry that a decade ago cultivated crops during two monsoon seasons now faced varying rainfall, temperatures, and changes to soil conditions due to climate volatility and other environmental factors. Moreover, the cost of production, labour and inputs have continued to rise, diminishing profitability and leading to a new generation of farmers giving up agriculture. Providing access to new technology and knowledge about techniques, production planning, and resource utilisation etc. is essential in revitalising the sector. Cargills has sought to play its part in this area through collaborations with research organisations, university research divisions, global agriculture companies as well as the Department of Agriculture in Sri Lanka through the CADC.

Crown Seeds

One of the earliest CADC initiatives, Crown Seeds was primarily established to enhance local 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 Kalash Seeds from India, and attracting more farmers through Cargills' trademark forward contract system.

Local Seed Range

Amaranthus, Bitter Gourd, Brinjal, Chilli Capsicum, Cucumber, Luffa, Marrow Beans, Pumpkin, Radish, Snake Gourd, Tomato, Winged Beans, Beans, Spinach

Imported Seed Range

Green Chillies, Okra, Cabbage, Brinjal, Bitter Gourd, Capsicum

2021 | 22 Highlights

During the period under review, Crown Seeds increased the number of outgrower farmers by 22 under our forward contract system, bringing the total number of farmers dedicated to local vegetable seed production to 36. We distributed 16 crops and 27 seed varieties across a network of over 110 farming communities during the financial year, increasing our low country vegetable seed market segment to retain more than 20% of the total market share.

Case Study:

DREAM GREEN FARM

During the financial year under review, a pilot project was implemented by CADC in a five-acre farmland in Thanamalvila. This was under total buy-back agreement where farmers are offered a fixed price for processing-grade produce, whilst being provided with financial assistance and inputs. Cargills was thereby assured the continuation of supply of GAP-certified quality produce for processing and producing value added items as import substitutions.

The success of the pilot project enabled us to replicate the farming model with several farmers as well as landowners who wished to develop and transform their land and estates into an additional income stream with minimal overhead costs. With Group synergies providing technical, financial and market support as a total package, this became the ideal initiative for agricultural entrepreneurship. Given the growing social and community consciousness among consumers, and the fundamental principles of the Cargills Business model, the farms will only produce GAP-certified crops, thus resulting in its apt moniker – the Dream Green Farm.

By the end of the financial year, CADC had replicated the Dream Green Farm business model across 14 farms, yielding 7 types of crops for a value of Rs. 21 Mn.

Scan to View the Green Farm Video

Bridging Regional Disparity
TAKING STOCK

Dairy Development Programme

Our dairy business arm – Cargills Quality Dairies – followed the same blueprint as our agribusiness, investing in capturing a dominant market share through new product and new market development. Cargills entered the dairy business in 2001 by acquiring a closed-down ice cream factory equipped for ice cream production with milk powder and vegetable fat as key ingredients. In an effort to substitute the ice cream composition with healthier, locally sourced fresh milk, we worked towards establishing a supply chain by grouping farmers into milk collecting societies connected through central hubs.

We converted the plant into a 100% dairy ice cream production operation, launching the Cargills Magic brand in 2002 with a range of ice cream products and flavours. In 2011, Cargills Quality Dairies acquired Kotmale Holdings PLC and gained access to an extensive range of dairy products consisting of UHT milk, pasteurised milk, cheese and yoghurt, and progressively expanded the Kotmale product portfolio by introducing butter, curd and new variations of the UHT and cheese range.

Growing the Market and Growing Market Share

2001

Acquisition of ice cream production facility

Market demand –

12 million litres per annum

Available flavours –

Vanilla, Chocolate and Strawberry

Cargills Magic Process

- Reducing cost by using locally sourced fresh milk as key ingredient and
- Innovation of new flavours and variants leading to
- Increasing per capita consumption of ice cream

2021/ 2022

Reporting financial year

Current market demand

90 million litres per annum

Available flavours –

Vanilla, Chocolate, Strawberry, Berry, Orange, Mango, Faluda, Wood Apple, Fruit & Nut, Kithul, Cappuccino, Caramel, Coconut, Chocolate Brownie, Almond Nougat, Butterscotch, Mocha Choco Chip

Available variants

Tubs, Cups, Sticks, Cones, Bars, Sundaes and Mixes

Our dairy network grew to engage close to 17,000 dairy farmers across 13 districts in 6 provinces, collecting approximately 160,000 litres of fresh milk at 35 Chilling Centres daily. Female entrepreneurship was encouraged in dairy farming across the island by providing special microfinancing options for female-owned farms.

Bridging Regional Disparity
TAKING STOCK

Dairy Enterprise Development Initiative (DEDI)

A five-year programme was launched in 2021 by Kotmale Dairy Products (Pvt) Ltd, with the objective of generating an additional milk production of 80 million litres annually by the end of its five-year project timeline, and reduce dollar drain from dairy imports by meeting our full processing capacity. Through the programme, we addressed the low local dairy output by introducing modern technology, good farming practices, and proposed new approaches such as Artificial Insemination (AI) and controlled genetic improvements that would triple production outputs per animal from 4 to 8 litres per day. We collaborated with the Department of Animal Production & Health in Sri Lanka and other agencies to conduct training sessions, increase knowledge and build farmer capacity.

Under the programme, dairy farmers from the existing network would be trained and developed as Model Outreach Farmers through intensive management and technological inputs provided in collaboration with the Department of Animal Production & Health. The Model Dairy Farm and Training Centre in Kurunegala serves as a nucleus model farm with livestock where training is conducted on herd management, new feeding systems, revamped cattle sheds, cow comfort and other leading-edge dairy farming practices.

Case Study:

CARGILLS LANKAWATTA

MODEL DAIRY FARM AND TRAINING CENTRE, KURUNEGALA

Smallholder dairy farmers hailing from rural areas make up a significant portion of the Cargills dairy network. However, lack of good quality and quantity of feed compounded by poor dairy management practices had resulted in a rather below-average yield across the rural farming network, limiting daily output to 3-4 litres per cow, per day.

The Lankawatta Model Farm was established in Kurunegala to serve as a training and demonstration centre as well as a blueprint for rural dairy farmers for better technological, financial and management practices. The model farm initially housed 52 dairy cattle in strategically designed dairy sheds to provide proper cow comfort, and were fed various types of silage and essential mineral feeds to achieve nutrient requirements of dairy cattle. Cow manure was recycled back to fertilise the in-house cultivation of various types of fodder, while a number of sustainable water management techniques including rainwater harvesting and ground water improvements also contributed to better agricultural management.

Today, the farm produces yields higher than average in the region. Cargills plans to extend the training, knowledge sharing and extension services available at the farm to a wider group of farmers and dairy entrepreneurs in batches, with all necessary facilities including accommodation made available. With a valid certification issued by Cargills upon the successful completion of the training, the Company aims to support qualified farmers with inputs such as high-quality fodder and financial assistance through Cargills Bank, to replicate the Model Farm, breed and raise higher yielding dairy cattle, increase income, and benchmark best practices in dairy management across the island.

2021 | 22 Highlights

During the financial year under review, of a total 1,063 DEDI-registered farmers, 808 completed their technical training and skill development. 30% of the total trained farmers were female.

A total of 37 training sessions were conducted for multiple stakeholder groups of the dairy vertical. Profiles of 92 farmers were developed as Model Outreach Farmers from a baseline assessment of 8,200 farmers island-wide.

Training/ Development	Number of Beneficiaries
Project Awareness & Development of Model Dairy Farm	42 Dairy Staff
Project Awareness & Development of Model Dairy Farm - Project Planning	1,063 Farmers
Project Awareness & Technical Training on Increasing Productivity and Best Management Practices	808 Farmers
Training of Trainers	21 Dairy Enterprise Officers

We also launched a unique incentive scheme in 2021 for increased production and quality in fresh milk, with incentives amounting to Rs. 15,417,183.66 in total awarded to dairy farmers during the reporting period.

Reinvesting in Holistic Rural Community Development

Our continued and growing engagement with farmers from across the island also helped us understand the need for a more comprehensive approach to stimulate local economic development, reduce poverty and unemployment, improve living standards and the overall welfare of the farmer, their family, and their community.

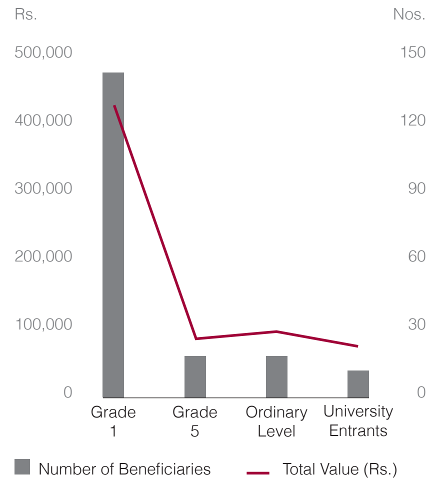
The *Sarubima* Fund

Cargills established *Sarubima* in 2008 as a source of reinvesting in our farming community by contributing 50 cents per kilogram of fruit and vegetables, and per litre of milk sourced from local farmers to a dedicated fund. Collections directed towards the advancement of the quality of life in farming communities.

Over the years, the *Sarubima* Fund has evolved into a larger entity through which Cargills continues to uplift farming communities by providing educational scholarships for children, resources for up-skilling and professional advancement, insurance for farmers, and investment in local infrastructure. Close to 60% of the fund is directed towards educational scholarships, helping to bridge the gap in access to quality education and learning facilities experienced by rural communities.

2021 | 22 Highlights

During the financial year under review, 178 beneficiaries were awarded scholarships through the *Sarubima* Fund.



The reporting year also saw the total investment of Rs. 865,000.00 in community development projects across rural communities. We also invested Rs. 5,313,500 in Dairy Farmer welfare activities during the reporting period.

Additionally, all internal audit functions were completed for the disbursement of scholarships for 2018/19, 2019/20 and 2020/21 fiscal years, accumulating to the value of Rs. 44 Mn. These scholarships are scheduled to be disbursed during FY 2022/23.

Scholarships		Number of scholarships	Total
Agri	Grade 5 - 2018/19, 2019/20, 2020/21	54	810,000.00
	O/L - 2018/19, 2019/20	99	3,564,000.00
	University - 2018/19, 2019/20	49	7,742,000.00
	Vocational - 2018/19, 2019/20	1	36,000.00
		203	**12,152,000.00**
Dairy	Grade 5 - 2018/19, 2019/20, 2020/21	147	2,205,000.00
	O/L - 2018/19, 2019/20	276	9,936,000.00
	University - 2018/19, 2019/20	117	18,486,000.00
	Vocational - 2018/19, 2019/20	39	1,404,000.00
		579	**32,031,000.00**
Total		**782**	**44,183,000.00**






Case Study:

REBUILDING SUSTAINABLE

LIVELIHOODS IN THE NORTHERN PROVINCE OF SRI LANKA

In order to expedite post-war recovery and resuscitate economic and employment security in the Northern region of Sri Lanka, Cargills visited Kilinochchi – one of the main towns in the Northern Province in 2009, immediately following the end of the 26-year long civil war. Cargills wished to replicate its agricultural value chain success in the North and revive their horticulture sector by providing access to key production inputs, knowledge and training, and contribute towards rebuilding sustainable livelihoods in the conflict-affected region.

However, it was even more crucial for us to understand the social as well as emotional dynamics of the people at ground level. Cargills conducted a needs assessment of 2,500 smallholder farmers to identify their fundamental requirements and ambitions. This study was further strengthened by conducting face-to-face dialogues with farmer communities as well field studies with Jaffna University students to clearly understand their ground realities. With the data gathered, Cargills was able to plan and implement a three-year project founded on over a decade of experience in linking farmers across Sri Lanka to mass markets.

We adopted an end-to-end approach of the value chain model – an extended horti-enterprise created by vertically aligning field production practices and produce handling with market driven processing and trade. Field staff were recruited from the area in order to coordinate with the farmers and facilitate farmer-group formations. Knowledge was imparted on loss-free post-harvest produce handling. A number of produce collection centres were set up across the region so that Cargills can purchase produce directly by eliminating intermediaries. The Kilinochchi Processing Unit began its operations in 2013, processing a total of 7 MT fruits and vegetables per day. The facility also generated regular employment, particularly for women in the region, and established price stability to local produce.

However, despite Cargills investments and provision of market access, farmers in the North were not able to fully venture into commercial scale agriculture due to the lack of scalable irrigation systems as well as preliminary capital required for such upgrades. At this juncture, Cargills partnered with the National Agribusiness Development Programme (NADeP) under the Ministry of Economic Development to address the challenges faced by the farming community.

The NADeP Outgrower Project

The NADeP Outgrower Project – a one-year programme commenced in 2014, offering farmers in the region grants of up to Rs. 75,000.00 to upgrade their irrigation systems in order to double their crop from ¼ acre to ½ acre within the two main cultivation seasons in Sri Lanka – ***Maha*** (of 2014) and ***Yala*** (of 2015). Intercropping of improved local and imported varieties of vegetables was also promoted, alongside other high-demand target crops such as passion fruit, tomato and melon. Cargills provided technical assistance, training and supervision with the appointment of a Senior Agricultural Officer and Field Officers to coordinate the programme. Special trainings and field demonstrations were carried out by Cargills in collaboration with other organisations such as the Institute of Post Harvest Technology (IPHT), the Horticultural Crop Research and Development Institute (HORDI) and Provincial Department of Agriculture (PDOA). Cargills carried out strict monitoring and evaluation of the project, maintaining all records pertaining to purchased volumes and prices of the produce to ensure the achievement of project objectives.

Cargills implemented forward contracts to purchase the full harvest of passion fruit, tomato, and melon with an estimated yield of 1,000,000 kg per annum, and Rs. 18.4 Mn. total revenue generated for the farming community, with additional income generated through intercropping.

The project was completed as one of the most successful, sustainable and replicable public-private initiatives in agriculture development, with the farmers profiting from highly commercial crops such as passion fruit and silver melon with higher yields and reduced cost of inputs.

Growing Credit Constraints

In Sri Lanka, over 50% of farmers have defaulted on their loan payments and remain ineligible for further financial assistance from local banks.

Cargills *Sarubima* Credit Relief Fund

An innovative programme that encourages farmers to venture into agriculture modernisation by eliminating the risk factor of high capital investments and loan interests, the *Sarubima* Credit Relief Fund provides financial assistance to the farmers to 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.

Bridging Regional Disparity
TAKING STOCK

Case Study:

VILLAGE TO HOME:

A BUSINESS NETWORK FOR THE RURAL ENTREPRENEUR

Following the COVID-19 pandemic outbreak, Cargills launched the "Village to Home" initiative in September 2020 to support and develop the country's small and medium enterprises (SMEs), ensuring business continuity in a market ravaged by uncertainties. Monthly sales events continue to be carried out at select Cargills Food City car parks, assisting the SMEs to improve their product quality and mass market appeal by providing technical expertise and advice in packaging, marketing, quality assurance and quality standards, enabling them to promote their products to a wider, nutritionally and sustainably conscious Cargills customer base.

The events highlight an exciting array of traditional Sri Lankan products including healthy, nutritious, Ayurveda herbal products, food, handloom and artisanal handicraft as well as cane and reed craft products, with Cargills bearing all expenses for demarcated stalls, water, electricity, and other facilities to ensure stringent health and safety guidelines.

We have also utilised the unique synergies of our business to provide the SMEs with financial assistance through Cargills Bank. Participating SMEs are offered bank account facilities, loan and card facilities as well as Lanka QR codes that are accepted across Sri Lanka. Cargills also collaborated with the Central Bank of Sri Lanka to facilitate the "Village to Home SME Training Programme" to improve SME financial literacy and technical awareness.

Cargills collaborated with the Small Enterprises Development Division (SED) of the Ministry of Sports and Youth Affairs, the National Enterprise Development Authority (NEDA) of the Ministry of Industries and Commerce, the Ministry of Cane, Brass, Clay, Furniture, and Rural Industry Promotion, and the Provincial Department of Agriculture (Western Province) to ensure the success and wider reach of this initiative.

During the financial year under review, we facilitated 11 Village to Home sales events at Food City outlets, registering over 90 SMEs and entrepreneurs registered under the programme, with 1 entrepreneur successfully entering the export market. We also launched the Gondola programme during the reporting period, providing the SMEs a unique opportunity to showcase their products at Cargills Food City outlets for a low shelf cost.

Success Story

UK Cane Furniture

Rattan cane weaving and the exquisite cane craft industry in Sri Lanka has been on the decline over the past few years due to numerous challenges faced by its traditional custodian families, including the increased demand for cheaper substitutes. It was at this juncture that Kasun Sumal joined his father's decades-old cane business, which needed wider access to new market segments if it was to survive.

Following the pandemic and its compounding toll on the business, Kasun registered their business – UK Cane Furniture for the Koswatta Cargills Food City Village to Home sales event in 2021. During his engagement with Cargills, Kasun greatly benefited from the additional business development support and financial literacy offered by the programme, and went on to successfully network and expand his client base. Their high quality and craftsmanship won Kasun and his father the opportunity to register with Cargills as suppliers of cane baskets for Christmas hampers, giving the business a further boost. Today, UK Cane Furniture employs 70 people to meet the growing demand for high quality cane crafts and furniture both locally as well as in the export market, and was featured as one of Cargills' success stories during the period under review.

Bridging Regional Disparity
TAKING STOCK

FUTURE OUTLOOK

The Cargills business model offers financial security and stability for farming communities by providing a total solution in modern trade; an all-encompassing integrated supply chain from seed production and sourcing to the collection and retailing of produce with full access to the mass market. This provides a strong foundation for farming communities to develop other aspects of their lives, as we have witnessed over the past two decades of business. As we continue to enrich other non-economic aspects of our farming communities, enhancing farmer income levels through improved yield and improved quality of produce will remain our primary focus, as we look at expanding our reach within and beyond our national borders.

HEALTHY, SAFE AND AFFORDABLE NUTRITION

Poor dietary habits are one of the main contributors to a rise in chronic Non-Communicable Diseases (NCDs) such as diabetes and cardiovascular diseases, which are leading causes of premature deaths in Sri Lanka. A sustainable, nutrition-sensitive food supply chain can bridge the gap between diet and health by meeting the nutritional needs of our communities. As Cargills evolved into one of the largest agricultural production and retailing networks in Sri Lanka, we took on a central role in shaping the local agriculture sector to reflect advances in nutritional science, and in helping consumers make informed and smart decisions about the food they consume. Cargills translated good nutrition into good business by addressing three challenges faced by consumers; access to nutritious produce, guaranteed food safety, and access to healthier food options.

Value Delivered in 2021/22

Purchasing value of Good Harvest produce:	Purchasing value of BeeSafe produce:
Rs. 65,482,402.12	**Rs. 38,870,472.50**
Purchasing value of Organic Rice crops:	Number of new healthier product options introduced to the market:
Rs. 10,110,115.32	**11**

Contribution to SDGs

GOOD HARVEST

– Sri Lanka's first branded GAP-certified produce

Good Agricultural Practices (GAP) have been endorsed and long promoted across the Cargills farming network to reinforce socially responsible farming methods at ground-level, and to produce safe, wholesome fruits and vegetables for our consumers. We strengthened our commitment to GAP by partnering with the Department of Agriculture to introduce Sri Lanka's very own SL-GAP certification in 2019, implementing a set of globally accepted standards across our farming network.

We leverage our widespread Cargills Food City chain to retail a wide variety of fresh fruits and vegetables under the Good Harvest label, Sri Lanka's first brand of GAP-certified produce cultivated with controlled and audited fertiliser and pesticide application to ensure food safety. Crop record books maintained by farmers at ground level are monitored by Cargills Agriculture Field Officers. Traceability of the produce is established with the packaging containing information of the farmer along with a distinctive QR code.

2021 | 22 Highlights

During the financial year under review, a total of 398.29 MT produce was purchased from Good Harvest farmers, delivering a value of Rs. 65,482,402.12 back to the farming community. We were able to extend our Good Harvest farmer network by registering 48 of new farmers during the reporting period, which resulted in the expansion of our farming land by 36.6 acres.

Healthy, Safe and Affordable Nutrition
TAKING STOCK

BEESAFE

– Agrochemical free farming

Following the success of the 'Save Our Soil' programme launched in 2014 (page 110), we introduced the BeeSafe initiative in 2019 to continue addressing the high prevalence of Chronic Kidney Disease (CKD) among farming communities - a health issue of national concern in Sri Lanka. Farmers were continuously exposed to uncontrolled levels of pesticide and chemical fertilisers in the hopes of increasing crop cycles and yield.

Through BeeSafe, farmers were encouraged to cultivate toxin-free produce through a forward-contract system that guaranteed the purchase of their organic harvest at negotiated prices. Loan facilities were provided through Cargills Bank to cover higher cost of production for comparatively low yields. Cargills further strengthened the project by educating farmers on scientifically proven biological farming processes, using microorganisms as well as natural herbicides and pesticides to enhance soil fertility and crop nutrition, and optimise yield. In order to ensure the sustainability of the BeeSafe business model, we initially implemented it across a select number of farms to better understand and replicate the process. This measured approach helped Cargills to steadily and successfully expand farmer numbers as well as farming crops through trial and error.

BeeSafe farmers house beekeeping boxes with swarms of bees - known to be notoriously sensitive to harmful toxins and chemicals - within our farming zones to guarantee toxic-free environments and demonstrate the context of the 'BeeSafe' brand. Sustainable packaging was introduced to remain loyal to the brand promise.

2021 | 22 Highlights

For the year under review, we registered 95 new BeeSafe farmers, expanding our BeeSafe toxic-free zones to a total of 31.30 acres of healthy, fertile soil that enhances the quality and nutrition attributes of the produce we supply to our consumers. A total of 167.98 MT produce was purchased from our BeeSafe zones, delivering a value of Rs. 38,870,472.50 back to the organic farming communities.

Healthy, Safe and Affordable Nutrition
TAKING STOCK

CARGILLS RICE
– Traditional organic rice

With rice being the staple and main carbohydrate source of the Sri Lankan diet, Cargills introduced traditional organic rice cultivated with zero agrochemicals to a growing market of conscious consumers. Organic rice is proven to contain higher levels of antioxidants, fibre, iron and proteins with a low glycaemic index compared to conventional rice varieties. Working closely with the Parabowa Organic Farmers Association, we introduced a range of traditional rice varieties, each with its unique health benefits.

Suwandel
Promotes healthy skin and hair, aids in digestion and helps control diabetes

Kuruluthuda
Rich in protein and fibre, improves digestion and bladder function

Pachchaperumal
Rich in protein and nutrients, and considered ideal for children, and those with diabetes and cardiovascular ailments

Ma-Wee-Hangimuttan
Provides a cooling effect on the body and is effective for a range of health issues including tuberculosis, indigestion, diabetes and obesity

Kalu Heeneti
Used in traditional medicine, it is considered an ideal nutrition option for children, mothers and babies over 6 months

Traditional Rice Blend
A blend of Suwandel, Kalu Heeneti, Ma-Wee Hangimuttan and Kuruluthuda rice variants, this blend possesses a variety of medicinal/nutritional properties of all its constituents

2021 | 22 Highlights

During the year under review, a total of 33 MT of organic rice was produced by the Parabowa Organic Farmers Association across 48 acres of paddy fields in the Puttalam District, with Cargills purchasing the organic harvest at a total value of Rs. 10,110,115.32 as a re-investment in strengthening and expanding the organic rice initiative.

Healthy, Safe and Affordable Nutrition
TAKING STOCK

ENRICHED NUTRITION

– Healthier consumer options

In terms of value-added products, the Cargills KIST range contains freshly sourced fruits rich in vitamins, minerals and fibre as key ingredients, and our dairy range is produced with locally sourced 100% fresh milk which is a rich source of essential nutrients. We use natural flavours and colours in new product development, only substituting with 'nature identical colours' – synthetically made pigments of the same natural colour – as a secondary option. We limit our usage of artificial components such as colours, flavours and sweeteners to a minimum in our products.

To drive our consumer purchasing trends towards a more balanced and healthier diet, we also incorporated the World Health Organisation's recommendations and introduced our 'Lite' product range in 2018 by reducing the sugar, salt and fat content in our existing recipes. Lite Yoghurts contain 50% less sugar, lower fat content and higher protein levels, and Lite Nectars contain 43% less sugar content. We continue to work with nutritional experts as well as research and development units across a number of state universities (page 91) to introduce healthier consumer options to this growing consumer demographic.

2021 | 22 Highlights

During the period under review, two Cargills Lite products - namely KIST Green Apple Lite Nectar and Kotmale Vanilla Lite Yoghurt witnessed a sales increase of over 100%, a further testament to the shift in consumer nutrition preference in Sri Lanka. Continuing the focus on enhancing the nutritional value of our existing products, we successfully removed 100% of all MSG flavour enhancers used in the production of our chicken sausage range.

We also introduced 11 new healthy consumer options and flavour variants to the Cargills product portfolio during the reporting period:

Drinking Yoghurt Lite - Strawberry and Vanilla

- Less sugar
- No sweeteners
- Low fat
- High protein
- Probiotic
- Available in vanilla and strawberry flavours

Nectar Lite

- Less sugar
- No sweeteners

Kotmale Nonfat Yoghurt

- No added sugar
- Non-fat
- Rich in probiotics

Low Fat Cheese Wedges

- Low fat

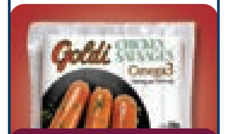
Stirred Yoghurt - Vanilla

- Low fat and high protein
- Contains probiotic cultures
- Contains calcium

Stirred Yoghurt - Strawberry and Mixed Berry

- Low fat and high protein
- Contains probiotic cultures
- Contains calcium and real fruit pulp

Chicken Omega 3 Sausages



- Includes Omega 3
- MSG-free

Drinking Yoghurt - Aloe Vera

- Contains 10% aloe vera pulp
- Contains probiotic cultures

Milk with Oats - Vanilla and Chocolate

- Natural oats with 100% fresh milk
- High in fibre,
- High in calcium
- Low fat
- Available In vanilla and chocolate flavours

Mixed Fruit Spread

- No added sugar
- 100% fruit-based

FOSTERING A STRONG REGULATORY ENVIRONMENT

Our product development teams abide by a set of specific nutrient criteria across the Cargills food value chain to ensure food safety and benchmarked quality standards our consumers have grown to expect and demand from Cargills. Our actions continue to be backed by the implementation and stringent compliance primarily to internal policies and regulations specifically designed and implemented for food safety, quality and nutrition, followed by our compliance in equal measure to locally and globally declared policies, regulatory frameworks and reference standards.

Cargills Quality Dairies and Cargills Quality Foods are certified with ISO 9001: 2000 for Quality Management, ISO 14001: 2004 for Environment Management and ISO 22000:2005 for Food Safety Quality Management. All our automated manufacturing processes take place in sterile environments that are equipped with anti-bacterial cold rooms, cold storage and manufacturing areas. Cargills Quality Dairies and Cargills Quality Foods are the most technologically advanced processing facilities in the region. Our processed meat maintains lower than allowed maximum levels of preservatives such as nitrates and nitrites.

We empower consumers through responsible labelling and marketing to make informed decisions, including the Cargills nutritional information table on our product labels, while our QA department ensures all our products, ingredients, labelling and claims are factual, endorsed by scientific evidence and consistently complies with Sri Lanka Food Act.

FUTURE OUTLOOK

We will continue influencing a market that is still predominantly unaware of and unbiased towards good nutrition and healthier food choices, with several new products ready to be launched during the next financial year in the pipeline. We have partnered with the Ministry of Agriculture to launch 'Cargills Lak Bojun'- a traditional local food outlet concept as part of our SME upliftment programme - Village to Home (page 70). This initiative focuses on introducing healthy, traditional breakfast options at select Food City car parks in the immediate future. Cargills will also look to revive the nationally-driven School Milk Programme during the coming months following COVID-19 restrictions, where we supplied pasteurised milk packs to 185,000 school children spread over 400 schools across Sri Lanka, addressing the rising levels of malnutrition in children.

ENHANCING YOUTH SKILLS

Youth inclusion is a significant part of rural transformation. In Sri Lanka, a majority of youth hail from rural regions, the same demographic that makes up a large part of the team at Cargills. As we expanded outside the Western Province, we understood the aspirations of young people across Sri Lanka continued to outpace the expansion of the economic and social opportunities presented to them domestically, resulting in low-skilled labour migration - a major source of foreign exchange earnings for Sri Lanka. With our growing reach and presence across rural Sri Lanka, Cargills wished to provide local youth a competitive advantage in both local and international job markets by facilitating access to new knowledge and skill sets that will not only create better chances for job opportunities, but also support our cause towards bridging regional disparity by increasing individual earning power.

Value Delivered in 2021/22

Launch of Cargills AAPI eLearning Platform

Total students reached through the ECE Programme

1,032

Total preschools in the ECE Programme

42

Contribution to SDGs:

Cargills Foundation

With the very nature of the Cargills business inherently contributing to the economic and social development of communities, the Cargills Foundation was established in 2018 to identify and implement new initiatives in areas that were beyond the businesses we operate. Education became our key area of focus, and we started at the source of holistic development – preschools.

Early Childhood Education (ECE) Programme

The first initiative implemented by the Foundation in 2019, the ECE Programme was launched to directly address the lack of regulated curricula in preschools across Sri Lanka. ECE aimed to develop social, emotional, cognitive and physical capabilities of children, building a broader foundation for lifelong learning and wellbeing.

As highlighted by UNICEF Sri Lanka, the country's "patchwork of preschool education standards, curricula and administration systems has resulted in poor or mediocre learning that fail many children and prevent them from realising their full potential." (source: https://www.unicef.org/srilanka/education-early-childhood)

We collaborated with renowned global EdTech company KidsLoop to create a programme that aligned with the available framework, and focused on improving English literacy at preschools through exposure to basic concepts in areas of Science, Technology, Engineering, Arts and Mathematics (STEAM) in English, equipping classrooms with both digital and traditional teaching tools and methodologies.

The classroom-based pilot ECE Programme commenced in May 2019 across 48 preschools within the Western Province, reaching 737 students between the ages of 3-5. Following its successful completion in December 2020, the programme has been endorsed by the National Institute of Education as a supplementary programme to the local preschool curriculum in Sri Lanka.

Interlinked to the ECE Programme is the simultaneous capacity building of preschool teachers; the Foundation trained and mentored preschool teachers with necessary skills in order to implement the ECE Programme, and ensure its success and sustainability. By enhancing their English literacy through the training/mentoring programme, preschool teachers too, have been given the opportunity to advance their own professional profiles.

2021 | 22 Highlights

The Cargills Foundation continued to deliver on our ongoing projects with progressive results during the financial year under review:

ECE Programme

We continued the programme across 42 preschools during the reporting period, reaching over 1,000 children and enhancing skill capacities of 88 teachers in the Western Province. With a target to reach 1,000 preschools across the island by the end of the calendar year 2022, the programme is to be implemented across all provinces by replicating the 48-preschool blueprint of the pilot project. This will provide the opportunity to reach more than 2000 teachers and 30,000 students across the country.

The Foundation launched two more initiatives approved by the Board during the reporting period:

Mask to Go Initiative

The Cargills Foundation pioneered a fully-automated self-service face mask vending machine – "Mask to Go" at its Rajagiriya Food City outlet in May 2021. All sales proceeds are redirected back towards funding the class-room based ECE Programme

Cargills ESL Home Learning Solution

Following the pandemic lockdowns, Cargills ESL, a digital Home Learning package – English as a Second Learning (ESL) – was made available via selected Food City outlets from June 2021 as a cross-platform app on both iOS and Android. With structured multi-year curriculums, assessed lessons and open-ended creative activities, the Cargills ESL reached children outside the boundaries of the classroom-based programme. All proceeds from Cargills ESL sales are redirected back towards funding the class-room based ECE Programme.

The Albert A Page Institute (AAPI)

With close to 70% of our team hailing from rural Sri Lanka with a median age of below 30 years, we established the Albert A Page Institute (AAPI) in 2006 to help realise the full potential of rural youth who were under-employed or unemployed due to lack of access to professional training and qualifications. Functioning as a non-profit independent entity, the AAPI introduced vocational training and professional development to Cargills team members, awarding qualifications and obtaining local and international accreditations to enable rural youth to explore better career prospects.

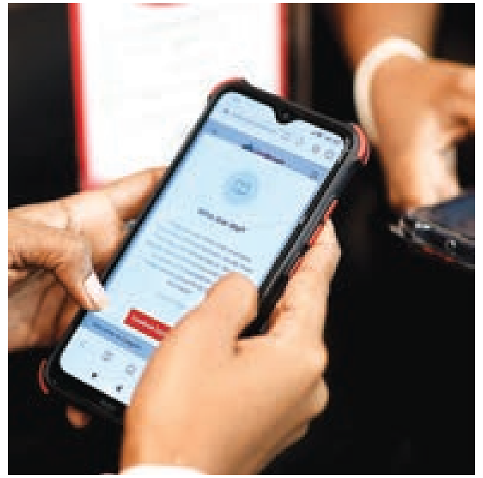
AAPI developed a series of certifications and diplomas aimed at creating opportunities for career advancement in the Food and Manufacturing sectors. Advanced Certificates focusing on managerial skills development were introduced to aspiring young executives. The courses evolved over the years to be strategically focused on covering all aspects of retail and manufacturing operations. Soft skills for junior executives, middle management and senior management were also introduced.

On-the-job training became an effective mode of imparting knowledge, enhancing skills and infusing a new work culture across Cargills and soon, the certifications were made requisite for career progression and promotions. AAPI partnered with the Independent Grocers Alliance (IGA) Institute - a US-based non-profit educational foundation that provides online training material and web-based job certification courses, to obtain accreditation. The IGA training offered a broader, more global view on agriculture and current challenges faced by the industry such as biodiversity depletion and climate change.

AAPI's Management Trainee Programme recruits an average of 60 from a batch of local university graduates for a year-long intensive programme across the Group's various sectors, in particular, retail. This programme includes hands-on experience, field visits to factories and mentoring sessions under the senior leadership team assisting the graduates in understanding their ideal career prospects.

2021 | 22 Highlights

During the COVID-19 pandemic, AAPI swiftly shifted to livestream training programmes with a comprehensive plan to cover specific teams, outlets and target groups, but faced challenges with technical difficulties and feasibility of remote connections across multiple retail and manufacturing locations. The challenges paved the way for the development of the Cargills AAPI eLearning Platform during the reporting period.



Launched in January 2022, the Cargills AAPI eLearning Platform offers anytime, anywhere, equitable accessibility to digitised course content, with practical sessions conducted at relevant retail outlets and manufacturing plants, resulting in cost and time efficiencies. While employees are requested to complete courses relevant to their functionality and job role, the AAPI eLearning Platform's complete accessibility allows the team to broaden their knowledge, skillsets and prospects by completing other available courses. All retail sector course material was made available online during the reporting period, with manufacturing sector courses scheduled to be digitised and uploaded to the platform by the end of the 2022 calendar year.

Beyond training, the Platform has also been proposed to encourage communication between team members in the form of an interactive intranet where employees can share ideas, network, stay updated on company events and create a sense of solidarity as a company. As Cargills grew into an operation with over 9,000 employees spread across the island, it became impossible for all team members to interact with each other. Now, with the Platform, our employees are able to engage and interact with team members across multiple locations, while also learning from the Platform as well as from each other.

We addressed the low rate of English literacy among our teams by taking a multi-level, multi-lingual approach; training programmes were made available in all three languages and progressive levels, with multimedia resources available via an e Library. During the year under review, AAPI also introduced a dedicated English language course to improve basic linguistic and communication skills of employees to confidently engage with customers. This process has largely supported in bridging a transitional language gap for employees following the internationally recognised IGA course online in English. The total number of registrants for IGA Programmes during the period under review was 1,439, a 364% increase from the previous financial year.

Beyond making the qualifications requisite for career growth, AAPI introduced a competitive ranking system for individual employees as well as Food City outlets and clusters, in order to encourage and promote self-learning among the cadre. Regular reports on trainings are generated against KPIs to measure progress and evaluate performance. With a think tank consisting of close to 50 expert resource persons from across the group, courses are updated biannually to ensure we retain and transmit our tacit knowledge.

In terms of supplier programmes, we continue to work with our Agriculture Extension Officers who directly engage with our farming communities to facilitate their on-site training programmes to identify training content that can be digitised and shared directly with farmers.

Enhancing Youth Skills
TAKING STOCK

2021 | 22
Highlights

AAPI 2021-2022	No. of trainees				Training hours			
	Executive	Non-Executive	Total trainees	Executive %	Executive	Non-Executive	Total hours	Executive %
Total	**1,873**	**4,238**	**6,111**	**31**	**10,780**	**20,665**	**31,445**	**34**
AAPI live streaming	370	437	807	46	2,804	874	3,678	76
IGA training platform	32	80	112	29	221	552	773	29
AAPI training platform	1,193	3,040	4,233	28	7,158	18,240	25,398	28
CQD classroom	111	195	306	36	139	280	419	33
Kotmale classroom	53	196	249	21	237	349	586	40
Kotmale live streaming	14	21	35	40	31	51	82	38
CQC classroom	1	22	23	4	2	44	46	4
CAF classroom	99	247	346	29	188	275	463	41

Trainees and training hours by grade

Name of Programme/Course	Number of participants			Number of hours total
	Male	Female	Total	
AAPI eLearning platform	2,023	2,210	4,233	25,398
IGA training platform	47	65	112	773
CQD training	251	55	306	419
CAF training	265	81	346	463
CQC	13	10	23	46
Kotmale class room	192	57	249	586
Kotmale live streaming	23	12	35	82
Total	**2,814**	**2,490**	**5,304**	**27,767**

In our restaurant sector, KFC team members are highly trained through a support structure that celebrates the team and recognises leadership, in line with international KFC standards. This has enabled Cargills to build professionals of global quality in the field of food, beverage and hospitality. During the period under review, 1,152 KFC team members covered 422 training hours.

Partnering with state universities

Cargills actively engages with Sri Lanka's state universities for New Product Development (NPD) initiatives, encouraging research and innovation through collaboration. We provide students with the opportunity and resources to commercialise their advanced research ideas for healthier and nutritious products under the Cargills brand, and also network with other local and global organisations and funding agencies for extensive research and development projects.

During the period under review, we worked with several state universities on the following 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 level.	Launched in February 2022
Industrial Technology Institute	New product development		In progress
University of Peradeniya	New product development		In progress
University of Sri Jayawardenepura	Case study on: 'Managing Change in the face of a Pandemic: The Case of Cargills (Ceylon) PLC '	A study of the journey of change management undertaken by Cargills (Ceylon) PLC in navigating through the COVID-19 pandemic, during which it remained true to its core values and continued to serve the community	Symposium held in December 2021
University of Ruhuna	New product development		In progress

FUTURE OUTLOOK

We continue to invest in the professional skills development of our youth, not only contributing towards elevating their living standards and advancing their communities, but also empowering them to approach the international labour market as a skilled, experienced and qualified youth workforce with the potential to bring in significant foreign exchange back to Sri Lanka and add greater value to our economy. Cargills continues to collaborate with state institutes, non-profits, and other like-minded organisations to strengthen and nurture the rural youth of Sri Lanka, creating better prospects and greater opportunities for them to build their future.

BUILDING EQUALITY, DIVERSITY AND INCLUSIVITY

Females represent half of Sri Lanka's population, and half our potential as a country and as a company. That is why gender equality has long since been imbued in our principal purpose of reducing regional disparities. We create opportunities for Sri Lankan women through equal access to knowledge and economic resources for entrepreneurship, employment, and career development. While the participation, representation and empowerment of women became integral in our growth as a company, we also fostered a strong corporate culture of diversity and inclusion. As per the Code of Conduct, Cargills is an equal opportunity employer and tolerates no discrimination on the basis of gender, disability, race, religion, marital status, etc. and ensures every employee is valued and respected. We are an active participant of the United Nations Global Compact and have incorporated human rights and labour principles into our strategies, policies, and procedures.

In order to ensure effective participation and representation of women and men at all levels of decision-making across the Group, Cargills launched a 5-year plan to achieve gender equality across our workforce during the previous reporting period, when we recorded a 48:52 ratio. Within just one year of launching this programme, we have achieved 50:50 gender equality across the Group during the current reporting period.

Our focus on sustainable development at a national level has also been disability-inclusive in alignment with our commitment towards the UN Sustainable Development Goals (SDGs) and our pledge to leave no one behind. Cargills provides employment opportunities for those who are differently-abled, promoting equal access to income security as well as productive employment, decent work and life-long learning opportunities for all. A number of differently-abled persons have continuously been employed at Cargills, working both at the front-end servicing customers as well as in our back-end offices. Colleagues are educated, equipped and encouraged to support their differently-abled team members, while close communication is maintained with families/guardians to ensure their needs are met in the workplace.

Empowering Women at Farm Level

Women comprise a significant proportion of our agriculture workforce, and are a vital link between farms and families. While re-engineering Sri Lanka's agriculture sector over the past two decades, we have created economic opportunities and market engagement for women to become income generators not simply as farmers, but as small business owners and agricultural entrepreneurs. The benefits range from increased household income and improved quality of living to better educated children, as well as enhanced health and nutrition in communities. Special microfinancing programmes have been introduced to encourage female entrepreneurship in agriculture and dairy farming as well as female ownership of farms.

Agriculture Modernisation

Total number of farmers	Female ownership	%
622	24	4%

Good Harvest

Total number of farmers	Female ownership	%
128	16	12.5%

BeeSafe

Total number of farmers	Female ownership	%
98	19	19.4%

Case Study:

PROMOTING WOMEN ENTREPRENEURSHIP IN AGRICULTURE

When representatives of Cargills Senior Management met Nadeeshani Weerasooriya during a programme organised in lieu of World Food Day, she had just taken on her small-scale family mushroom cultivation after leaving school, and was looking for ways to improve and scale the business and create more market demand for her produce.

With proper guidance and direction from the Cargills team, Nadeeshani was encouraged to participate in the Village to Home SME sales events held at select Cargills Food Cities across the island, during which time she, along with other participants received training and expert advice in marketing, packaging and other technical aspects, while also improving their financial literacy.

Today, Nadeeshani has expanded the market for her homegrown mushrooms and unique value-added mushroom-based products, and continues to improve her business by investing in the latest agricultural techniques and technology with financial assistance from Cargills Bank.

Empowering Women at Organisational Level

We have advanced diversity and inclusion as our work spanned the supply chain from farm to table, connecting rural communities as well as marginalised and under-represented groups across Sri Lanka. Today, 66% of our team hails from outside the Western Province, while 49.6% of the workforce is female. Cargills is an equal opportunity employer and does not discriminate when attracting, remunerating, or promoting employees. We promote gender parity across all levels of the Company, especially at leadership level, with a four-year target of reaching our gender equality goal across all levels of the Company.

We have joined the Target Gender Equality programme – a gender equality accelerator for companies participating in the UN Global Compact, to guide us in setting and reaching ambitious corporate targets for women's representation and leadership. As a result, we have set a target to increase female representation in top management across critical business functions from the current 27% to 30% by the 2024/25 reporting period. A total of 124 Managers helming the front and backend operations from our Retail and Restaurant sector are female, and lend their skills, experience and expertise towards the growth of the sector.

Case Study:

FEMALE REPRESENTATION IN MANAGEMENT

On 08 March 2022 as the world celebrated Women's Day, Cargills sponsored a special programme to recognise women for their contribution to the growth of the Company and promote gender diversity at all levels of the Group, especially in increasing the number of women in entry-and-mid-level leadership roles, and ensuring success in the earliest stages of their promising management careers.

Ms Himali Mendis – Area Manager of Cargills Food City spoke of her 24-year journey at Cargills where she started as a Cashier during the programme, and how the Company's willingness to engage in honest and transparent discussions on gender bias followed by action to empower women to take on responsibilities based on performance and experience irrespective of gender. Now in her role as an Area Manager, Himali is responsible for a cluster comprising 16 Food City outlets with more than 400 employees, with three more female Area Managers excelling in their management roles.

2021 | 22
Highlights

As of 31 March 2022, our team comprised 9,485 members. A young and diverse team, 5,887 of our employees are under the age of 30, with 4,704 of our team represented by empowered women.

Workforce by Gender

		Total	Male	Male %	Female %	Female
21/22	Number of employees	9,485	4,781	50%	50%	4,704
20/21	Number of employees	9,875	5,126	52%	48%	4,749

Workforce by Grade and Gender

		Total	Male	Male %	Female %	Female
21/22	Executive and above	1,655	1,066	64%	36%	589
21/22	Non-Executive	7,830	3,715	47%	53%	4,115

Workforce by grade

		Total	Non-Executive	Non-Executive %	Executive and above %	Executive and above
21/22	Grand Total	9,485	7,830	83%	17%	1,655

Age analysis of Workforce

		Total	Male	Male %	Female %	Female
21/22	18-30 years	5,887	2,536	43%	57%	3,351
21/22	31-50 years	3,410	2,114	62%	38%	1,296
21/22	51 and above	188	131	70%	30%	57

Age analysis of workforce

		Total	18-30 years	31-50 years	51< years
21/22	Grand Total	9,485	5,887	3,410	188

Service analysis of workforce

		Total	Male	Male %	Female %	Female
21/22	0-5 years	6,137	2,634	43%	57%	3,503
21/22	6-15 years	2,580	1,583	61%	39%	997
21/22	16-25 years	691	498	72%	28%	193
21/22	25+ years	77	66	86%	14%	11

Service analysis of workforce

		Total	0-5 years	6-15 years	16-25 years	25+ years
21/22	Grand Total	9,485	6,137	2,580	691	77

Workforce by province and gender

		Total	Male	Male %	Female %	Female
21/22	Western Province	3,253	1,795	55%	45%	1,458
21/22	Outside the Western Province	6,232	2,986	48%	52%	3,246

Provincial distribution of Workforce

		Total	Western Province	Western Province %	Outside the Western Province %	Outside the Western Province
21/22	Grand Total	9,485	3,253	34%	66%	6,232

Building Equality, Diversity and Inclusivity
TAKING STOCK

Empowering Women at Community Level

As we began to implement initiatives through the Cargills Foundation that extended beyond our business boundaries, we were able to create new opportunities for women in the communities in which we operate. Through the Early Childhood Education (ECE) Programme launched by the Foundation (page 86) to create a regulated and broader learning foundation for preschool children in Sri Lanka, we were able to identify an opportunity to empower preschool teachers through skill building. The disruptive nature of the ECE programme required English as well as digital literacy to be improved among preschool teachers - a job role largely fulfilled by women in Sri Lanka.

Early childhood education and childcare still remains an entrepreneurial field where many of the female teachers were also the owners of their preschools. This gave us the opportunity to empower them by advancing their professional skill sets and profiles, and help them fast adapt to an ever evolving hybrid learning environment. While in some cases the programme has revived long-established preschools with new teaching methodologies and renewed intakes, in other instances the programme has continued to be a lifeline for female teachers and entrepreneurs during extended lockdowns as well as other challenges that have disrupted the educational system of Sri Lanka during the past two years since the onset of the pandemic.

Success Story

Ms Nilukshi Priyangika

– Samanala Kids Preschool, Divulapitiya

When Nilukshi was first introduced to the ECE Programme by the Cargills Foundation team, she was thrilled at the opportunity to create a new, exciting and highly interactive learning environment for children by presenting them with an opportunity she nor any of their parents were afforded; a comprehensive, well-rounded, English preschool curriculum. In order to ensure this new venture was successful, Nilukshi held a discussion with the parents and succeeded in gaining community approval and encouragement to embark on this new journey. Nilukshi entered the teacher mentoring programme, and attended all trainings and discussions to first elevate her skill sets as well as her English and digital literacy in order to ensure the children under her care would gain the maximum benefit out of the programme.

She leveraged her training successfully and began teaching children a new language as well as a whole new method of learning, developing their cognitive as well as emotional and social capabilities. Nilukshi also greatly benefited from the continued support of the Cargills ECE Team, which enabled her to conduct classes online with the remote teaching option during pandemic lockdowns, and continues to conduct online classes as necessary due to sporadic school closures experienced during the reporting period.

Building Equality, Diversity and Inclusivity
TAKING STOCK

HR GOVERNANCE AND POLICIES

HR Governance and Policies

We have built a strong Human Resource governance framework that consists of resilient policies for recruitment, remuneration, development, retaining and succession planning, and is continuously reviewed and updated to align with local and international human rights codes, Cargills employment standards as well as benchmarked occupational health and safety regulations.

Recruitment and Retention

We try to maintain a healthy ratio between frontline operations and support functions when recruiting candidates as per resourcing requirements based on business expansion plans. All candidates are impartially assessed on objective criteria regardless of race, gender, ethnicity, religion, language, or civil status. Applicants under the age of eighteen (18) years are not employed. All candidates are required to work in any part of the country as per the operational requirements.

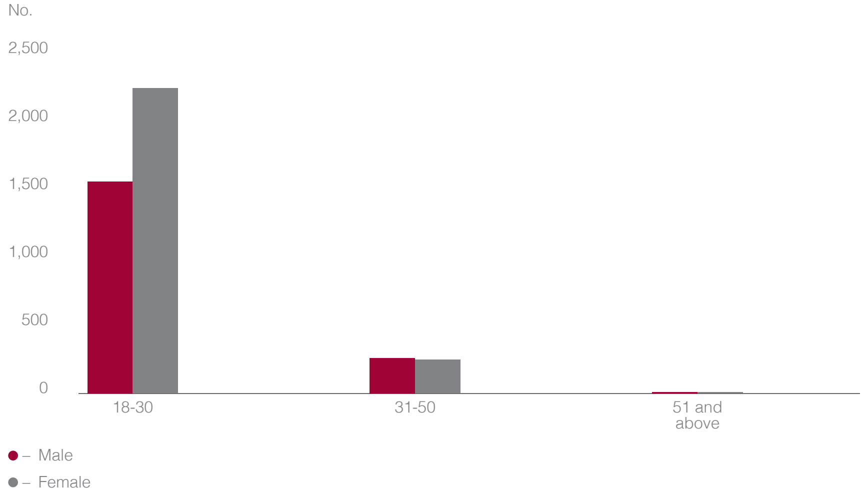
The retail sector has one of the highest average turnover rates globally at around 60%, and as one of Sri Lanka's largest retail chains, Cargills is hard pressed to control attrition rates that are tied to larger social trends and economic forces. We have addressed industry discriminations and stereotypes, nurturing a culture of equality and diversity where employees know they can advance and thrive. Cargills continues to redefine employee experience, bridging gaps in career advancement as well as career transition to motivate employees.

We also provide family-friendly policies and practices that promote a healthy work-life balance, and sustains our retention rate below industry average. This includes annual, casual and parental leave entitlements, shift-basis work hours, maternity leave as well as feeding hours for new mothers.

During the financial year under review, we recruited 4,289 new employees.

	Recruitment			
Age	Male	%	Female	%
18-30 years	1,542	85%	2,227	90%
31-50 years	256	14%	246	10%
Years 51 and above	11	1%	7	0%
Grand Total	1,809	100%	2,480	100%

Recruitment by age and gender

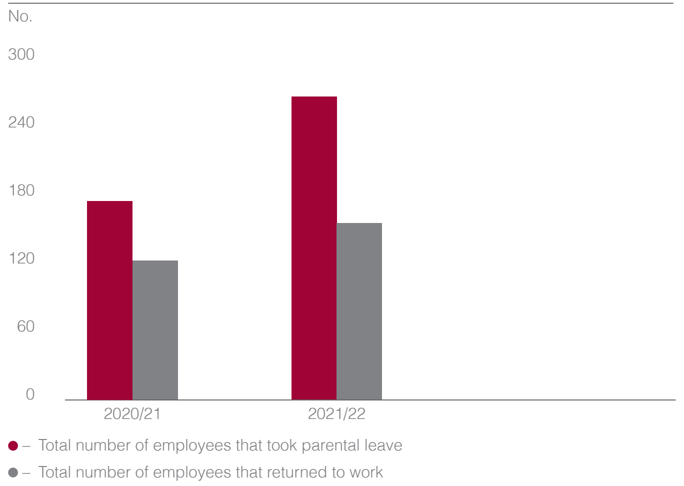


Grade	Total New Recruits
Executive and above	190
Non-Executive	4,099
Total	4,289

Changing lifestyles and family dynamics following COVID-19 also saw a decrease in the return-to-work rate of employees who took parental leave during the period under review.

Parental leave	2021/22	2020/21
Total number of employees that took parental leave	258	170
Total number of employees that returned to work	151	119
Return-to-work rate	59%	70%

Parental leave by year



To implement a more focused approach towards retention, Cargills plans to conduct a Group-wide employee satisfaction survey during the new financial year, to better understand employee views, attitudes and perceptions and better align them with that of the Company.

Grievance Handling

While a formal grievance handling process has been in place across all business sectors, Cargills also maintains an Open-Door Policy to encourage effective communication between Management and employees, providing our team the liberty to discuss their grievances on an open forum. A detailed recording is carried out on all grievances coming in through multiple channels including a 24-hour hotline, and are followed-up with relevant inquiries and directed to Management for required action. We also facilitate Employee Clinics at retail outlets with high staff attrition, and conduct exit interviews to gain more insight on how Cargills can improve as an employer.

Sexual Harassment

Cargills believes in providing and maintaining a workplace where every employee is treated fairly and with respect, where those working or dealing with the Company do not encounter sexual harassment, intimidation or victimisation. Our Sexual Harassment Policy defines types of conduct that can be considered sexual harassment if it is unwanted, improper or offensive, and creates an intimidating, hostile or humiliating working environment for the recipient. The Policy also defines bullying in the workplace as well as cyberbullying, and encourages all employees to report any instance of harassment or bullying informally based on the impact of the behaviour to their immediate Line Manager or with Human Resources. Should the employee feel unable to do so, the matter must be settled formally. Prompt action will be taken to investigate every complaint under the Company's Disciplinary Policy and Procedure, following which corrective action is taken as required.

2021 | 22 Highlights

All grievances recorded during the period under review were resolved.

Performance Assessment

Our team members are systematically reviewed against Key Performance Indicators (KPIs) which include work ethic, competencies and requisite training certifications. Team members are recognised and rewarded based on performance and a good track record, irrespective of other parameters.

2021 | 22 Highlights

During the financial year under review, all job descriptions and relevant job responsibilities were revised to enhance productivity as well as the effectiveness of performance appraisals.

Remuneration and Benefits

Our standard entry level wage remains over and above the sector-specific minimum monthly wage in Sri Lanka, with a range of perks and benefits for our permanent cadre aimed to increase and sustain employee satisfaction, performance and motivation to work. Benefits include:

- Medical claims – including special case-by-case consideration for critical illness claims
- Death benefit fund
- Bonus
- Ex-gratia payments
- Provision of staff transport on need basis
- Provision of duty meals
- Staff loans at special interest rates
- Staff discounts from Cargills retail and restaurant outlets
- Gifts on special personal occasions

2021 | 22 Highlights

Despite the COVID-19 pandemic and the challenges it presented, there were no retrenchments or pay cuts during the period under review, with bonus and ex-gratia payments made twice during the year.

Occupational Health and Safety

The health and safety of our team remained a top priority following the COVID-19 pandemic, with all measures taken to ensure the well-being of our employees. We continued our COVID-19 vaccination drive effectively, strictly onboarding employees based on their vaccination status. Having established health and safety management systems in line with ISO requirements across our manufacturing facilities, we continue to work towards achieving a zero-incident rate in workplace accidents by increasing awareness through regular health and safety training programmes as well as other communication material.

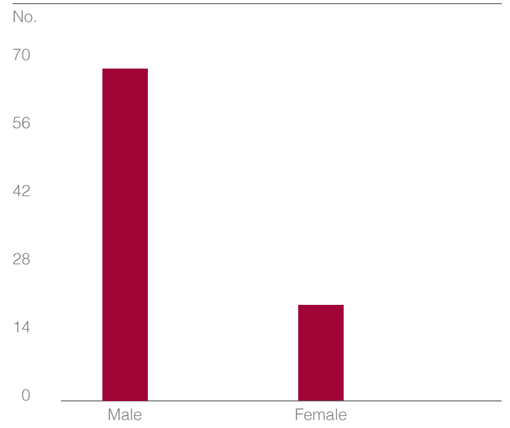
2021 | 22 Highlights

During the financial year under review, Cargills administered 99.99% of our staff with the mandatory first two doses against COVID-19, with 32% of the team completing the booster vaccination. Group-wide Health and Safety (H&S) Representatives were appointed to ensure the implementation and strict adherence to H&S guidelines. Cargills maintained a company-owned Patient Holding Centre (PHC) for employees who tested positive for COVID-19 as well as four more quarantine centres, carrying out Antigen and PCR tests for employees free of charge. Staff transport was provided as necessary during intermittent lockdowns. Special quarantine leave was provided for pregnant mothers. In terms of workplace incidents, only one major injury was recorded during the reporting period.

Number of injuries

	Male	Female
Number of Injuries	66	19

Number of Injuries



Type of injuries

	Minor	Major
Number of injuries	84	1

Whistle-blower Protection Policy

A Whistleblower Protection Policy is a critical tool for protecting employees who wish to report activities that they believe are performed against the Cargills Code of Conduct, and could be illegal, dishonest, unethical, or otherwise improper. During the year under review, Cargills has initiated the drafting of a Group-wide Whistleblower Policy to ensure protection is guaranteed to the employee in two areas; confidentiality and retaliation. The Policy will be finalised, reviewed and implemented during the new financial year.

Anti-Corruption and Anti-Bribery

Cargills places the highest value on ethical business practices and conduct with a zero-tolerance policy towards corruption and bribery in all its transactions, and strives to nurture a culture of transparency, honesty and accountability. Cargills is a member of the United Nations Global Compact (UNGC), and has publicly committed to align operations with a principles-based approach to doing business, including Principle Ten on Anti-Corruption, declaring our commitment to work against corruption in all its forms, including extortion and bribery.

In our efforts to eliminate all forms of corruption, including extortion and bribery, we have reinforced our principles on preventing, reporting and managing anti-corruption and anti-bribery as part of our Group HR Policy in line with the Bribery (Amendment) Act No. 20 of 1994, and actively monitor and abide by changes in the regulatory environment with regard to the same. 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 75 public limited companies of Sri Lanka in the Transparency in Corporate Reporting (TRAC) Assessment for 2021 conducted and published by Transparency International Sri Lanka (TISL).

The anti-corruption and anti-bribery policy explicitly applies to all employees and Directors, and strictly prohibits the direct or indirect acceptance or offering of solicited or unsolicited gifts, profits, commission or any other monetary or non-monetary favour or advantage arising out of, or from business undertakings that may influence a person's judgement or conduct. Corporate gifts, hospitality or entertainment may be accepted as required by protocol, or as necessary to build business relationships. In case of doubt with regard to such exchanges and their fiscal limits, employees are requested to seek advice from their immediate superior or Compliance Officer.

All employees are informed of the strictly ethical business practices implemented at Cargills across all divisions and levels during their induction to the Company, and are encouraged to come forward to raise concerns and report violations of the anti-corruption and anti-bribery principles by directly communicating with their immediate superiors or Management supported by our Open-Door Policy. An additional Policy on Company Collections in the Group HR Policy also informs employees of internal gifting and collections among colleagues to be controlled, and therefore undertaken only with authorisation from Management.

Should any employee commit an act of such gross misconduct, they will be subject to a formal investigation under disciplinary procedures, followed by disciplinary action ranging from fair warning to dismissal based on the level of corruption. During the year under review, there were no incidents of anti-corruption.

Our control and prevention mechanisms of anti-corruption and anti-bribery will also be extended across our value chain and suppliers, with a comprehensive Supplier Code of Conduct drafted and pending approval from the Board.

PLAYING OUR PART FOR THE PLANET

The co-dependence of communities and natural ecosystems is inherent in our business model; our economic viability and success is contingent on social and environmental sustainability. Over the years, we have sought to enhance our natural capital by adopting strict policies to monitor, manage and substitute the use of natural resource across our businesses while, at the same time, moving beyond our reporting boundaries to offer a compelling economic rationale to key stakeholders, so that they too adopt environmentally friendly agricultural practices at the source of production to reduce our collective carbon footprint. We have introduced pioneering initiatives to recycle waste and substitute non-renewable energy sources with alternative, clean renewable energy among many other initiatives to make a positive impact and sustainable difference in our communities.

Value Delivered in 2021/22

Total investments in renewable energy:	Rs. 291,159,337
Total quantity of water recycled or treated:	59,583,900 L
Total quantity of waste oil collected for conversion to biodiesel:	149,260 L
Total quantity of carbon emissions saved from waste oil conversion to biodiesel:	388 MT
Total quantity of plastics recycled:	120,782 kg
Total number of trees planted under "Breath of Life" initiative:	6,114

Contribution to SDGs: 7, 12, 13, 15

Reducing Emissions at Farm Level

With the rise of Chronic Kidney Disease (CKD) among farming communities in the dry zone linked to the excessive and misguided use of agrochemicals and fertiliser, and the resulting high residue levels in agriculture products and waterways, we introduced a programme for soil test-based fertiliser applications in 2014 under the 'Save Our Soil' banner. At the time, the Department of Agriculture had declared standard blanket fertiliser doses for crops within segregated zones, but upon deeper inspection, greater variations in soil conditions from plot to plot within each zone were recorded. We took soil samples from smaller blocks of land, recommending necessary fertiliser requirements based on soil fertility, improving soil health, mitigating greenhouse gas emissions, and minimising agricultural residue in crops and reducing waterway pollution.

This enabled Cargills to respond to growing consumer demand for agricultural produce from farms that adopt good soil health practices and reduce carbon emission, with Cargills farmers gaining competitive access to emerging market demographics through initiatives such as Good Harvest – Sri Lanka's first branded GAP-certified produce, and BeeSafe – agrochemical free farming (page 74 to 77).

Cargills continued to introduce modern agricultural practices, ensuring quality of produce remained uncompromised and impact on the environment remained negligible. Climate-Smart Precision Agriculture was introduced to farmers under the Cargills Agriculture Modernisation Project, greatly improving soil, water and crop management (page 54 and 55).

2021 | 22 Highlights

For the financial year under review, we tested 54-soil samples from across 5 zones, recommending fertiliser requirements to 37 farmers.

Reducing Emissions at Organisation Level

In our ambition to commit to the global Science Based Targets initiative (SBTi), we commenced Scope 1 and Scope 2 greenhouse gas (GHG) emissions monitoring during the financial year under review. Our upstream emission calculation extends to our processing plants while downstream emissions are calculated till our products reach the consumer. We identified the main sources of emissions to be from energy consumption from the national grid and generators, water consumption and discharge, and from refrigerants given the nature of our business.

During the year under review, we completed the initial carbon footprint assessments for calendar year 2020, across three of our manufacturing facilities; namely Cargills Quality Diaries, Kotmale Dairy Products and Cargills Agri Foods. Carbon footprint assessments for the rest of the manufacturing facilities as well as Cargills Food City retail operations had commenced and were on-going at the financial year end. The voluntary GHG verification – also initiated during the reporting period – was audited by Sri Lanka Climate Fund (Pvt) Ltd., a state-owned company functioning under the Ministry of Environment, Sri Lanka.

Energy Management

Energy consumption at Cargills is tracked, managed, measured, consolidated and reported at each business unit through a combined system of logs, utility bills and ledger entries. Our primary source of energy is the national grid, with the Cargills retail chain remaining the highest energy consumer within the Group.

2021 | 2022 Energy Consumption

Electricity (kWh)	Diesel (L)	Gas (kg)	Furnace Oil (L)
120,799,156	1,688,450	782,627	2,946,800

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Transition to Renewable Energy

Given the wide-spread physical presence of Cargills Food Cities across Sri Lanka, we increased our reliance on renewable energy and invested predominantly on solar installations across the retail chain as well as several manufacturing plants, aiming to control Scope 1 direct carbon emissions from our operations.

The first solar installation was set up in 2018 at the Cargills Quality Dairies plant in Banduragoda at 1.4 MW capacity, followed by two 0.5 MW installations, one at Cargills Quality Foods Ja-Ela and the second at Cargills Agri Foods Katana. We followed with a total of 2.2 MW of solar installations at 18 outlets across the Cargills Food City chain.

Water Management

Water is sourced mainly from the National Water Supply and Drainage Board, with the balance water requirement obtained from approved suppliers and groundwater sources.

2021 | 2022 Highlights

Total Renewable Energy Consumption (kWh)	Total Investments in Renewable Energy (LKR)
2,193,045 kWh	LKR 291,159,337.00

2021 | 2022 Water Consumption

Groundwater (L)	Water Board (L)
95,419,260	519,114,410
Approved Supplier (L)	**Total Water Withdrawal (L)**
271,852,714	886,386,384

Liquid Waste Management

All Cargills manufacturing facilities operate under the Environmental Protection License (EPL) issued by the Central Environmental Authority (CEA). The EPL is a regulatory/legal tool that is required by companies as a guideline on preventing or minimising the release of discharge and emissions, as well as for pollution control, and is renewed each year following an audit by Field Inspection Officers of the CEA.

Wastewater

All Cargills manufacturing sites have successfully and continuously maintained the EPL - also considered our license to operate - by strictly adhering to guidelines and discharging or disposing of waste within prescribed parameters. Effluent water from our manufacturing facilities is either recycled back through the Reverse Osmosis (RO) plant and used as cooling water, or is retained in man-made lakes within the premises and used for irrigation. Our increased efficiencies in wastewater management have greatly reduced effluent discharge from processing facilities, while the quality of effluent that is discharged as per GRI 303-4, remains in line with the Wastewater Discharge Standards approved and regulated for agriculture processes by the CEA.

Waste Oil

We partnered with Novateq - an eco-friendly and sustainable engineering solutions provider to responsibly collect and dispose all waste cooking oil outputs from KFC outlets and the Cargills Quality Foods facility. Once collected, the waste cooking oil undergoes a filtration and treatment process in accordance with European Union Waste Oil Collection standards, and is shipped out of the country to be converted to bio-diesel.

2021 | 22 Highlights

Wastewater
For the reporting period, Cargills recorded an average volume of 163 cubic meters per day of treated effluent water discharge across its manufacturing facilities, which was redirected and contained within the premises for landscaping and machinery cooling purposes.

Waste Oil
A total of 149,260 litres of waste oil were collected from our KFC outlets and the Cargills Quality Foods facility during the financial year under review for conversion to biodiesel.

Solid Waste Management

By increasing efficiencies across the Cargills agriculture supply chain, we reduced post-harvest surplus waste, with any remaining organic waste sent back for composting and fertigation. Our processing plants adhere to EPL guidelines issued by the CEA to duly treat and dispose of solid waste according to the specification of each waste category. We have introduced recycling at our retail outlets through pioneering initiatives, educating our suppliers as well as our customers of the many ways in which we can play our part for the planet.

Paving with Plastic – Sri Lanka's First Plastic Carpark

With an objective to re-purpose non-recyclable waste plastic released from Cargills manufacturing sites, we collaborated with AGC Innovate (Pvt) Ltd. to pave our carparks with 'Plastic Modified Asphalt Concrete' or PMAC – an industrial raw material providing an end use to certain types of non-recyclable plastic. Used as an additive to the conventional asphalt mix, PMAC harnesses green technology to enhance conventional asphalt at polymer level, binding with the aggregate at controlled temperatures. The plastic-coated aggregate is then covered by bitumen film, ensuring minimum exposure to the environment.

Plastic Recycling Initiative

During the reporting period, we partnered with Unilever Sri Lanka and Coca-Cola Beverages Sri Lanka to encourage customers to recycle post-consumer plastic waste in order to tackle plastic waste mismanagement in the country.

Plastic Reduction

The KFC team continues to work towards their goal of fully eliminating plastics across its operations by discontinuing non-recyclable packaging and opting for more environmentally friendly alternatives. The FMCG brands too are making efforts to reduce the amount of plastic in their packaging portfolios.

2021 | 22 Highlights

Paving with Plastic

We carried out the inaugural PMAC laying process at the onset of the reporting period on 1 April 2021 at the Walgama Food City outlet, re-purposing the equivalent of approximately 200,000 waste polythene bags in the process. For the rest of the financial year, 5 more Cargills Food City carparks were paved with PMAC, re-purposing 1,895 kg of waste plastic.

Plastic Recycling

Unilever Sri Lanka sponsored plastic collection bins for 65 selected Cargills Food City and KFC outlets within the Western Province, and Coca-Cola sponsored collection bins for 44 more retail outlets outside Western Provincial borders. More likeminded businesses are in talks to join the initiative, with 4 collection bins sponsored by responsible cosmetics producer Nature's Beauty Creations.

Playing Our Part for the Planet
TAKING STOCK

Case Study:

NET ZERO FACTORY BLUEPRINT

CARGILLS QUALITY DAIRIES, BANDURAGODA

Cargills Quality Dairies located in Banduragoda is the largest integrated dairy processing facility in Sri Lanka, and remains the blueprint for all Cargills manufacturing facilities for its multifaceted approach to transitioning into an exemplary, net zero manufacturing facility.

1st dairy facility in Sri Lanka along with Cargills subsidiary Kotmale Dairy Products to **complete voluntary Carbon Footprint Verification** conducted by Sri Lanka Climate Fund under the purview of the Ministry of Environment.

Powered by **1.4MW solar installation** for clean energy generation, **offsetting the equivalent of 35,000kg of carbon emissions** each year.

1,000 trees planted under the Breath of Life project bringing the **total number of trees on location to over 2,000.**

Uses ammonia gas with the highest refrigeration efficiency as well as **zero Ozone Depletion Potential (ODP)** and **zero Global Warming Potential (GWP)** as the factory's refrigerant, ensuring **minimum impact to the environment** and **greater energy efficiencies.**

Operates one of the **largest industrial Reverse Osmosis (RO) plants** in Sri Lanka, pumping out **over 163 cubic metres** of treated water per day.

Over 3,000 cubic metres of rainwater harvested annually and utilised for cooling purposes.

All **wastewater discharge is in line with standards** approved by the Central Environmental Authority (CEA).

95% of all waste recycled and remaining non-recyclable waste **incinerated,** with **zero waste to landfill.**

Non-recyclable waste plastics are collected and **converted to PMAC** for paving carparks at Cargills outlets.

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

Accredited **with all three key ISO certifications;**
ISO 9001:2000 Quality Management Systems
ISO 22000:2005 Food Safety Management Systems
ISO 14001:2004 Environment Management Systems.

With Cargills Quality Dairies paving the path for the implementation of proven eco-friendly and sustainable initiatives, all Cargills manufacturing facilities have further strengthened their commitment to energy and resource conservation, emission reduction and sustainability, setting an example as model industrial organisations.

Playing Our Part for the Planet
TAKING STOCK

Biodiversity Conservation

Protecting biodiversity by minimising the impact of our operations on the ecosystems in which we operate remains a top priority at Cargills. We promote biodiversity protection and conservation across our supply chain, as our ecosystems play a critical role in stabilising the climate, offsetting our emissions and enhancing our natural capital.

Breath of Life Initiative

During the period under review, Cargills launched the "Breath of Life" campaign with an objective to plant 10,000 trees and saplings at Group facilities and locations across the island.

2021 | 22 Highlights

"Breath of Life" was launched on World Environment Day in June 2021, when over 500 mee trees (Madhuca longifolia) were planted at Cargills Food City outlets across the country. In Colombo, we partnered with the Colombo Municipal Council's 'Lets Save a Tree for Colombo' campaign by planting Mee and Karanda trees at select Cargills Food City outlets and roadsides. We brought 'Thimbiri' back to the streets of Thimbirigasyaya under the Breath of Life project by planting Thimbiri trees (Malabar Ebony) along Thimbirigasyaya Road. Furthermore, we planted various fruit trees at our manufacturing locations. For the period under review we planted 6,114 trees and have allocated land to plant 4,000 more trees at our new distribution centre which was undergoing construction at the end of the period under review.

FUTURE OUTLOOK

Cargills will continue to improve our reporting procedures, action plans and time-bound policies in order to strongly commit to global environmental and sustainability objectives, and continue to play our part to protect and conserve our planet. We will improve our Scope 1 and Scope 2 emission calculations while looking for a more feasible and pragmatic approach to monitor Scope 3 emissions from our farming communities.

The retail sector has budgeted for solar installations at 20 Food City outlets that would add a further 2 MW to our growing rooftop solar network. Continuing to play our part for the planet and improving our natural capital provides a significant opportunity for Cargills to meet our net zero ambitions.

BOARD OF DIRECTORS

Louis Page

Chairman,
Non-Executive Director

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

Ranjit Page

Deputy Chairman/
Group CEO, Executive Director

V Ranjit Page possesses over 39 years of management experience with expertise in food retailing, food service, and manufacturing, having introduced the concept of super marketing to the Sri Lankan masses. He is the Deputy Chairman/CEO of Cargills (Ceylon) PLC and the Chairman of Cargills Bank Ltd. He also serves on the Boards of several other C T Holdings Group companies.

Imtiaz Abdul Wahid

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 progressively at 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 in between whereby he also gained valuable exposure holding a number of senior management positions in overseas companies. He was appointed Managing Director/Deputy CEO of Cargills (Ceylon) PLC in May 2010, and appointed a Director of the holding company C T Holdings PLC in December 2016.

Priya Edirisinghe

Independent Non-Executive Director

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 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 is a 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

Yudhishtran 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 Bank's Board Human Resources & Remuneration Committee and Strategic Planning Committee. He is also the Chairperson of the Board Credit Committee of Cargills Bank Limited.

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

He is an Independent Non-Executive Director of Ceylon Tobacco Company PLC and Chairperson of the Audit Committee, Related Party Transactions Committee, and member of Remuneration and Compensation Committee and Corporate Social Investment Committee and Nominations Committee since February 2018. He serves as an Independent Non-Executive Director and Chairperson of the Audit Committee of Ambeon Holdings PLC. 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 is a Non-Executive Independent Director and member of the Board Audit Committee of Hunters & Company PLC and Lanka Canneries Limited and Independent Non-Executive Director and Chairperson of the Audit Committee of Eswaran Brothers Exports (Private) Limited.

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

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 as Managing Director on 1 February 2020.

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

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

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

Indira Malwatte

Independent Non-Executive Director

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

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

She 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 multi 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 she was internationally recognised for her long years of service in Business and Commerce with The Wifts 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 & 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.

A D B Talwatte

Independent Non-Executive Director

Asite Talwatte was appointed a Director of the Company on 28 August 2020, and was appointed the Chairman of the Company's Audit Committee, Related Party Transactions Review Committee, and Remuneration Committee on 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 U.K. He also holds a Post-Graduate Diploma in Business and Financial Administration awarded by the ICASL and the University of Wageningen, Holland and has a MBA from the University of Sri Jayawardenapura, Sri Lanka. He 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 the Chairman of the Statutory Accounting Standards Committee and the Auditing Standards Committee, the Urgent Issues Task Force and the Examinations Committee of the ICASL.

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 from 2018 to 2021. He currently chairs the Corporate Governance Committee of CA Sri Lanka.

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

D S 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 handling the finance and treasury functions for the Group.

He has 23 years of post-qualifying experience in accounting, finance, and management.

CORPORATE GOVERNANCE

1. Corporate Governance at Cargills

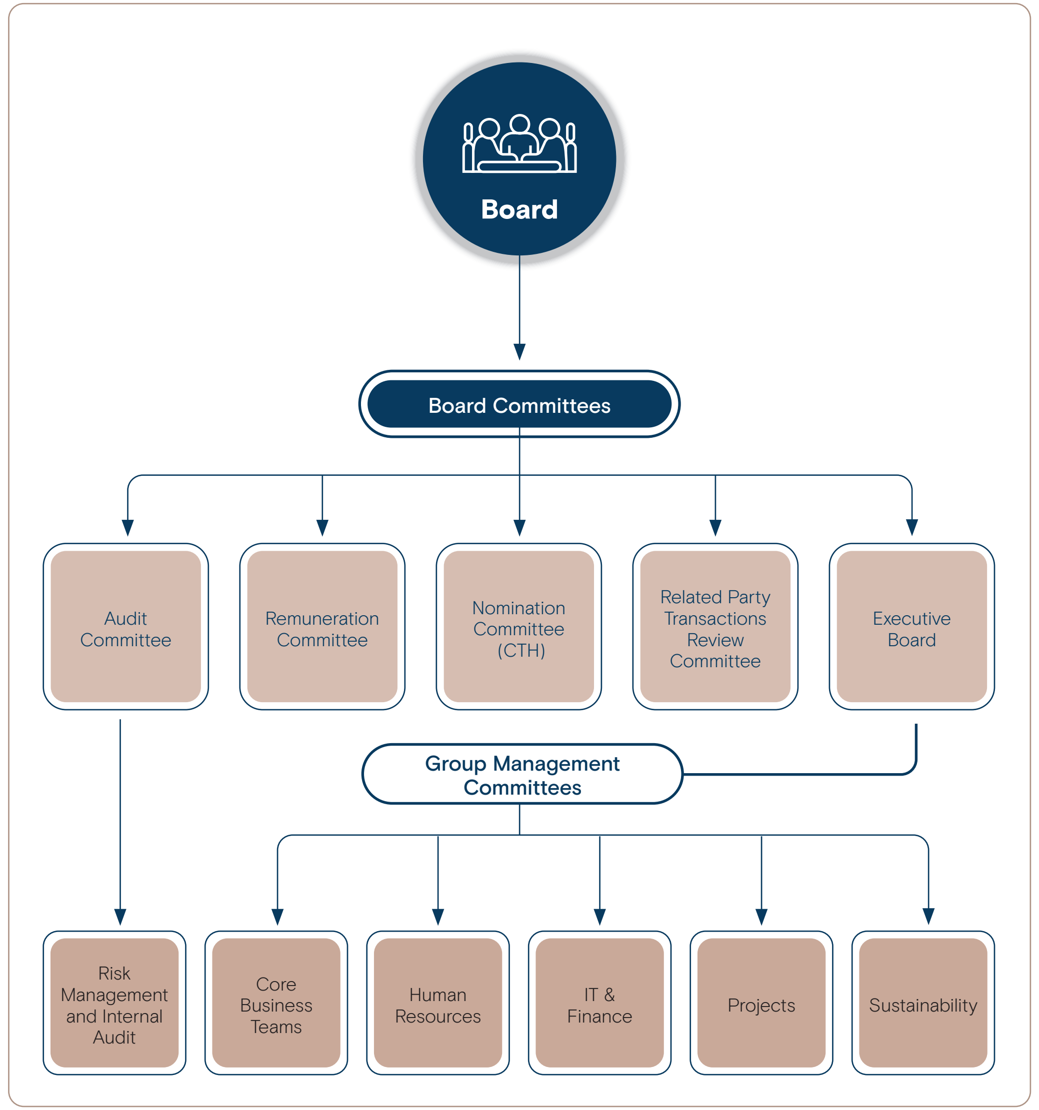
Corporate Governance at Cargills encompasses a set of systems, processes and practices in place to ensure the Company's affairs are being managed in a manner which ensures accountability, transparency and fairness in all transactions. We believe that sound Corporate Governance practices are essential 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 the 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 re-appointment. 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 re-appointment. 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 who are Independent or deemed Independent. The Chairman of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and a Fellow member of the Chartered Institute of Management Accountants, UK. The composition of the members of the Audit Committee satisfies the criteria as specified in the standards on Corporate Governance for listed companies. The Company Secretary acts as the Secretary to the Committee.

Procedure

In terms of the Group policy, the Audit Committees should meet at least once in every quarter, two of which should be attended by the company auditors. The procedure in place is for the Group Managing Director/Deputy CEO, 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, two of which were with the participation of the Company's External Auditors. Details of the participation of the members of the Audit Committee at such meetings 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	1
Mr Y Kanagasabai	7	6

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 make recommendations to the Board pertaining to appointment/re-appointment and removal of External Auditors and approval of the remuneration and terms of engagement
- Review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process
- Develop and implement policy on the engagement of the External Auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the External Auditors
- Review the Company's annual audited Financial Statements and quarterly Financial Statements to ensure compliance with the Sri Lanka Accounting Standards and other relevant laws and regulations
- Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations
- Report regularly to the Board with respect to the Committee's activities and make recommendations as appropriate

Financial Reporting

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

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

Internal Audit, Controls and Risk Management

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

Conclusion

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

Audit and Auditors' Independence

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

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

The Audit Committee has recommended to the Board that Messrs KPMG, Chartered Accountants, be continued as External Auditors of the Company for the financial year ending 31 March 2023.

A D B Talwatte
Chairman - Audit Committee
5 July 2022

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 (w.e.f. 2 July 2021).

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

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

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 2022

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 who are independent or deemed independent. The Chairman of the RPTRC is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and a Fellow member of Chartered Institute of Management Accountants, UK. The composition of the members of the RPTRC satisfies the criteria as specified in the standards on Corporate Governance for listed companies. The Company Secretary acts as the Secretary to the Committee.

Scope

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

The functions of the RPTRC include the following:

- Developing a related party transactions policy consistent with that proposed by the RPT Code of the Securities Exchange Commission (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, and in the Annual Report.

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

- Quarterly declarations of related party transactions from Directors 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.

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

Related Party Transactions

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

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

Meetings

RPTRC met six 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 the members of the RPTRC at such meetings are set out below:

Name	Meetings Held	Meetings Attended
Mr A D B Talwatte (Chairman)	6	6
Mr A T P Edirisinghe	6	6
Mr E A D Perera	6	1
Mr Y Kanagasabai	6	6

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 to account, if any, due consideration of factors such as the long-term nature of the leases and the extent of the area occupied etc.

Conclusion

Based on its work, the 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 2022

4. Leadership

4.1 Board Leadership

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

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

4.1.1 Role of Group Chairman and Group CEO

Whilst the Group Chairman and 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 distinctive role but complementing each other to ensure that there is a balance of power and authority and no individual has unfettered powers of decision and control.

4.1.2 Board Responsibilities

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

	Roles and Responsibilities
Strategy	• 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 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 six 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	6	6
Mr V R Page	Deputy Chairman/CEO	6	6
Mr M I Abdul Wahid	Managing Director	6	6
Mr A T P Edirisinghe	Non-Executive Director	6	6
Mr S E C Gardiner	Non-Executive Director	6	6
Mr Y Kanagasabai	Non-Executive Director	6	5
Mrs C I Malwatte	Non-Executive Director	6	4
Mr J C Page	Non-Executive Director	6	5
Mr E A D Perera	Non-Executive Director	6	4
Mr H A Peiris	Non-Executive Director	6	6
Mr A D B Talwatte	Non-Executive Director	6	6
Mr D S Jayawardhana	Executive Director	Appointed on 1 July 2021	3

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

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

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

All employees at Cargills are committed to responsible behaviour refraining from any direct, solicited, monetary or non-monetary bribes, entertainment, unlawful gifts, 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 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 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 in order to enable the Company achieving its objectives.

8. Legal and Regulatory Compliance

The Group is fully compliant with all the mandatory provisions of the Companies Act No. 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 Practices 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 120 to 124 and Note 01 on page 137.
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 resume of each Director with information on his/her area of expertise should be included in the Annual Report.	Compliant	Board of Directors on page 120 to 124 and Note 01 on page 137.
d.	Upon appointment to the Board, a brief resume of the new Director should be provided to the Exchange for dissemination to the public.	Compliant	
7.10.5 Remuneration Committee			
A. Composition			
a.1	Remuneration Committee should comprise of at least two independent NEDs or more than two NEDs majority of whom shall be independent.	Compliant	Remuneration Committee Report on page 130. 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 130. 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 127 to 129.
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	
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	

CSE Rule		Status of Compliance	Details/ Reference
b.2	Overseeing compliance with financial reporting requirements and information requirements as per laws and regulations.	Compliant	Audit Committee Report on page 127 to 129.
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 re-appointment 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 01:

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

Mr Y Kanagasabai and Mrs C I Malwatte, and Mr A T P Edirisinghe who has served on the Company's Board for a period in excess of nine years and is also a Director of C T Holdings PLC which has a significant shareholding in the Company, and

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 the key management personnel • Approving budgets and major capital expenditure • Ensure 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 consider 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 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 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 • Sufficiently detailed information of matters included in the agenda should be provided to Directors in a timely manner • All Directors are made aware of their duties and responsibilities and committee structures through which it will operate in discharging its responsibilities • The effective participation and contribution of the Directors is secured • All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusion of matters of corporate concern on the agenda • A balance of power between Executive and Non-Executive Directors is maintained • The views of Directors on issues under consideration are ascertained • The Board is in complete control of the Company's affairs and alerts to its obligations to all stakeholders	In place	

A.4 Financial Acumen

A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	In place	

A.5 Board Balance

Principle		Status	Details/ Reference
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
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 a NED, such Director should not be an Executive of the Company. If an alternate Director is appointed by an independent Director such Director also should meet the criteria of independence.	N/A	N/A
A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint one of the Independent NEDs to be the "Senior Independent Director" (SID).	N/A	N/A
A.5.8	The SID should make himself available for confidential discussions with other Directors who may have concerns.	N/A	N/A
A.5.9	The Chairman should hold meetings only with NEDs as necessary and at least once each year.	In place	
A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes.	In place	

Principle	Status	Details/ Reference

A.6 Supply of Information

Principle	Status	Details/ Reference
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

Principle	Status	Details/ Reference
A.7.1 A Nominations Committee should be established and its Chairman and members should be disclosed in the Annual Report.	In place	Corporate Governance Report - Section 3.2.2
A.7.2 The Nominations Committee should annually assess the combined knowledge and experience of the Board.	In place	
A.7.3 Upon the appointment of a new Director, a brief resume, the nature of expertise, details of directorship in other companies, independence/non- independence in the Board of the new Director should be disclosed to shareholders.	In place	Corporate Governance Report - Section 3.1.3

A.8 Re-election

Principle	Status	Details/ Reference
A.8.1 NEDs should be appointed for specified terms subject to re-election/removal and their re-appointment should not be automatic.	In place	Corporate Governance Report - Section 3.1.4
A.8.2 All Directors including Chairman should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years.	In place	
A.8.3 In the event of resignation of Director prior to completion of his/her appointed term, the Director should provide a written communication to be provided to the Board of his/her reasons for resignation.	In place	

A.10 Disclosure of information in respect of Directors

Principle	Status	Details/ Reference
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 page 120 to 124.

A.11 Appraisal of Chief Executive Officer (CEO)

Principle	Status	Details/ Reference
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

Principle	Status	Details/ Reference
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	

B.2 The level and make up of Remuneration

Principle	Status	Details/ Reference
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	

B.3 Disclosure of Remuneration

Principle	Status	Details/ Reference
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 130. 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

Principle	Status	Details/ Reference
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

Principle	Status	Details/ Reference
C.2.1 There should be a channel to reach all shareholders in order to disseminate timely information.	In place	

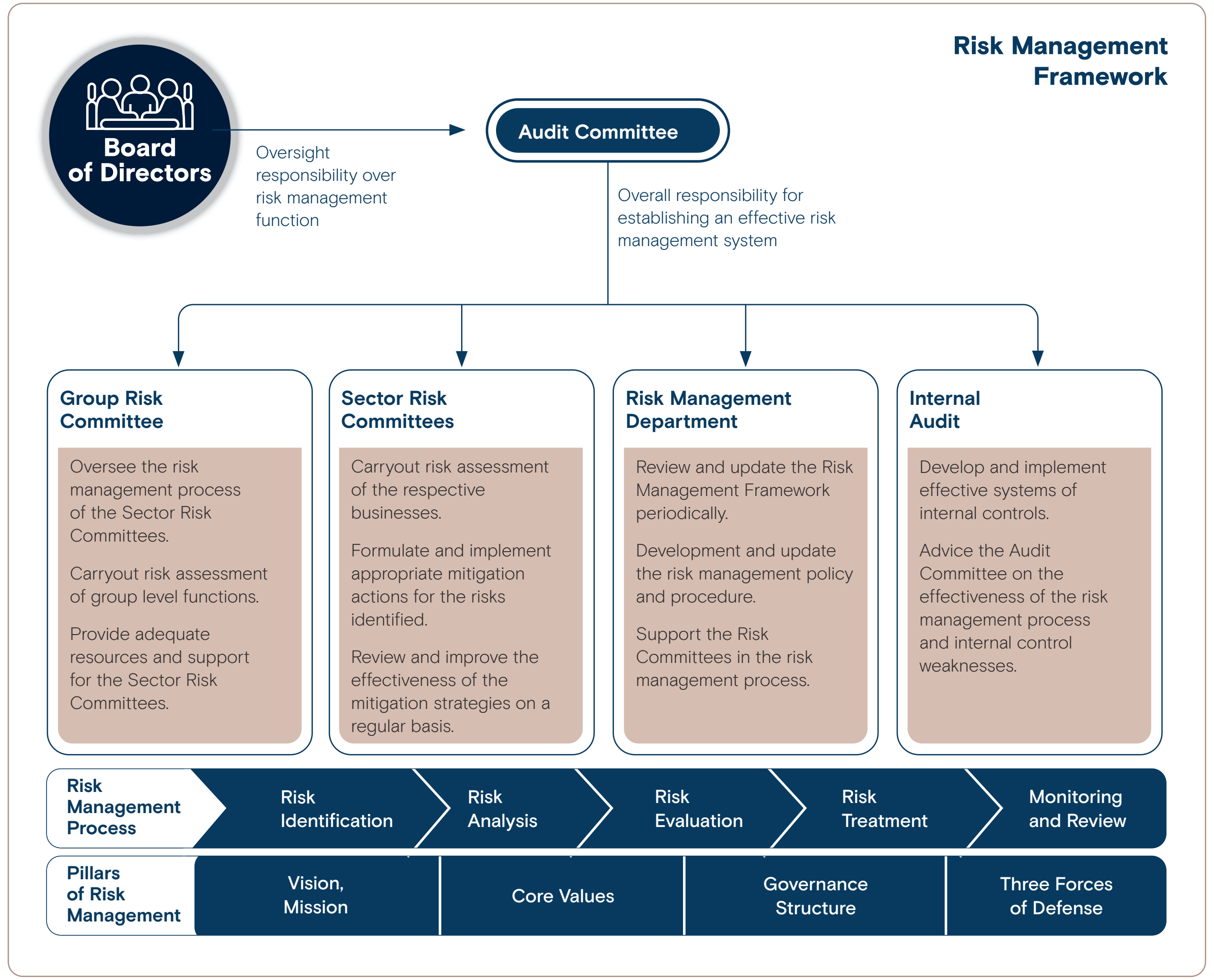
Principle		Status	Details/ Reference
C.2.2/ C.2.3/ C.2.4	The Company should disclose • Policy and methodology for communication with shareholders • How the above policy and methodology will be implemented • The contact person for such communication	In place	
C.2.5	A process to make all Directors aware of major issues and concerns of shareholders should be in place and disclosed.	In place	
C.2.6	The Company should decide the person to contact in relation to shareholders' matters.	In place	
C.2.7	The process for responding to shareholder matters should be formulated by the Board and disclosed.	In place	
C.3 Major and Material Transactions			
C.3.1	Directors should disclose to shareholders all proposed material transactions including related party transactions.	In place	
C.3.2	Public listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the SEC and by the CSE.	In place	
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	
D.1.2	The Board should present the interim, other price sensitive reports and reports to regulators.	In place	
D.1.3	The Board should, before it approves the Company's financial statements obtain from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the Financial Statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance.	In place	Corporate Governance Report - Section 3.2.1
D.1.4	The Annual Report should contain a Report from Directors declaring, • The Company has not engaged in any unlawful activities • All material interests of Directors in contracts involving the Company • The equitable treatment of shareholders • The Directors have complied with best practices of Corporate Governance. • Property, plant and equipment is reflected at fair value, where it is different from fair value adequate disclosures are made • The Review of internal controls and risk management • The business is a going concern	In place	Annual Report of the Directors' on the affairs of the Company on page 150 to 153.
D.1.5	The Annual Report should contain a statement of Directors' responsibility.	In place	Statement of Directors' Responsibilities on page 154.
D.1.6	The Annual Report should contain a "Management Discussion and Analysis".	In place	Operational Segments on page 21 to 37.
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 page 145 to 149.
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 page 145 to 149.
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	
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 transactions will be as defined in LKAS 24.	In place	
D.4.2	The Board should establish a Related Party Transactions (RPT) Review Committee consisting exclusively of Non-Executive Directors with a minimum Three Non-Executive Directors of whom the majority should be independent. The Chairman should be an Independent Non-Executive Director appointed by the Board.	In place	Corporate Governance Report - Section 3.2.4
D.4.3	RPT Review Committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board of Directors.	In place	

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 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 the 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 Organizations of the Treadway Commission (COSO).



Group and Sector Risk Committees

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

Overview of Key Risks Affecting the Business

Cargills is exposed 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 level and mitigation actions are taken to minimise the impact of the risks.

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

Risk Area	Potential Impact	Mitigation Action
Pandemic	Pandemic can result in business interruptions, health and safety and food security concerns. It may also necessitate changes to the business models.	Contingency plans are in place to mitigate the pandemic risks and to ensure the business continuity. Adequate measures are in place to ensure health and safety of customers and employees and food security. • All our employees are vaccinated against the COVID-19 infection • Required Personal Protective Equipment (PPE) and disinfectants were made available to employees and customers • Social distancing practices were adopted at the customer service points and in the working environment • Employees were provided with transport facilities to report to work • With the health restrictions the shared service employees were trained and facilitated for the remote working environment • PCR Tests were conducted on employees and quarantine leave were granted as required to minimise the spread
Employee Retention and Talent Management	Failure to attract, retain and develop people with the right caliber could severely impact the long-term growth potential of the business.	• HR planning, recruitment, training and development, employee welfare, reward and recognition programmes are effectively conducted • Series of certificate and diploma programmes are conducted by our training arm Albert A Page Institute (AAPI) • Albert A Page Institute (AAPI) online training platform was introduced to facilitate remote learning
Product Quality and Safety	Unsatisfactory safety and quality levels of products impact customer trust and confidence and affect business performance.	• Quality and standard certification are obtained from certified authorities • The manufacturing processes are standardised to ensure consistency in quality • Continuous training programmes are conducted pertaining to quality control and assurance programmes in order to maintain business agility • Quality inspections are done by internal teams as well as external parties

Risk Area	Potential Impact	Mitigation Action
Competition	Increased competition in the Retail, FMCG and Restaurant sectors have a potential impact on our long-term revenue and profitability.	• Competitive landscape is continuously assessed and appropriate mitigation strategies are adopted to minimise the impact of the competitor's actions • Our products are priced competitively in the market • Higher service standards are maintained by recruiting, training and coaching employees with right calibre • Range of innovative products are launched to cater the changing customer preference • Our performance in terms of customer satisfaction, perception and experience are benchmarked and measured against key competitors • Clear strategies are implemented in terms of pricing, product range, quality and service according to the target market and the competitive environment
Consumer Buying Power	Declining GDP, loss of employment, reduction in employment benefits and reduced foreign remittances lead to a reduction in personal disposable income which can negatively impact on demand for our products.	• A vast range of products were offered at a discounted price under various promotions to reduce the burden on consumers • Vegetable and local fruits are sourced directly from farmers eliminating middlemen, thus offering better prices for consumers and farmers • Our private label "My Choice" range products are offered to the consumers at better prices • 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 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 and affect the customer base.	• Measures are in place to maintain the quality of products, processes and people • Cargills Values and Code of Conduct are embedded into our engagement processes with the customers, suppliers and other stakeholders • Systems are in place to capture feedback and address the concerns of all stakeholders
Business Strategy	Selection of a wrong business strategy or failure to implement the strategies effectively could impact the business performance.	• Our robust strategic management process involves all key internal stakeholders and led by senior management • Strategies are communicated clearly to employees at all levels • Implementation of strategies is monitored regularly to ensure they are executed as planned
Supply Chain	Interruptions to local and global supply chain and continuous increase in milk and other raw material adversely impact revenue and profitability of the Group.	• Supply chain risk is managed through centralised procurement function, sourcing from a broader and alternate supplier base, effective vendor management, forward contracts, increasing buffer stock, expansion of milk and vegetable collection centers • Strong long-term relationships are built with farmers and small business holders to enable continuous supply of goods at right price
Health and Safety	Unsafe working environment and poorly trained employees may cause in injuries, loss of lives and financial loss.	• Stringent health and safety processes in line with best practices are in place in all our business premises, which are monitored and audited regularly • Regular review is conducted to ensure the compliance to the health and safety regulations and internal control procedures • Health and Safety audits are conducted to ensure safety and hazard free environment for the employees • Employees are trained continuously in operating machineries and health and safety procedures

Risk Area	Potential Impact	Mitigation Action
Cybersecurity	Cyberattacks 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.	• Periodic reviews of current information security controls are carried out by the internal team which is further strengthened with periodic reviews made by an independent organisation specialised in cybersecurity • Investments are made as recommended by the expert teams to upgrade, replace or implement new systems or controls • Appropriate control measures are taken to prevent systems and applications being targeted by cyberattacks where work from home is facilitated
IT Systems and Infrastructure	Failure of key IT systems and outdated IT infrastructure could have a substantial impact on our business operations.	• The existing IT systems and infrastructure are reviewed regularly, and upgrades or replacements are made as appropriate • All third-party hardware and software supplied are covered by up-to-date maintenance agreements
Funding and Liquidity	Inability to source adequate funds for ongoing business operations, expansion projects and for other investments can negatively impact the business operations.	• Internally generated funds are utilised for investments as much as possible • A combination of long-term and short-term borrowings is utilised for financing • The Group has established banking facilities with all major banks and financial institutions and adequate collateral to obtain funds as and when required
Credit Risk	The Group's FMCG sector in particular is exposed to high credit risk by the nature of the business. Delays in collecting dues form customers and unrecoverable debts adversely affect the liquidity position and the interest cost.	• Sales to our distributors are covered by bank guarantees • Robust credit control process is in place to avoid bad debts
Regulatory Environment	Failure to comply with laws and regulations could lead to legal prosecution and fines. In addition, a breach could lead to reputational damage.	• Appropriate strategies are developed through regularly monitoring the changes in the regulations and their impact on the business. • Adherence to regulations by the business is closely monitored
Interest Rates	Steep upward movement in the interest rate could have a severe impact on the financial performance of the Group.	• The Group operations are funded by long and short-term loans with combination of fixed and floating interest rates • Interest rates 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.	• Foreign exchange rates are monitored by our import division and necessary steps are taken to minimise the adverse impacts • Initiatives are being made to minimise imports and support local suppliers in the long term

Risk Area	Potential Impact	Mitigation Action
Commodity Prices	Fluctuations in the commodity prices could affect the prices of raw materials as well as the products sold through our retail chain.	• Measures including monitoring market prices, alternate sourcing arrangements and forward booking are in place to manage commodity price fluctuations in the market
Hazards	Hazards such as natural disasters, civil unrest, terrorist attacks could adversely affect the business operations.	• Contingency plans are in place to mitigate the hazard risks and to ensure 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.	• 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.	• 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
Import Restrictions	Import restrictions imposed by the Government cause shortages of imported raw materials and finished goods which may seriously impact the availability of products for sale. It may also lead to an increase in the prices of raw materials and finished goods.	• Steps are taken to use alternative products locally made wherever possible • Buffer stock levels of imported products are being increased
Forex Shortages and Controls	Shortages of foreign exchange result in delays in importing raw materials and finished goods which in turn affects the sales. Government direction over extended credit periods for foreign suppliers may lead to increase in prices.	• 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 cut 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.	• All our locations have backup generators and which are kept in good running condition • Storage facilities are arranged to keep additional fuel stock • Measures are taken to minimise transportation cost

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 2022 which were approved by the Board of Directors on 5 July 2022.

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.

d) Operates the "Kentucky Fried Chicken" and "TGIF" franchise restaurants in Sri Lanka.

e) Operates a hotel in the hill-country.

f) Produces, import and distribute agricultural seeds.

g) 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, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements of the Company and the Group for the financial year ended 31 March 2022 given on pages 161 to 212 form an integral part of the Annual Report.

Auditor's Report

The Independent Auditor's Report is set out on pages 158 - 160.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 166 to 212.

Results and Dividends

For the year ended 31 March	Group		Company	
	Rs. '000 **2022**	Rs. '000 **2021**	Rs. '000 2022	Rs. '000 2021
Profit for the year after taxation amounted to	4,538,720	3,483,639	1,504,329	1,250,006
Add/(Less): Amount attributable to non-controlling interest	4,324	(2,648)	–	–
The profit attributable to shareholders was	4,543,044	3,480,991	1,504,329	1,250,006
To which profit brought forward from previous year is added	9,000,732	9,650,847	5,087,199	5,019,967
Other comprehensive income	68,221	(46,845)	26,611	8,178
Gain/(loss) on acquisition of C T Properties in relation to common control transactions	(582,399)	–	–	–
Change in ownership interest in relation to common control transactions	(281)	–	–	–
Gain/(loss) on disposal of investment in associate in relation to common control transactions	4,717	–	–	–
Transfer of value of expired employee share options	80,371	92,921	80,371	92,921
Exercise of put option	–	(2,893,309)	–	–
Write-back of unclaimed dividends	5,425	28,123	5,425	28,123
Transfer from revaluation reserve due to disposal of revalued asset	4,785	–	–	–
Disposal of subsidiary and associate in relation to common control transactions	–	–	129,294	–
Leaving an amount available to the appropriation of	13,124,615	10,312,728	6,833,229	6,399,195
From which your Directors have made appropriation as follows:				
Dividend paid for the year ended 31 March 2021				
Final Rs. 3.20 per share for financial year 2019/20	–	823,107	–	823,107
Interim Rs. 1.90 per share for financial year 2020/21	–	488,889	–	488,889
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	–
Leaving an unappropriated balance to be carried forward of	11,552,781	9,000,732	5,261,395	5,087,199

A final dividend of Rs. 4.10 per share (Rs. 1,056.479 Mn.) was paid on 19 July 2021 for the year ended 31 March 2021. First interim dividend of Rs. 2.00 per share (Rs. 515.355 Mn.) was paid on 20 December 2021 for the year ended 31 March 2022. A final dividend of Rs. 5.00 per share is proposed for the year ended 31st March 2022. This will be reflected in the subsequent year's financial statements. (Refer Note 34.4 to the Financial Statements on page 206)

Reserves

After the above-mentioned appropriations, the total reserves of the Group stands at Rs. 18,654 Mn. (2021 - Rs. 16,180 Mn.), while the total reserves of the Company stands at Rs. 5,761 Mn. (2021 - Rs. 5,660 Mn.).

Stated capital

Stated Capital of the Company as at 31 March 2022 was Rs. 6,841 Mn. (2021 - Rs. 6,774 Mn.). The detail of the stated capital is given in Note 22 to the Financial Statements on page 194.

Capital expenditure

The Group's capital outlay on property, plant and equipment amounted to Rs. 7,594 Mn. (2021 - Rs. 6,303 Mn.) while the capital outlay of the Company on property, plant and equipment amounted to Rs. 31 Mn. (2021 - Rs. 327 Mn.). Details are given in the Statement of Cash Flows on page 165.

The movement of property, plant and equipment during the year is given in Note 12 to the Financial Statements on pages 179 and 180.

Investment property

The fair value of land and building classified as investment property of the Group and the Company as at 31 March 2022 amounted to Rs. 7,040 Mn. and Rs. 3,171 Mn. respectively. Details of investment property held by the Group and the Company are disclosed in Note 14 to the Financial Statements on page 185.

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 page 181 and 182. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties.

STEWARDSHIP

The portfolio of the revalued land and buildings are given on page 222 in the Financial Statements.

Shareholdings

The Company is a subsidiary of C T Holdings PLC and there were 2,117 registered shareholders as at 31 March 2022 (31 March 2021 - 1,963).

An analysis of shareholdings according to the size of holding and the names of the 20 largest shareholders is given on page 220 and 221.

Directorate

The Directors listed in the corporate information 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 D S Jayawardhana who was appointed on 1 July 2021 retires in terms of the Company's Articles of Association and being eligible offers himself for re-appointment at the Annual General Meeting.

Mrs C I Malwatte and Mr A D B Talwatte retire by rotation in terms of the Company's Articles of Association and being eligible offer themselves for re-election.

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

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

Directors' remuneration

The remuneration of the Directors is given in Note 35.1 on page 206 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 and parcel of this Annual Report and available for inspection upon request.

The particulars of the Directors' Interests in Contracts with the Company are given in Related Party disclosures to the Financial Statements on page 207 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	2022	2021
Mr Louis Page	42,011	42,011
Mr Ranjit Page	19,168,346	17,858,781
Mr Imtiaz Abdul Wahid	222,937	204,836
Mr Priya Edirisinghe	–	–
Mr Sanjeev Gardiner	22,857	22,857
Mr Sunil Mendis (up to 29 June 2021)	–	22,857
Mr Joseph Page	520,000	520,000
Mr Errol Perera	11,429	11,429
Mr Asoka Pieris	–	–
Mr Yudhishtran Kanagasabai	–	–
Mrs Indira Malwatte	–	–
Mr Asite Talwatte	–	–
Mr Dilantha Jayawardhana (w.e.f. 1 July 2021)	16,810	–

Donations

During the year donations amounting to Rs. 2,405,000 were made by the Company. In addition, the Group made investments amounting to Rs. 44.18 Mn. for various community projects during the financial year.

Employment

The number of persons employed by the Company and Group as at 31 March 2022 was 1,716 (2021 – 1,845) and 9,485 (2021 – 9,875), respectively.

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

Employee Share Option Scheme (ESOS)

Details of the options granted, options exercised, the grant price and the options cancelled or lapsed and outstanding as at 31 March 2022, are disclosed in Note 24.1 to the Financial Statements on pages 195 and 196.

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

Auditor

Messrs KPMG are deemed re-appointed as Auditors at the Annual General Meeting of the Company in terms of Section 158 of the Companies Act No. 07 of 2007. The Directors have been 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 175. 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 205 and 206.

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/CEO

Imtiaz Abdul Wahid
Managing Director/Deputy CEO

H S Ellawala
Company Secretary

5 July 2022

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 158 to 160.

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

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

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

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

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 2022

INDEPENDENT ASSURANCE REPORT

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

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INDEPENDENT ASSURANCE REPORT TO CARGILLS (CEYLON) PLC

We have been engaged by the Directors of Cargills (Ceylon) PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2022. The Sustainability Indicators are included in the Cargills (Ceylon) PLC's Integrated Annual Report for the year ended 31 March 2022 (the "Report").

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

Assured Sustainability Indicators	Integrated Annual Report page
Financial highlights	6 to 7

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

Limited Assurance Sustainability Indicators	Integrated Annual Report page
Non-Financial Highlights	8 to 9
Information provided on following	
Reducing the cost of living	43 to 47
Bridging regional disparity	48 to 72
Healthy safe and affordable nutrition	73 to 83
Enhancing youth skills	84 to 92
Building equality, diversity and inclusivity	93 to 108
Playing our part for the planet	109 to 119

Our conclusions

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

Reasonable Assurance Sustainability Indicators

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2022 are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2022, have not in all material respects, been prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management's Responsibility

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

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

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

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

Our responsibility

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

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

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

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

Our firm applies Sri Lanka Standard on Quality Control (SLSQC) 1 and maintains a comprehensive system of quality control including documented policies and 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 judgement, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

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

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

Limited assurance on the Assured Sustainability Indicators

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

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

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

Purpose of our report

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

Restriction of use of our report

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

CHARTERED ACCOUNTANTS

Colombo
5 July 2022

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF CARGILLS (CEYLON) PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cargills (Ceylon) PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2022, 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 161 to 212 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, 2022, 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.

Risk description	Our response
Revenue recognition – Group As described in Note 4 the Group has recognised revenue in the amount of Rs. 136,692 Mn. As at the reporting date 31 March 2022, 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. 130,816 Mn. which is 96% 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.	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.
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. 7,040 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.	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.
Carrying value of inventories – Group As described in Note 19 to the financial statements the Group has recognised Inventory in the amount of Rs. 14,802 Mn. The Group holds a significant level of inventory across a broad and diversified product range, over many locations. At 31 March 2022 15% 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 14 locations of the subsidiaries and many outlets to arrive at valuation based on lower of cost and net realisable value. Given the level of judgments, estimates, number of items and locations involved this is considered to be a key audit matter.	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.

KPMG

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

05 July 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Revenue	4	136,691,993	112,607,061	31,013	78,935
Cost of sales	5	(121,119,386)	(100,148,423)	(30,502)	(76,115)
Gross profit		15,572,607	12,458,638	511	2,820
Other income	6	2,166,989	2,042,800	3,463,933	2,443,649
Distribution expenses		(3,889,407)	(3,034,361)	(6,950)	1,247
Administrative expenses		(3,987,451)	(3,463,746)	(1,413,394)	(820,375)
Other expenses		(804,355)	(716,257)	(153,815)	(93,336)
Results from operating activities		9,058,383	7,287,074	1,890,285	1,534,005
Finance income		243,658	205,012	116,805	61,380
Finance costs		(3,498,889)	(2,721,110)	(439,105)	(308,860)
Net finance cost	7	(3,255,231)	(2,516,098)	(322,300)	(247,480)
Changes in fair value of investment property	14	129,463	54,631	69,043	(14,549)
Share of loss of equity accounted investees, net of tax	16.4	(114,181)	(297,948)	–	–
Profit before tax	8	5,818,434	4,527,659	1,637,028	1,271,976
Income tax expense	9	(1,279,714)	(1,044,020)	(132,699)	(21,970)
Profit for the year		4,538,720	3,483,639	1,504,329	1,250,006
Other Comprehensive Income (OCI)					
Items that will not be reclassified to profit or loss					
Revaluation of lands and buildings	12.3	–	2,859,801	–	443,500
Actuarial gain/(loss) on employee benefit liability	28.3	158,313	(84,109)	35,014	11,389
Share of other comprehensive income in equity accounted investee, net of tax	16.4	(52,542)	18,181	–	–
Net change in fair value of FVOCI financial assets	16.3.1	7,311	7,422	7,239	7,309
Tax on other comprehensive income		(37,495)	(323,659)	(8,403)	(40,719)
Other comprehensive income for the year, net of tax		75,587	2,477,636	33,850	421,479
Total comprehensive income for the year		4,614,307	5,961,275	1,538,179	1,671,485
Profit attributable to:					
Equity holders of the parent		4,543,044	3,480,991	1,504,329	1,250,006
Non-controlling interest		(4,324)	2,648	–	–
		4,538,720	3,483,639	1,504,329	1,250,006
Total comprehensive income attributable to:					
Equity holders of the parent		4,618,576	5,958,024	1,538,179	1,671,485
Non-controlling interest		(4,269)	3,251	–	–
		4,614,307	5,961,275	1,538,179	1,671,485
Earnings per share					
Basic (Rs.)	10.1	17.63	13.51	5.84	4.85
Diluted (Rs.)	10.2	17.63	13.51	5.84	4.85

Figures in brackets indicate deductions

The Notes on pages 166 to 212 are an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

Figures in brackets indicate deductions.

The Notes from pages 166 to 212 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 /CEO

Imtiaz Abdul Wahid
Managing Director/ Deputy CEO

5 July 2022
Colombo

As at 31 March	Note	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
ASSETS					
Non-current assets					
Property, plant and equipment	12	40,012,205	36,067,201	3,459,660	3,510,224
Right of use of asset	13.1	16,825,758	14,334,399	1,089,171	169,268
Investment property	14	7,039,884	2,712,313	3,170,928	4,259,566
Intangible assets	15	1,439,415	1,391,786	62,171	2,050
Investments in subsidiaries	16.1	–	–	6,132,690	3,703,858
Investment in equity accounted investees	16.2	4,207,228	4,727,183	4,717,843	5,064,233
Other financial assets	16.3	1,526,215	18,904	1,525,941	18,702
Prepayment on leasehold land and building	17	200,912	200,912	–	–
Deferred tax assets	18	14,070	16,228	–	–
Total non-current assets		71,265,687	59,468,926	20,158,404	16,727,901
Current assets					
Inventories	19	14,802,284	11,778,208	13,162	903
Trade and other receivables	20	7,438,085	6,057,689	503,808	469,381
Amounts due from related companies	21	377,065	1,328,258	2,333,277	1,458,638
Other financial assets	16.3	1,016,556	954,796	–	–
Cash and cash equivalents	25	3,544,099	3,004,701	73,504	147,419
Total current assets		27,178,089	23,123,652	2,923,751	2,076,341
Total assets		98,443,776	82,592,578	23,082,155	18,804,242
EQUITY					
Stated capital	22	6,841,068	6,773,878	6,841,068	6,773,878
Other equity	23	–	–	–	–
Reserves	24	7,101,394	7,179,239	499,277	572,409
Retained earnings		11,552,781	9,000,732	5,261,395	5,087,199
Total equity attributable to equity holders of the parent		25,495,243	22,953,849	12,601,740	12,433,486
Non-controlling interest		3,626,272	6,874	–	–
Total equity		29,121,515	22,960,723	12,601,740	12,433,486
LIABILITIES					
Non-current liabilities					
Interest bearing loans and borrowings	26	7,523,412	2,854,988	4,395,893	518,092
Lease liability	13.2	18,502,079	15,379,383	1,002,703	36,068
Deferred tax liabilities	18	729,805	895,798	287,150	238,754
Capital grants	27	15,975	27,456	–	–
Employee benefit liability	28	1,549,184	1,529,000	594,973	580,027
Total non-current liabilities		28,320,455	20,686,625	6,280,719	1,372,941
Current liabilities					
Trade and other payables	29	23,109,018	16,099,960	603,905	591,508
Current tax liabilities		4,194,322	3,716,771	238,414	183,826
Amounts due to related companies	21	4,572	8,240	15,338	11,819
Dividend payable	30	72,295	63,804	72,295	63,804
Interest bearing loans and borrowings	26	12,482,221	17,942,684	3,246,919	4,132,570
Lease liability	13.2	1,139,378	1,113,771	22,825	14,288
Total current liabilities		41,001,806	38,945,230	4,199,696	4,997,815
Total liabilities		69,322,261	59,631,855	10,480,415	6,370,756
Total equity and liabilities		98,443,776	82,592,578	23,082,155	18,804,242

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	Other equity Rs. '000	Retained earnings Rs. '000	Non-controlling interest Rs. '000	Total Equity Rs. '000
Balance as at 1 April 2020	6,756,591	7,928	4,884,927	(6,768)	215,124	(3,659,385)	9,650,847	515,554	18,364,818
Profit for the period	–	–	–	–	–	–	3,480,991	2,648	3,483,639
Other comprehensive income	–	–	2,516,456	7,422	–	–	(46,845)	603	2,477,636
Total comprehensive income	–	–	2,516,456	7,422	–	–	3,434,146	3,251	5,961,275
Transactions with owners of the Company, recognised directly in equity									
Exercise of share options (Note 22)	17,287	–	–	–	–	–	–	–	17,287
Put option over non controlling interest (Note 23)	–	–	–	–	–	(129,434)	–	–	(129,434)
Equity-settled share-based payment	–	–	–	–	30,650	–	–	–	30,650
Transfer of value of expired employee share options	–	–	–	–	(92,921)	–	92,921	–	–
Exercise of put option	–	–	(383,579)	–	–	3,788,819	(2,893,309)	(511,931)	–
Write back of unclaimed dividends (Note 30)	–	–	–	–	–	–	28,123	–	28,123
Dividends (Note 11)	–	–	–	–	–	–	(1,311,996)	–	(1,311,996)
Balance as at 31 March 2021	6,773,878	7,928	7,017,804	654	152,853	–	9,000,732	6,874	22,960,723
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 22)	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	–	–
Write back 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

The figures in brackets indicate deductions.
The Notes from pages 166 to 212 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 2020	6,756,591	14,439	(8,184)	215,124	5,019,967	11,997,937
Profit for the period	–	–	–	–	1,250,006	1,250,006
Other comprehensive income	–	405,992	7,309	–	8,178	421,479
Total comprehensive income	–	405,992	7,309	–	1,258,184	1,671,485
Transactions with owners of the Company, recognised directly in equity						
Exercise of share options (Note 22)	17,287	–	–	–	–	17,287
Equity-settled share-based payment	–	–	–	30,650	–	30,650
Transfer of value of expired employee share options	–	–	–	(92,921)	92,921	–
Write back of unclaimed dividends (Note 30)	–	–	–	–	28,123	28,123
Dividends (Note 11)	–	–	–	–	(1,311,996)	(1,311,996)
Balance as at 31 March 2021	6,773,878	420,431	(875)	152,853	5,087,199	12,433,486
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 22)	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	–
Write back 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

The figures in brackets indicate deductions.

The Notes from pages 166 to 212 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Cash flows from operating activities					
Profit before taxation		5,818,434	4,527,659	1,637,028	1,271,976
Adjustments for:					
Depreciation on property, plant and equipment	12	3,452,959	2,946,321	69,231	45,330
Employee benefit expense	28	243,197	268,504	85,131	97,816
Amortisation of intangible assets	15	104,518	93,953	893	815
Depreciation of right of use assets	13	1,731,551	1,399,427	83,691	16,636
Negative lease payments		(114,713)	(123,565)	–	(1,978)
Amortisation of deferred income	27	(11,481)	(11,481)	–	–
Gain on disposal of property, plant and equipment	6	(4,278)	(66,424)	–	–
Gain on disposal of ROU asset and liability		(3,394)	–	(3,394)	–
Change in fair value of investment property	14	(129,463)	(54,631)	(69,043)	14,549
Impairment of/(reversal of impairment) for inventories		17,881	28,929	–	–
Impairment of/(reversal of impairment) for trade receivable and other receivables		34,890	33,111	113	(8,929)
Net finance costs	7	3,255,231	2,537,314	322,300	247,480
Dividend income	6	(438)	(488)	(1,666,082)	(1,338,067)
Impairment of investment in associate	16	–	30,554	–	30,554
Share of (profit)/loss on equity accounted investees, net of tax	16.4	114,181	297,948	–	–
Equity settled share based payment transactions		–	29,404	–	11,686
Operating profit before working capital changes		14,509,075	11,936,535	459,868	387,868
Changes in working capital					
- (Increase)/decrease in inventories		(3,041,957)	(1,270,267)	(12,259)	20,568
- (Increase)/decrease in trade and other receivables		(1,415,286)	944,252	(75,371)	24,919
- (Increase)/decrease in amount due from related companies		5,788	(92,315)	(874,523)	(124,856)
- Increase/(decrease) in trade and other payables		6,505,085	2,373,751	83,205	310,272
- Increase/(decrease) in amount due to related companies		(3,668)	(6,968)	3,519	(41,190)
Cash generated from operations		16,559,037	13,884,988	(415,561)	577,581
Income taxes paid		(1,071,614)	(981,471)	(33,615)	–
Interest paid		(1,255,609)	(1,217,477)	(361,839)	(302,220)
Retiring gratuity paid	28	(65,393)	(55,503)	(35,057)	(23,824)
Net cash generated (used in)/from operating activities		14,166,421	11,630,537	(846,072)	251,537
Cash flows from investing activities					
Acquisition and construction of property, plant and equipment	12	(7,593,769)	(6,302,611)	(31,035)	(327,413)
Acquisition and construction of investment property	14	(1,100,632)	(1,411)	–	(245,397)
Acquisition of intangible assets	15	(152,147)	(99,925)	(61,014)	(1,250)
Interest income received	7	243,658	183,796	73,470	61,380
Dividend received	6	438	488	1,666,082	1,338,067
Acquisition of subsidiaries and associates	16.1.2.5	(1,284,018)	–	(2,815,364)	–
Acquisition of non controlling interest in subsidiaries		–	(3,788,819)	–	(692,947)
Proceeds from disposal of property, plant and equipment	6	11,005	72,190	12,368	–
Proceeds from disposal of investment property		–	–	1,157,681	–
Proceeds from disposal of subsidiaries and associates	16.1.2.1 and 16.1.2.4	–	–	862,215	–
(Addition)/disposal to other financial assets		(1,561,760)	(73,762)	(1,500,000)	–
Net cash generated (used in)/from investing activities		(11,437,225)	(10,010,054)	(635,597)	132,440
Cash flows from financing activities					
Proceeds from issue of shares	23	67,190	17,287	67,190	17,287
Share issued to non-controlling interest	16.1.2.3	2,699,781	–	–	–
Net proceeds from/(repayment of) short-term borrowings		(7,529,714)	538,772	(2,198,220)	420,000
Net proceeds from/(repayment of) long-term borrowings		7,714,746	3,711,351	5,625,000	693,189
Lease payments, net of concessions	13	(2,606,812)	(2,214,833)	(81,489)	(15,989)
Dividend paid to shareholders	11	(1,557,918)	(1,299,698)	(1,557,918)	(1,299,698)
Dividend paid to non-controlling interest		–	–	–	–
Net cash generated (used in)/from financing activities		(1,212,727)	752,879	1,854,563	(185,211)
Net Increase/(decrease) in cash and cash equivalents		1,516,469	2,373,362	372,894	198,766
Cash and cash equivalents					
At the beginning of the year		325,580	(2,047,782)	(395,054)	(593,820)
Movement during the year		1,516,469	2,373,362	372,894	198,766
At the end of the year	25	1,842,049	325,580	(22,160)	(395,054)

Figures in brackets indicate deductions

The Notes on pages 166 to 212 are an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

1.1 Reporting entity

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

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Group for the year ended 31 March 2022 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 2022 is 1,716 (1,845 as at 31 March 2021).
The staff strength of the Group as at 31 March 2022 is 9,485 (9,875 as at 31 March 2021).

1.5 Principal activities and nature of operations

The principal activities of the Group are:

1) operating a chain of retail outlets under the brand names of "Food City", "Food City Express" and "Food Hall".
2) manufacturing and distributing
   (a) ice cream and other dairy products under the brand names of "Cargills Magic", "Heavenly" and "Kotmale"
   (b) 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 confectionery 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", "Energizer", "Bega", "Langnese", and "Indomie" etc.
5) production, importation and distribution of agricultural seeds.
6) 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 2022 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS), laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, and the Listing Rules of the Colombo Stock Exchange.

These Financial Statements include the following components:

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

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

2.2 Responsibility for Financial Statements

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

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

2.3 Approval of Consolidated Financial Statements by the Board of Directors

The Financial Statements of the Group for the year ended 31 March 2022 (including comparatives) were approved and authorised by the Board of Directors for issue on 5 July 2022.

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

2.8 Materiality and aggregation

Each material class of similar items is presented as a group in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 01 "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
- **Note 18 – Deferred tax liabilities:** Determination of whether lands should be considered as a business asset or an investment asset.

2.10.2 Assumption

Information about assumptions and estimation uncertainties at 31 March 2022 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 a foreseeable future. The management has also assessed the existing and anticipated effects of COVID-19 and economic uncertainties on the Group and the appropriateness of the use of the going concern basis. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.12 Changes in significant accounting policies

There were no changes in Accounting Policies for the year ended 31 March 2022.

Further a number of other new standards were effective from 1 April 2021 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 2022. 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 acquire either: at fair value; or at proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

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

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

3.1.4 Loss of control

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

3.1.5 Interest in equity-accounted Investees

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

Interests in associates are accounted for using the equity method 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 the 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 finance cost.

If there is a long-term lack of exchangeability due to the non-availability of foreign currencies in the market at an indicative exchange rate and foreign currency is not available for immediate delivery at the rate published by other legal exchange mechanisms, the entity shall use either the official rate or estimated rates, maximising the use of observable data, considering the facts and circumstances prevalent at that point in time.

3.3 Financial instruments

3.3.1 Recognition and initial measurement

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

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

3.3.2 Classification and subsequent measurement

Financial assets

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

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

The Group's financial assets classified under amortised cost includes trade and other receivable, amounts due from related companies and cash and cash equivalents.

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

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

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

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

Financial assets - Business model assessment

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

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

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

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

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

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

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

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

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

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reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

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

Financial liabilities - Classification, subsequent measurement and gains and losses

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

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

3.3.3 Derecognition

Financial asset

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

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

Financial liabilities

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

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

3.3.4 Offsetting

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

3.3.5 Impairment of financial assets

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

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

Credit-impaired financial assets

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

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

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

3.4 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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

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

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

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

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at bank and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

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

3.6 Employee benefits

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

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

3.6.2 Share-based payment arrangements

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

3.6.3 Defined benefit plan

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

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

The liability is not externally funded.

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

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

When the benefits of a plan are changed or when a plan is curtailed, 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 in to 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 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. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to the relevant leases.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is Rs. 114.7 Mn. (2021 – 123.5 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 on "Provision, Contingent Liabilities and Contingent Assets". The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date.

3.11 Borrowing costs

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

3.12 Income tax expense

Income tax expense comprises of current and deferred tax. The income tax expense is recognised in the Statement of Profit or Loss except to the extent that it relates to the items recognised directly in the Statement of Other Comprehensive Income or Statement of Changes in Equity, in which case it is recognised directly in the respective statements.

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 on 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 on "Statement of Cash Flows", whereby operating activities, investing activities and financing activities are separately recognised.

Cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents as referred to in the Statement of Cash Flow are comprised of those items as explained in Note 25.

3.14 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 April 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Financial Statements.

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

- Onerous contracts - Cost of fulfilling a contract (Amendments to LKAS 37)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)
- Reference to conceptual framework (Amendments to SLFRS 3)
- Property, plant and equipment: proceeds before Intended use (Amendments to LKAS 16)
- Classification of liabilities as current or non-current (Amendments to LKAS 1)
- Annual Improvements to SLFRS standards 2018-2020.
- Definition of accounting estimates (Amendments to LKAS 8)
- Disclosure of Accounting Policies (Amendments to LKAS 1)

4. Revenue

Accounting Policy

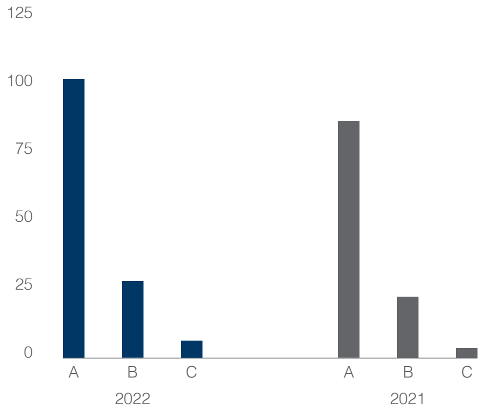
Revenue recognition – Sale of goods

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

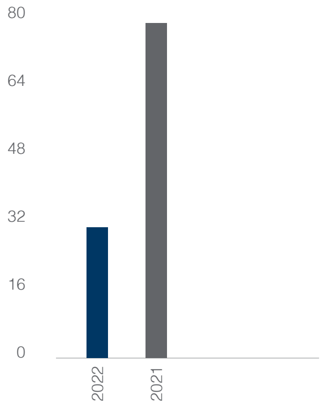
For the year ended 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Gross revenue	143,048,152	117,781,115	33,494	85,250
Revenue related taxes	(6,356,159)	(5,174,054)	(2,481)	(6,315)
	136,691,993	112,607,061	31,013	78,935

The Group primarily has four 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



Company net revenue



A – Food retailing

B – Food and beverage manufacturing and distribution

C – Restaurant

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 Company'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 performance obligation at a point in time.

For the year ended 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Dividend income				
– Related companies (Note 35.3)	–	–	1,665,644	1,337,581
– Other (Note 16.3.1)	438	488	438	486
Rental income	215,324	167,110	289,771	329,201
Gain on disposal of property, plant and equipment	4,278	66,424	–	–
Income from services	27,976	–	1,429,719	773,556
Merchandising income	1,678,761	1,638,796	–	–
Amortisation of deferred income				
– Capital grant	11,481	11,481	–	–
Sundry income	228,731	158,501	78,361	2,825
	2,166,989	2,042,800	3,463,933	2,443,649

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 Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
7.1 Finance income				
Interest income	243,658	183,796	116,805	61,380
Foreign exchange gain	–	21,216	–	–
	243,658	205,012	116,805	61,380

For the year ended 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
7.2 Finance cost				
Interest on short-term loans	674,489	900,054	162,831	239,315
Interest on bank overdrafts	76,039	98,008	14,654	30,549
Interest on other loans and bank charges	555,292	218,090	205,159	32,114
Interest on staff security deposits	1,429	1,325	–	–
Interest on lease liabilities (Note 13.2)	1,675,739	1,503,633	56,461	6,882
Foreign exchange loss	515,901	–	–	–
	3,498,889	2,721,110	439,105	308,860
Net finance cost	3,255,231	2,516,098	322,300	247,480

8. Profit before taxation

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

For the year ended 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Staff costs (Note 8.1)	8,951,227	8,130,351	779,061	514,618
Auditors' remuneration				
– Audit and audit related services	12,825	11,435	990	687
– Non audit services	2,445	1,947	2,445	1,947
Depreciation on property, plant and equipment (Note 12)	3,452,959	2,946,321	69,231	45,330
Amortisation of intangible assets (Note 15)	104,518	93,953	893	815
Provision for/(reversal of) impairment of trade receivables	34,890	33,111	113	(8,929)
Foreign exchange gain/(loss) (Note 7)	(515,901)	21,216	–	–
Provision for/(reversal of) impairment of inventories	17,881	28,929	–	–
Directors' emoluments (Note 35.1)	461,784	445,862	124	56,263
Depreciation of right of use assets (Note 13.1)	1,731,551	1,399,427	83,691	16,636
8.1 Staff Costs				
Salaries, wages and other costs	8,002,185	7,187,983	611,668	375,887
Employee benefits (Note 28.2)	243,197	268,504	85,131	97,816
Defined contribution plan cost- PF and ETF	705,845	644,460	82,262	29,229
Equity settled share based payment transaction	–	29,404	–	11,686
	8,951,227	8,130,351	779,061	514,618
Number of employees as at 31 March	9,485	9,875	1,716	1,845

9. Income tax expense

Accounting Policy

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, and subsequent amendments thereto.

IFRIC interpretation 23 – Uncertainty over income tax treatment

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

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

Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

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

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

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

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

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

For the year ended 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Income tax expense				
Current tax expense (Note 9.1)	1,553,764	1,303,595	25,476	36,691
Irrecoverable ESC/WHT	401	11,529	–	–
Withholding tax on related company dividend	261,872	217,767	67,230	–
(Over)/under provision of current tax of previous years	(323,000)	(4,702)	–	–
Deferred tax expense (Note 9.2)	(213,323)	(484,169)	39,993	(14,721)
	1,279,714	1,044,020	132,699	21,970

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

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

For the year ended 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Profit before taxation	5,818,434	4,527,659	1,637,028	1,271,976
Aggregate disallowed expenses	8,325,102	7,487,860	435,537	468,699
Aggregate allowable expenses	(6,292,007)	(5,109,082)	(231,390)	(264,278)
Aggregate other income	(398,199)	(478,373)	(1,851,931)	(1,384,899)
Exempt profit	(23,971)	(24,359)	–	–
Adjusted business profit	7,429,359	6,403,705	(10,756)	91,498
Tax losses incurred	69,995	12,841	–	–
Taxable income from other sources	166,421	87,072	116,805	61,380
Adjusted profit (a)	7,665,775	6,503,618	106,049	152,878
Tax losses brought forward	1,544,798	1,554,445	–	–
Tax losses added (Note 9.1.1)	69,995	12,841	–	–
Tax losses utilised (b)	(159,402)	(14,982)	–	–
Adjustment on finalisation of liability	(242,226)	(7,506)	–	–
Tax losses carried forward	1,213,165	1,544,798	–	–
Taxable income (a+b)	7,506,373	6,488,636	106,049	152,878
Income tax @ 28%	–	–	–	–
Income tax @ 24%	810,378	542,565	25,452	36,691
Income tax @ 18%	743,362	761,030	–	–
Income tax @ 14%	24	–	24	–
Current tax expense	1,553,764	1,303,595	25,476	36,691

9.1.1 Tax losses added

For the year ended 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Tax losses incurred by continuing operations	69,995	12,841	–	–
	69,995	12,841	–	–

9.2 Deferred tax expense

For the year ended 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Deferred tax expense charge/ (reversal) arising from:				
- Temporary difference of property, plant and equipment	(92,160)	(488,945)	12,643	(7,746)
- Temporary difference of revaluation surplus of freehold building	14,180	25,208	15,585	(18,985)
- Temporary difference of revaluation surplus of freehold land	18,337	6,096	(3,460)	9,298
- Temporary difference on equity settled share based payment	74,797	8,823	39,556	1,751
- Temporary difference on provisions	(10,649)	(36)	–	–
- Temporary difference of employee benefit liability	(42,074)	4,350	(11,990)	2,852
- Temporary difference on capital grants	2,067	5,960	–	–
- Temporary difference of carried forward tax losses	(13,302)	258	–	–
- Temporary difference of ROU assets and lease liabilities	(164,519)	(45,883)	(12,341)	(1,891)
	(213,323)	(484,169)	39,993	(14,721)

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

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

As at 31 March	2022 Temporary difference Rs. '000	2022 Tax effect on temporary difference Rs. '000	2021 Temporary difference Rs. '000	2021 Tax effect on temporary difference Rs. '000
Deductible temporary differences	–	–	–	–
Tax losses	1,149,726	191,703	1,519,728	259,211
	1,149,726	191,703	1,519,728	259,211

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

10. Earnings Per Share (EPS)

Accounting Policy

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

10.1 Basic earnings per share

	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Profit attributable to equity shareholders of the parent (Rs. '000)	4,543,044	3,480,991	1,504,329	1,250,006
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.)	17.63	13.51	5.84	4.85

10.1.1 Weighted average number of ordinary shares

	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Issued ordinary shares as at 1 April	257,677,731	257,221,043	257,677,731	257,221,043
Exercise of share options	–	456,688	–	456,688
Weighted average number of ordinary shares as at 31 March	257,677,731	257,677,731	257,677,731	257,677,731

10.2 Diluted EPS

The calculation of diluted earnings per share has been based on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	GROUP 2022	GROUP 2021 (Restated)	COMPANY 2022	COMPANY 2021 (Restated)
Profit attributable to equity shareholders of the parent (Rs. '000)	4,543,044	3,480,991	1,504,329	1,250,006
Weighted average number of ordinary shares (diluted) (Refer Note 10.2.1)	257,677,731	257,677,731	257,677,731	257,677,731
Diluted earnings per share (Rs.)	17.63	13.51	5.84	4.85

10.2.1 Weighted average number of ordinary shares (diluted)

	GROUP 2022	GROUP 2021 (Restated)	COMPANY 2022	COMPANY 2021 (Restated)
Weighted-average number of ordinary shares (basic)	257,677,731	257,677,731	257,677,731	257,677,731
Effect of share options on issue	–	–	–	–
Weighted-average number of ordinary shares (diluted) as at 31 March	257,677,731	257,677,731	257,677,731	257,677,731

11. Dividend per share

	GROUP Rs.	GROUP Rs. '000 2022	GROUP Rs.	GROUP Rs. '000 2021	COMPANY Rs.	COMPANY Rs. '000 2022	COMPANY Rs.	COMPANY Rs. '000 2021
Dividends for the year								
Final dividend for prior year	4.10	1,056,479	3.20	823,107	4.10	1,056,479	3.20	823,107
First interim – dividend	2.00	515,355	1.90	488,889	2.00	515,355	1.90	488,889
	6.10	1,571,834	5.10	1,311,996	6.10	1,571,834	5.10	1,311,996

A final dividend of Rs. 4.10 per share (Rs. 1,056.48 Mn.) was paid on 19 July 2021 for the year ended 31 March 2021. 1st interim dividend of Rs 2.00 per share (Rs. 515.35 Mn.) was paid on 20 December 2021 for the year ended 31 March 2022.

A final dividend of Rs. 5.00 has been proposed for the year ended 31 March 2022 and has not been recognised as at the reporting date in accordance with LKAS 10 - "Events After the Reporting Period".

12. Property plant and equipment

Accounting Policy

Basis of recognition

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

Basis of measurement

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

When major components of an item of property, plant 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 and all other decreases are charged to the Statement of Profit or Loss. Revaluation of free hold land and buildings are carried out by professionally qualified independent valuers every three years. The Group revalued all its freehold land and buildings as at 31 March 2021.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The cost of day to day servicing of property, plant and equipment are charged to the profit or loss as incurred.

Repairs 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 its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other income' in the Statement of Profit or Loss in the year the asset is 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 commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted as appropriate.

Impairment

The Management has assessed the potential impairment loss of property, plant and equipment as at 31 March 2022. Based on the assessment, the Group does not foresee any indications of Impairment as at the reporting date due to the COVID-19 pandemic and the economic crisis faced by Sri Lanka, and functions under the business continuity plan as per the Group's risk management strategy, allowing operations to function through alternate working arrangements, whilst strictly adhering to and supporting government directives.

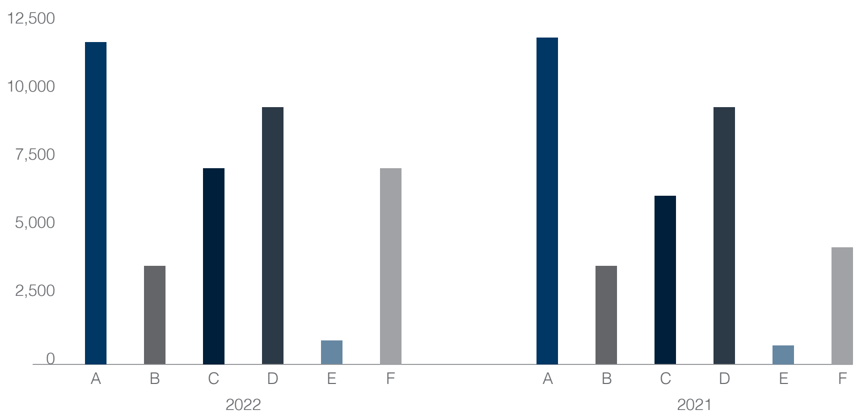
	Freehold land Rs. '000	Freehold building Rs. '000	Expenditure incurred on leasehold buildings Rs. '000	Plant, machinery and others Rs. '000	Motor vehicles Rs. '000	Capital WIP Rs. '000	Total 2022 Rs. '000
Group							
Cost/revaluation							
As at 1 April	11,926,647	3,569,411	12,010,529	24,300,977	1,870,341	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 2021 Rs. '000
Group							
Cost/revaluation							
As at 1 April	10,052,474	3,107,044	10,760,029	21,822,548	1,603,866	3,572,468	50,918,429
Additions	858	773,341	1,259,326	2,494,203	400,393	7,618,240	12,546,361
Revaluation	2,106,121	753,680	–	–	–	–	2,859,801
Transfers	–	–	–	–	–	(6,281,697)	(6,281,697)
Disposals	–	–	(8,826)	(15,774)	(133,918)	–	(158,518)
Transfer to investment property	(232,806)	–	–	–	–	(566,551)	(799,357)
Transfer-acc. dep-revaluation	–	(1,064,654)	–	–	–	–	(1,064,654)
As at 31 March 2021	11,926,647	3,569,411	12,010,529	24,300,977	1,870,341	4,342,460	58,020,365
Accumulated depreciation and impairment							
As at 1 April	–	921,937	5,084,608	13,075,774	1,141,930	–	20,224,249
Depreciation	–	142,717	707,991	1,878,988	216,625	–	2,946,321
Disposals	–	–	(5,187)	(13,647)	(133,918)	–	(152,752)
Impairment	–	–	–	–	–	–	–
Transfer-acc. dep-revaluation	–	(1,064,654)	–	–	–	–	(1,064,654)
As at 31 March 2021	–	–	5,787,412	14,941,115	1,224,637	–	21,953,164
Carrying value as at 31 March 2021	11,926,647	3,569,411	6,223,117	9,359,862	645,704	4,342,460	36,067,201

	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

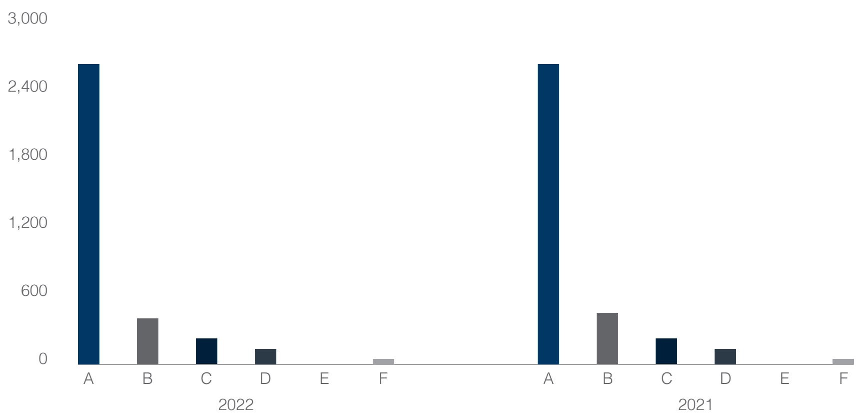
	Freehold land Rs. '000	Freehold building Rs. '000	Expenditure incurred on leasehold buildings Rs. '000	Plant, machinery and others Rs. '000	Motor vehicles Rs. '000	Capital WIP Rs. '000	Total 2021 Rs. '000
Company							
Cost/revaluation							
As at 1 April	2,266,075	425,797	7,506	319,392	138,194	62,897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

Group – PPE



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



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 building represent the cost incurred in setting up new outlets.

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

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 has been categorised as a level 3 fair value based on the inputs to the valuation techniques used. Details of the Group lands and buildings measured at fair value as at 31 March 2021 is as follows:

Location	Type of asset	Method of valuation	Land extent	Building area (sq.ft)	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 stated at the historical cost basis, the amounts would have been as follows:

	Land		Building	
	Rs. '000 **2022**	Rs. '000 **2021**	Rs. '000 **2022**	Rs. '000 **2021**
Group				
Cost	6,363,266	6,358,335	3,004,430	2,739,092
Accumulated depreciation	–	–	(795,689)	(735,600)
Net book value	6,363,266	6,358,335	2,208,741	2,003,492
Company				
Cost	1,813	1,813	117,855	117,134
Accumulated depreciation	–	–	(20,194)	(18,993)
Net book value	1,813	1,813	97,661	98,141

12.3 Movement in revaluation reserve

	GROUP		COMPANY	
	Rs. '000 **2022**	Rs. '000 **2021**	Rs. '000 **2022**	Rs. '000 **2021**
Opening balance	7,017,804	4,884,927	420,431	14,439
Revaluation surplus	–	2,859,801	–	443,500
Deferred tax impact on revaluation	–	(343,345)	–	(37,508)
Set-off against reserve on purchase of treasury shares in Cargills Foods Company (Private) Limited (Note 23)	–	(383,579)	–	–
Disposal of revalued asset	(4,785)	–	–	–
Closing balance	7,013,019	7,017,804	420,431	420,431

Depreciation amounting to Rs. 2,793.66 Mn. (2021 - Rs. 2,404.65 Mn.) and Rs. 659.30 Mn. (2021 – Rs. 541.67 Mn.) has been charged respectively to the cost of sales and, administration and other expenses of the Group. The total depreciation amounting to Rs. 69.23 Mn. (2021 - Rs. 45.33 Mn.) is included in the other expenses of the Company.

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

Fully depreciated assets of the Group as at the year end is Rs. 7,384.19 Mn. (2021 - Rs. 6,382.52 Mn.) and that of the Company is Rs. 331.17 Mn. (2021 - Rs. 325.88 Mn.).

13. Leases

The Group's and Company's leases consist of land and building leases. The leases are depreciated over 2 years – 50 years.

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

13.1 Right of use assets

	GROUP		COMPANY	
	Rs. '000 **2022**	Rs. '000 **2021**	Rs. '000 **2022**	Rs. '000 **2021**
Balance as at 1 April	14,334,399	10,170,741	169,268	185,904
Additions	4,392,228	5,563,085	1,014,501	–
Recognition of ROU asset on modification of payment	482	–	–	–
Depreciation	(1,731,551)	(1,399,427)	(83,691)	(16,636)
Disposal of ROU assets	(169,800)	–	(10,907)	–
Balance as at 31 March	16,825,758	14,334,399	1,089,171	169,268

13.2 Lease liability

	GROUP		COMPANY	
	Rs. '000 **2022**	Rs. '000 **2021**	Rs. '000 **2022**	Rs. '000 **2021**
Balance as at 1 April	16,493,154	11,798,080	50,356	61,441
Additions	4,366,801	5,529,839	1,014,501	–
Recognition of lease liability on modification of payment	482	–	–	–
Interest expense	1,675,739	1,503,633	56,461	6,882
Disposal of lease liability	(173,194)	–	(14,301)	–
Payments	(2,606,812)	(2,214,833)	(81,489)	(15,989)
Negative lease payments due to rent concessions	(114,713)	(123,565)	–	(1,978)
Balance as at 31 March	19,641,457	16,493,154	1,025,528	50,356
Lease liabilities included in the Statement of Financial Position as at 31 March				
Current	1,139,378	1,113,771	22,825	14,288
Non-current	18,502,079	15,379,383	1,002,703	36,068
	19,641,457	16,493,154	1,025,528	50,356
Maturity analysis – contractual undiscounted cash flows				
Less than one year	2,967,491	2,658,487	79,729	19,623
one to five years	11,428,431	10,256,939	384,757	19,938
More than five years	24,530,626	20,583,683	1,122,283	133,560
Total undiscounted liabilities as at 31 March	38,926,548	33,499,109	1,586,769	173,121

13.3 Amounts recognised in profit or loss

	GROUP		COMPANY	
	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Depreciation of right-of-use assets	1,731,551	1,399,427	83,691	16,636
Interest expense on lease liabilities	1,675,739	1,503,633	56,461	6,882
Negative lease payments due to rent concessions	(114,713)	(123,565)	–	(1,978)
Income from sub-leasing right-of-use assets presented in 'other income'	(23,270)	(24,324)	(64,262)	(69,187)
	3,269,307	2,755,171	75,890	(47,647)

13.4 Amounts recognised in Statement of Cash Flows

	GROUP		COMPANY	
	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Total cash outflow for leases, net of concessions	(2,606,812)	(2,214,833)	(81,489)	(15,989)
	(2,606,812)	(2,214,833)	(81,489)	(15,989)

Impairment

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

14. Investment property

Accounting Policy

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

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

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

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 retirement or disposal.

Subsequent transfers to/from investment property

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

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

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

Any difference at the date of the change in use between the carrying amount of the property and its fair value is recognised as a revaluation of property, plant and equipment and is not transferred to profit or loss at the date of transfer and at subsequent disposal, any existing revaluation surplus that was recognised under revaluation model to the property will be transferred to retained earnings.

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

Determining fair value

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

Investment property leased within the Group

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

	GROUP		COMPANY	
	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
As at 1 April	2,712,313	1,856,914	4,259,566	4,028,718
Additions	1,100,632	1,411	454	866,995
Due to acquisition of subsidiary	2,953,700	–	–	–
Reclassification from PPE	143,776	799,357	–	–
Disposals	–	–	(1,158,800)	–
Changes in fair value during the year	129,463	54,631	69,043	(14,549)
Capital work-in-progress addition/(transfers)	–	–	665	(621,598)
	7,039,884	2,712,313	3,170,928	4,259,566

In accordance with LKAS 40, fair value of the above investment properties were ascertained as at 31 March 2022 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.

Rental income earned from the investment properties by the Group and Company amounted to Rs. 42.23 Mn. (2021 - Rs. 29.12 Mn.) and Rs. 147.21 Mn. (2021 - Rs. 131.38 Mn.) respectively. Direct operating expenses incurred on investment property by the Group and Company amounted to Rs. 18.77 Mn. (2021 - Rs. 17.41 Mn.) and Rs. 51.39 Mn. (2021 - Rs. 48.49 Mn.). The fair value measurement for all the investments properties has been categorised as a level 3 fair value based on the inputs to the valuation techniques used. Details of Groups investment property and information relating to their fair values as at 31 March 2022 are as follows:

Location	Type of asset	Method of valuation	Land extent	Building area (Sq.ft.)	No. of buildings	Current/ proposed use	GROUP 2022 fair value Rs. '000	GROUP 2021 fair value Rs. '000	COMPANY 2022 fair value Rs. '000	COMPANY 2021 fair value Rs. '000
Canal Row - Colombo 01	Land	Income approach	15.25 Perches	–	–	Rent	–	–	309,632	308,624
	Building		–	12,300	1				90,668	91,667
Braybrook place	Land	Market approach	78.17 Perches	–	–	Undetermined use	742,615	723,073	742,615	723,073
	Building		–	5,146	1		1,615	1,614	1,615	1,614
Cargills Square - Jaffna	Building	Income approach	Leasehold	99,164	1	Rent	639,554	627,844	1,060,620	1,041,200
Staple Street - Colombo 02	Land	Market approach	81.5 Perches	–	–	Rent	–	–	896,500	867,975
	Building		–	20,970	2				57,400	55,400
Dematagoda	Land	Income approach	84.32 Perches	–	–	Rent	296,672	267,013	–	391,674
	Building		–	71,956	1		554,121	522,969		767,126
Nittambuwa	Land	Market approach	112 Perches	–	–	Undetermined use	151,750	143,800	–	–
Boralesgamuwa	Land	Income approach	2.5 Acres	–	–	Rent	379,861	364,656	–	–
	Building		–	23,168	4		67,139	61,344		
Gampaha	Land	Income approach	82.6 Perches	–	–	Rent	62,112	–	–	–
	Building		–	43,115	1		110,372			
Kandy	Land	Market approach	170 Perches	–	–	To be developed	685,283	–	–	–
	Building		–	937	1		10			
Negombo	Land	Market approach	91 Perches	–	–	To be developed	301,325	–	–	–
	Building		–	17,534	1		2,600			
Kandy	Land	Market approach	11.3 Perches	–	–	To be developed	78,000	–	–	–
Kotahena	Land	Market approach	199.8 Perches	–	–	Development plans deferred	1,528,500	–	–	–
Boralesgamuwa	Land	Market approach	43 Acres	–	–	Undetermined use	1,200,000	–	–	–
	Building		–	11,400	1					
Piliyandala	Land	Market approach	114 Perches	–	–	Undetermined use	102,600	–	–	–
Commercial property - Piliyandala	Land	Income approach	154.9 Perches	–	–	Rent	97,063	–	–	–
	Building		–	21,278	2		38,692			
Wellawatta (Preliminary expense)						To be developed	–	–	11,878	11,213
							7,039,884	2,712,313	3,170,928	4,259,566

Refer Note 38.2.1 for details on valuation techniques used.

Key considerations relating to COVID-19 and economic uncertainties

Majority of the Group's investment properties rented out to inter companies and as a result of COVID-19 and the economic uncertainties, there was no significant drop in the rents charged to the inter companies. The Group has also not lost any tenants as a result of COVID-19 and the economic uncertainties. Therefore, management is of the view that the impact of COVID-19 and economic uncertainties would not have a material impact on the investment property valuations which was also reflected in the independent valuation report obtained by management.

Sensitivity analysis

Significant judgement is required when evaluating the inputs into fair value determination of investment property. Reasonably possible changes at the reporting date to one of the relevant assumptions, holding other assumptions constant, would have affected the fair value of the investment property rented out to third parties by the amounts shown below. The effect of the COVID-19 pandemic has meant that the range of reasonably possible changes is wider for the 2022 figures that for the comparative year.

Description	31 March 2022 Increase Rs. '000	31 March 2022 Decrease Rs. '000	31 March 2021 Increase Rs. '000	31 March 2021 Decrease Rs. '000
Annual expenses, rates and repairs, void (2022: 10% movement; 2021: 10% movement)	(12,652)	12,652	(12,315)	12,315
Discount rate (2022: 2% movement; 2021: 2% movement)	307	(307)	299	(299)

15. Intangible assets

Accounting Policy

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

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

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

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

Useful economic lives, amortisation and impairment
The useful economic lives of intangible assets are assessed to be either finite or indefinite.

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

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

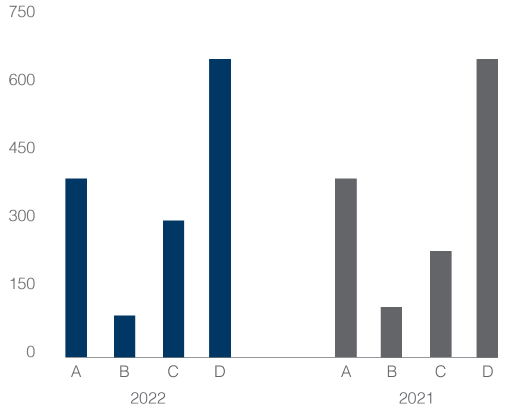
The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

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

Group	Goodwill		Franchisee fee		Software		Brand name		Total	
	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Cost										
As at 1 April	529,767	529,767	297,227	297,227	643,466	543,541	661,865	661,865	2,132,325	2,032,400
Additions	–	–	5,505	–	146,642	99,925	–	–	152,147	99,925
Due to acquisition of subsidiary	–	–	–	–	1,584	–	–	–	1,584	–
As at 31 March	529,767	529,767	302,732	297,227	791,692	643,466	661,865	661,865	2,286,056	2,132,325
Amortisation/impairment										
As at 1 April	138,978	138,978	190,723	167,581	410,838	340,027	–	–	740,539	646,586
Amortisation	–	–	23,142	23,142	81,376	70,811	–	–	104,518	93,953
Due to acquisition of subsidiary	–	–	–	–	1,584	–	–	–	1,584	–
As at 31 March	138,978	138,978	213,865	190,723	493,798	410,838	–	–	846,641	740,539
Carrying value as at 31 March	390,789	390,789	88,867	106,504	297,894	232,628	661,865	661,865	1,439,415	1,391,786

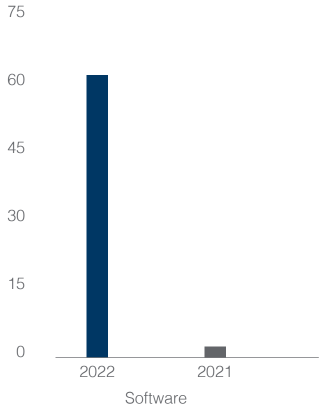
Company	Software		Total	
	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Cost				
As at 1 April	153,917	152,667	153,917	152,667
Additions	61,014	1,250	61,014	1,250
As at 31 March	214,931	153,917	214,931	153,917
Amortisation/impairment				
As at 1 April	151,867	151,052	151,867	151,052
Amortisation for the year	893	815	893	815
As at 31 March	152,760	151,867	152,760	151,867
Carrying value as at 31 March	62,171	2,050	62,171	2,050

Group – Intangible assets



A – Goodwill
B – Franchisee fee
C – Software
D – Brand name

Company – Intangible assets



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 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
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:

Description	2022	2021
Discount rate	17.52%	11.28%
Terminal value growth rate	3%	3%
Budgeted EBITDA growth rate (average of next five years)	10%	19%

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:

Description	2022	2021
Discount rate	10.88%	7.72%
Terminal value growth rate	2%	2%
Budgeted EBITDA growth rate (average of next five years)	5%	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 2% based on management's internal assessment.

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

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

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

Brand Name
The Rs. 661.9 Mn. represents the brand value recognised on the acquisition of Kotmale Holding PLC.

Brand has been tested for impairment and no impairment has been recognised as at reporting date. Management is of the view that the brand name has an indefinite useful life and accordingly no amortisation is charged. However, in accordance with LKAS 38 - "Intangible Assets", any intangible asset which has indefinite useful life is subject to annual impairment test which is to be carried out in accordance with LKAS 36 - "Impairment of Assets" and the useful life of the intangible asset that is not being amortised is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for this asset.

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

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

	2022	2021
Description		
Discount rate	15.52%	12.69%
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. 57.44 Mn. (2021 - Rs. 50.54 Mn.) have been included in cost of sales and Rs. 47.08 Mn. (2021 - Rs. 43.41 Mn.) in other expenses of the Group. Amortisation of intangible assets amounting to Rs. 0.89 Mn. (2021 - Rs. 0.82 Mn.) have been included in other expenses of the Company.

16. Investments

16.1 Investments in subsidiaries

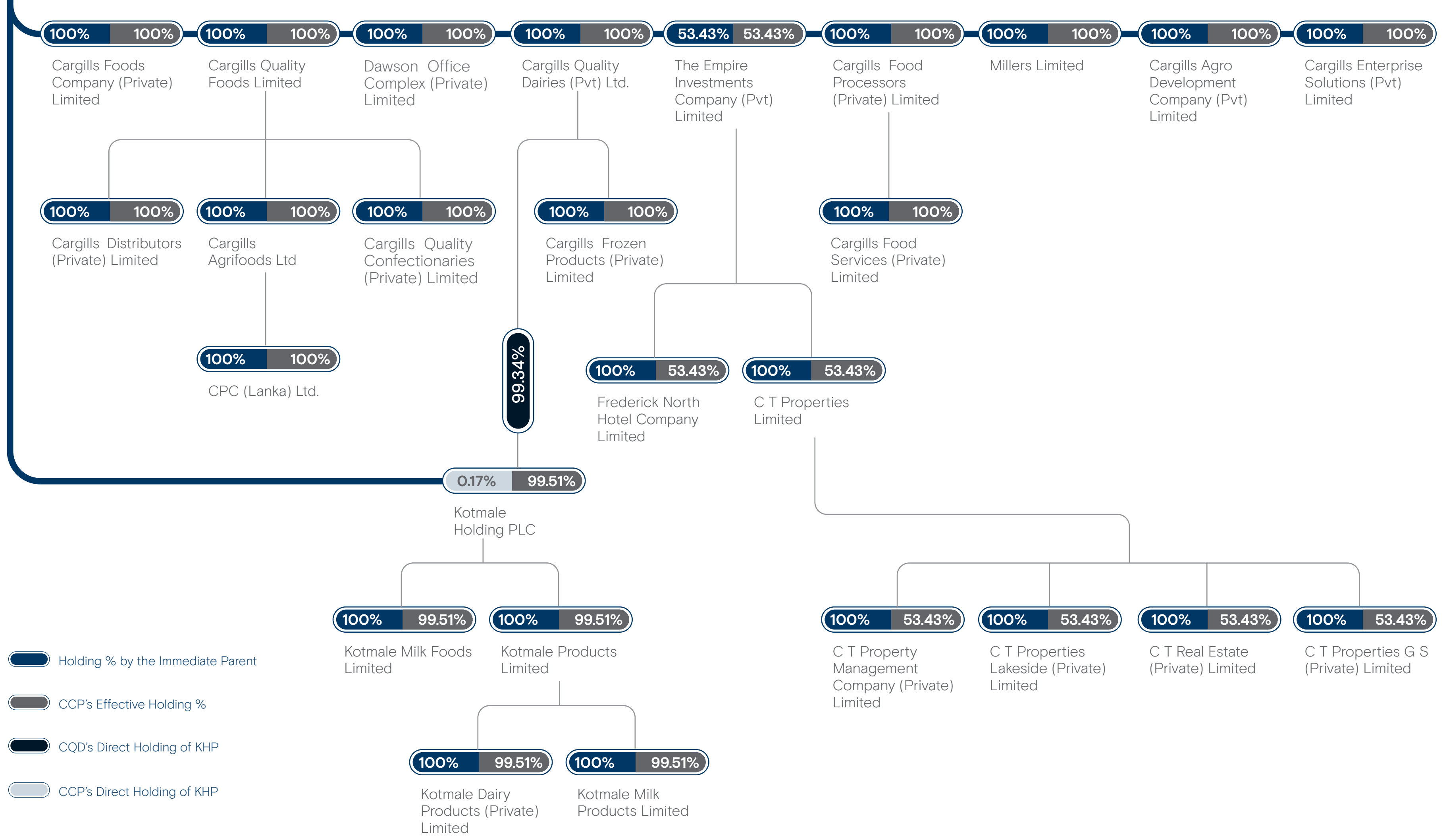
			GROUP		COMPANY	
	No of shares	Holding %	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Cargills Foods Company (Private) Limited	48,255,426	100	–	–	1,167,947	1,167,947
Cargills Quality Foods Limited	4,860,293	100	–	–	1,193,453	1,193,453
Dawson Office Complex (Private) Limited	1,000	100	–	–	100	100
The Empire Investments Company (Private) Limited (Note 16.1.2.3)	269,322,944	53.43	–	–	2,980,813	776,000
Cargills Food Processors (Private) Limited	5,700,002	100	–	–	61,500	61,500
Kotmale Holdings PLC	54,315	0.17	–	–	3,437	3,437
Frederick North Hotel Company Limited (Note 16.1.2.4)	–	–	–	–	–	311,000
Cargills Quality Dairies (Private) Limited	7,500,000	100	–	–	75,000	–
Millers Limited	30,000,000	100	–	–	300,000	–
Cargills Agro Development Company (Private) Limited	1,460,002	100	–	–	160,019	–
Cargills Enterprise Solutions (Pvt) Limited (Stated Capital Rs. 10)	1	100	–	–	–	–
			–	–	5,942,269	3,513,437
Employee share option investment (Note 16.1.1)			–	–	190,421	190,421
			–	–	6,132,690	3,703,858

16.1.1 Employee share option investment

	COMPANY	
	Rs. '000 2022	Rs. '000 2021
Cargills Foods Company (Private) Limited	136,214	136,214
Kotmale Dairy Products (Private) Limited	3,262	3,262
Cargills Food Processors (Private) Limited	5,547	5,547
Cargills Food Services (Private) Limited	1,208	1,208
Cargills Quality Confectioneries (Private) Limited	284	284
Cargills Quality Dairies (Private) Limited	11,102	11,102
Cargills Quality Foods Limited	7,428	7,428
Cargills Distributors (Private) Limited	365	365
Millers Limited	19,650	19,650
Cargills Agrifoods Limited	5,361	5,361
	190,421	190,421

Cargills (Ceylon) PLC

GROUP SRUCTURE



16.1.2 Common control transactions

Cargills (Ceylon) PLC (hereinafter referred to as CCP) and subsidiaries presently have operations primarily in the following sectors:

- Food retailing
- Food and beverage manufacturing, and distribution
- Restaurants
- Real estate

Significant growth and expansion in these sectors has 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 have 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 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 C T Properties Limited shares from Cargills (Ceylon) PLC and C T 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 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	No of shares	Holding %	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
C T Properties Limited (Note 16.1.2.1)	–	–	–	357,366	–	346,390
Cargills Bank Limited	350,696,905	39.71	4,207,228	4,369,817	4,717,843	4,717,843
			4,207,228	4,727,183	4,717,843	5,064,233

16.2.1 An impairment amounting to Rs. Nil (2021 - Rs. 30.55 Mn.) and Rs. Nil (2021 - Rs. 30.55 Mn.) has been recognised in relation to investment in associate of C T Properties Limited in the Company and Group respectively.

16.3 Other financial assets

As at 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Non-Current				
Equity investments at FVOCI (Note 16.3.1)	26,215	18,904	25,941	18,702
Fair value through profit or loss (Note 16.3.2)	1,500,000	–	1,500,000	–
	1,526,215	18,904	1,525,941	18,702
Current				
Other non-equity investments (Note 16.3.3)	1,016,556	954,796	–	–
	1,016,556	954,796	–	–

16.3.1 Equity investments at FVOCI – "Non-current"

As at 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Quoted equity investments				
Lanka IOC PLC	3,800	2,932	3,800	2,932
Sierra Cables PLC	258	338	56	249
Aitken Spence PLC	14,846	8,212	14,846	8,212
	18,904	11,482	18,702	11,393
Increase in fair value of investments	7,311	7,422	7,239	7,309
	26,215	18,904	25,941	18,702

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

The market value of quoted equity investments of Group as at 31 March 2022, as quoted by the Colombo Stock Exchange amounted to Rs. 26.21 Mn. (2021 - Rs. 18.90 Mn.)

No Disposals were made during the year.

Dividend income recognised on quoted equity investments is as follows:

	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Lanka IOC PLC	170	150	170	150
Sierra Cables PLC	–	4	–	2
Aitken Spence PLC	268	334	268	334
	438	488	438	486

16.3.2 Debt investments measured at Fair Value Through Profit or Loss (FVTPL) – "Non-current"

	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Debt investments measured at Fair Value Through Profit or Loss (FVTPL)	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 (Rs. 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 Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Call deposits/fixed deposit	1,016,556	954,796	–	–
	1,016,556	954,796	–	–

16.4 Investment in equity accounted investees

	GROUP Rs. '000 2022	GROUP Rs. '000 2021
As at 1 April	4,727,183	5,037,504
Acquisition (Note 16.1.2.1)	75,530	–
Share of loss	(114,181)	(297,948)
Share of other comprehensive income	(52,542)	18,181
Disposal (Note 16.1.2.1)	(428,762)	–
Impairment	–	(30,554)
As at 31 March	4,207,228	4,727,183

16.5 Summarised financial information of associates

	GROUP C T Properties Ltd Rs. '000 2022	GROUP C T Properties Ltd Rs. '000 2021	GROUP Cargills Bank Limited Rs. '000 2022	GROUP Cargills Bank Limited Rs. '000 2021
Revenue/operating income	4,776	35,664	1,773,997	1,211,220
Operating expenses	(3,923)	(5,169)	(2,036,498)	(2,097,756)
Finance expenses	(19,848)	(42,101)	–	–
income tax expense	–	–	(14,626)	142,589
Loss for the year	(18,995)	(11,606)	(277,127)	(743,947)

	GROUP C T Properties Ltd Rs. '000 2022	GROUP C T Properties Ltd Rs. '000 2021	GROUP Cargills Bank Limited Rs. '000 2022	GROUP Cargills Bank Limited Rs. '000 2021
Other comprehensive income	–	–	(132,313)	45,784
Total comprehensive loss	(18,995)	(11,606)	(409,440)	(698,163)
Group's share of loss	(4,134)	(2,526)	(110,047)	(295,422)
Group's share of other comprehensive income	–	–	(52,542)	18,181
Group's share of total comprehensive loss	(4,134)	(2,526)	(162,589)	(277,241)

As at 31 March	GROUP C T Properties Limited Rs. '000 2022	GROUP C T Properties Limited Rs. '000 2021	GROUP Cargills Bank Limited Rs. '000 2022	GROUP Cargills Bank Limited Rs. '000 2021
Total assets	–	2,967,199	55,767,061	46,532,534
Total liabilities	–	(965,030)	(46,442,200)	(36,798,232)
Net assets	–	2,002,169	9,324,861	9,734,302
Ownership interest	–	21.76%	39.71%	39.71%
Group's share of net assets	–	435,762	3,702,912	3,865,501
Goodwill	–	31,375	504,316	504,316
Impairment	–	(109,771)	–	–
	–	357,366	4,207,228	4,369,817

17. Prepayment on leasehold land and building

As at 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
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 2022.

18. Deferred tax asset/liability

	GROUP				COMPANY			
	Assets		Liabilities		Assets		Liabilities	
	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
As at 1 April	16,228	18,311	895,798	1,058,391	–	–	238,754	212,756
Acquisition of subsidiary	–	–	11,993	–	–	–	–	–
Charge/(reversal) and impact of change in tax rate recognised in profit or loss	(2,261)	(2,051)	(215,584)	(486,220)	–	–	39,993	(14,721)
Charge/(reversal) impact of change in tax rate recognised in other comprehensive income	103	(32)	37,598	323,627	–	–	8,403	40,719
As at 31 March	14,070	16,228	729,805	895,798	–	–	287,150	238,754

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

	GROUP Assets Rs. '000 2022	GROUP Assets Rs. '000 2021	GROUP Liabilities Rs. '000 2022	GROUP Liabilities Rs. '000 2021	COMPANY Assets Rs. '000 2022	COMPANY Assets Rs. '000 2021	COMPANY Liabilities Rs. '000 2022	COMPANY Liabilities Rs. '000 2021
- Temporary difference of property, plant and equipment	2,106	(6)	1,227,828	1,317,876	–	–	243,549	230,905
- Temporary difference of revaluation surplus of freehold building	–	–	393,708	379,528	–	–	132,036	116,452
- Temporary difference of revaluation surplus of freehold land	–	–	263,460	233,130	–	–	61,464	64,924
- Temporary difference on equity settled share based payment	–	–	2,359	(72,438)	–	–	9,419	(30,137)
- Temporary difference on provisions	6,139	8,466	(65,126)	(52,150)	–	–	–	–
- Temporary difference of employee benefit Liability	740	814	(363,214)	(358,561)	–	–	(142,794)	(139,207)
- Temporary difference on capital grants	–	–	(2,875)	(4,942)	–	–	–	–
- Temporary difference of carried forward tax losses	4,356	4,721	(18,301)	(4,634)	–	–	–	–
- Temporary difference of ROU assets and lease liabilities	729	2,233	(708,034)	(542,011)	–	–	(16,524)	(4,183)
	14,070	16,228	729,805	895,798	–	–	287,150	238,754

19. Inventories

Accounting Policy

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

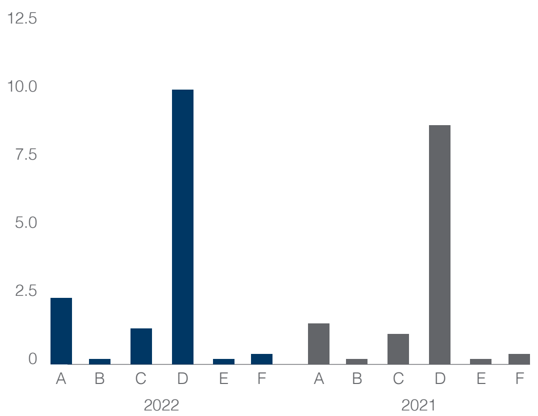
The cost of each category of inventory of the Group is determined on the following basis:

Raw 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.

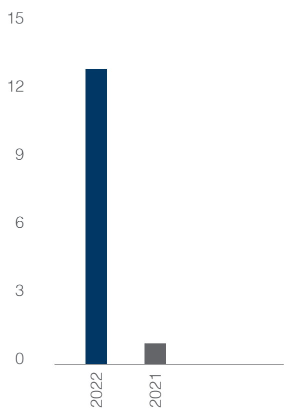
As at 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Raw and packing materials	2,482,262	1,449,702	–	–
Work-in-progress	42,756	46,304	–	–
Finished goods	1,374,126	1,110,061	–	–
Merchandising stock-for-sale	10,212,031	8,809,308	13,162	903
Food and beverages - restaurant operations	126,125	75,032	–	–
Consumables	423,429	347,666	–	–
	14,660,729	11,838,073	13,162	903
Provision for obsolete inventories	(131,127)	(113,246)	–	–
	14,529,602	11,724,827	13,162	903
Goods in transit	272,682	53,381	–	–
	14,802,284	11,778,208	13,162	903

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

Company inventories



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

20. Trade and other receivables

As at 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Trade receivables	3,943,279	3,186,554	–	–
Provision for impairment of trade receivables	(265,281)	(225,291)	–	–
	3,677,998	2,961,263	–	–
Other prepayments and deposits	2,329,336	1,904,782	380,200	382,917
Other receivables	843,832	513,344	61,010	19,428
Loans and advances (Note 20.1)	139,600	114,974	5,345	5,279
Tax recoverable (Note 20.2)	447,319	563,326	57,253	61,757
	7,438,085	6,057,689	503,808	469,381

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

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

As at 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
As at 1 April	114,974	103,758	5,279	4,832
Loans granted	44,956	26,846	6,750	4,219
	159,930	130,604	12,029	9,051
Repayments	(20,330)	(15,630)	(6,684)	(3,772)
As at 31 March	139,600	114,974	5,345	5,279

20.2 Tax Recoverable

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

21. Amounts due from/to related companies

As at 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
Amounts due from subsidiaries				
Cargills Foods Company (Private) Ltd.	–	–	–	11,661
Cargills Quality Foods Limited	–	–	2,159	3,454
Cargills Food Services (Private) Limited	–	–	75	
Cargills Agrifoods Limited	–	–	5,704	8,864
Cargills Quality Dairies (Private) Limited	–	–	2,668	613
CPC (Lanka) Limited	–	–	1,680	–
Cargills Quality Confectioneries (Private) Limited	–	–	1,895	610
Kotmale Dairy Products (Private) Limited	–	–	4,779	–
Kotmale Holdings PLC	–	–	–	14
Cargills Agro Development Company (Private) Limited	–	–	359	17
The Empire Investments Company (Private) Limited	–	–	993,475	173,891
Fredrick North Hotel Company Limited	–	–	6	–
Cargills Enterprise Solutions (Private) Ltd.	–	–	8,000	3,200
C T Properties Limited	–	–	982,539	–
	–	–	2,003,339	202,324
Amounts due from holding company				
C T Holdings PLC	28,580	7,036	18,868	7,036
	28,580	7,036	18,868	7,036
Amounts due from associate companies				
Cargills Bank Limited	38,410	72,981	14,018	13,363
C T Properties Limited	–	945,405	–	945,405
	38,410	1,018,386	14,018	958,768
Amounts due from other related companies				
Ceylon Hotels Corporation PLC	379	257	–	–
Ceylon Theatres (Private) Limited	74,551	75,374	63,700	64,031
C T Land Development PLC	231	95	–	–
Galle Face Hotel Company Limited	494	480	–	–
Kandy Hotels Company (1938) PLC	434	85	–	–
United Hotels Company (Private) Ltd.	466	66	–	–
Cargills Foundation	233,520	226,479	233,352	226,479
	310,075	302,836	297,052	290,510
Total amount due from related companies	377,065	1,328,258	2,333,277	1,458,638

As at 31 March	GROUP		COMPANY	
	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Amounts due to subsidiaries				
Cargills Food Company (Private) Limited	–	–	9,712	–
Cargills Food Processors (Private) Limited	–	–	2,084	3,009
Millers Limited	–	–	3,542	3,636
C P C (Lanka) Limited	–	–	–	303
Kotmale Dairy Products (Private) Limited	–	–	–	613
Cargills Foods Services (Private) Limited	–	–	–	299
	–	–	15,338	7,860
Amounts due to holding company				
C T Holdings PLC	1,738	–	–	–
	1,738	–	–	–
Amounts due to other related companies				
Unidil Packaging Limited	2,834	4,281	–	–
CT Land Development PLC	–	3,959	–	3,959
	2,834	8,240	–	3,959
Total amount due to related companies	4,572	8,240	15,338	11,819

22. Stated capital

Accounting Policy

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

	Number of shares	Rs. '000 2022	Number of shares	Rs. '000 2021
Balance as at 1 April	257,314,500	6,773,878	257,221,043	6,756,591
Exercise of share options	363,231	67,190	93,457	17,287
Balance as at 31 March	257,677,731	6,841,068	257,314,500	6,773,878

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 have been issued during the period.

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

Consequent to this share issue the stated capital of the Company at the balance sheet date amounted to Rs. 6,841 Mn. (2021 – Rs. 6,774 Mn.) comprising 257,677,731 ordinary (voting) shares (2021 – 257,314,500).

23. Other equity/put liability

Accounting Policy

Written put options over NCI

Recognition and measurement

When an entity writes a put option with the non-controlling shareholders in an existing subsidiary on their equity interests in that subsidiary, and the put option granted to non-controlling shareholders provides for settlement in cash or in another financial asset by the entity, the entity is required to recognise a liability for the present value of the exercise price of the option as per SLFRS 9. Accordingly Group has recognised a put liability as at reporting date.

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

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

Subsequent measurement

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

As at 31 March	GROUP	
	Rs. '000 2022	Rs. '000 2021
Put option over Non-Controlling Interest (NCI)	–	–
	–	–

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

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

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

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

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

24. Reserves

Accounting Policy

Equity reserves

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

"Revaluation reserve" consists of net surplus resulting from the revaluation of property, plant and equipment.

"FVOCI" reserve which comprises changes in fair value of equity investments at FVOCI.

"Capital reserve" comprises share of capital reserve resulting from consolidation.

"Employee share option reserve" consists of stock options granted to specified employees of Group and Company. ESOS offer the option holder the right to buy a certain amount of Company shares at a predetermined price.

As at 31 March	GROUP		COMPANY	
	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Capital reserves				
Revaluation reserve (Note 12.3)	7,013,019	7,017,804	420,431	420,431
Capital reserve	7,928	7,928	–	–
Employee share option reserve (Note 24.1)	72,482	152,853	72,482	152,853
	7,093,429	7,178,585	492,913	573,284
Revenue reserve				
FVOCI reserve	7,965	654	6,364	(875)
	7,965	654	6,364	(875)
	7,101,394	7,179,239	499,277	572,409

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 it's 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. (2021 – Rs. 30.65 Mn.).

Grant date

As per "SLFRS 2 – Share-based payments" the entity should recognise the value/cost of the share options granted to employees through the ESOS scheme based on the grant date of the share options. The date of obtaining the shareholder approval for ESOS is recognised as the grant date for all 3 tranches of the ESOS scheme which is 29 June 2017.

24.1.2 Measurement of fair values

As required by SLFRS 2 on "Share-based payment", the fair value of the ESOS was estimated at the grant date using the Binomial Valuation Model taking into consideration various terms and conditions upon which the share options are granted.

The inputs used in measurement of fair value at the grant date of ESOS were as follows:

Description of the valuation input	Tranches Tranche 1	Tranche 2	Tranche 3
Expected dividend yield rate (%)	1.5	1.5	1.5
Risk free rate (%)	10.73	10.73	10.73
Probability of share price increase (%)	80	80	80
Probability of share price decrease (%)	20	20	20
Size of annual increase of share price (%)	18	18	18
Size of annual reduction in share price (%)	10	10	10
Exercise price (Rs.)	184.98	172.33	211.4

The probability of price movements of the Company share price has been arrived at by taking into consideration share price movements of Company during the last five year period.

24.1.3 Reconciliation of outstanding share options

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

In thousands	Number of options 2022	*WAEP 2022 Rs.	Number of options 2021	*WAEP 2021 Rs.
Outstanding as at 1 April	1,920	198.38	4,480	192.69
Forfeited during the year	(1,280)	191.87	(2,103)	189.17
Exercised during the year	–	–	(457)	184.98
Outstanding as at 31 March	640	211.40	1,920	198.38
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 have been issued during the period.

25. Cash and cash equivalents

As at 31 March	GROUP Rs. '000 2022	Rs. '000 2021	COMPANY Rs. '000 2022	Rs. '000 2021
Cash in hand and at bank	3,196,256	2,672,494	73,504	147,419
Fixed deposits - Maturity period is less than or equal to 3 months	347,843	332,207	–	–
Cash and cash equivalents in the Statement of Financial Position	3,544,099	3,004,701	73,504	147,419
Bank overdraft	(1,702,050)	(2,679,121)	(95,664)	(542,473)
Cash and cash equivalents in the Statement of Cash Flows	1,842,049	325,580	(22,160)	(395,054)

26 Interest bearing loans and borrowings

As at 31 March	GROUP Rs. '000 2022	Rs. '000 2021	COMPANY Rs. '000 2022	Rs. '000 2021
Current				
Current portion of long-term loan	3,902,685	856,363	1,946,255	175,097
Current portion of finance lease liabilities (Note 26.1)	–	–	–	–
Short-term loans	6,877,486	14,407,200	1,205,000	3,415,000
Bank overdraft	1,702,050	2,679,121	95,664	542,473
	12,482,221	17,942,684	3,246,919	4,132,570
Non-current				
Long-term loans	7,523,412	2,854,988	4,395,893	518,092
	7,523,412	2,854,988	4,395,893	518,092
Total borrowings	20,005,633	20,797,672	7,642,812	4,650,662
Movement				
At the beginning of the year	18,118,551	13,867,918	4,108,189	2,995,000
Loans obtained	77,244,000	81,214,676	24,210,000	24,147,947
Accrued interest	566,204	165,339	202,144	30,967
Repayments	(77,625,172)	(77,129,382)	(20,973,185)	(23,065,725)
At the end of the year	18,303,583	18,118,551	7,547,148	4,108,189

26.1 Finance lease liabilities

	GROUP Rs. '000 2022	Rs. '000 2021	COMPANY Rs. '000 2022	Rs. '000 2021
As at 1 April	–	520	–	–
Repayments	–	(520)	–	–
	–	–	–	–
Lease interest in suspense	–	–	–	–
As at 31 March	–	–	–	–
Lease payable with in one year	–	–	–	–
Payable within 1-2 years	–	–	–	–

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

Institution and facility	Principal amount Rs. '000	Amount outstanding Rs. '000	Repayment terms and interest rate	Security offered
Cargills (Ceylon) PLC				
Bank overdrafts				
Commercial Bank of Ceylon PLC	200,000	53,071	On demand, based on monthly AWPLR+1.0%	Corporate guarantee from C T Holdings PLC
Deutsche Bank	45,000	42,593	On demand, based on the prevailing market rates	Clean basis
MCB Bank Limited	500,000	–	On demand, based on monthly AWPLR	Clean basis
Nations Trust Bank PLC	200,000	–	On demand, based on weekly AWPLR+1.0%	Clean basis
Sampath Bank PLC	100,000	–	On demand, based on monthly AWPLR+1.0%	Clean basis
		95,664		
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	1,500,000	–	1-12 months, based on the prevailing market rates	Corporate guarantee for Rs. 50 Mn. from C T Holdings PLC
Hatton National Bank PLC	250,000	–	1-4 months, based on money market rates (AWPLR weekly review)	Clean basis
Nations Trust Bank PLC	2,800,000	1,205,000	1-3 months, based on the prevailing market rates	Clean basis
Sampath Bank PLC	1,800,000	–	1-6 months, based on the prevailing market rates	Clean basis
		1,205,000		
Long-term loans				
Commercial Bank of Ceylon PLC	800,000	519,451	Interest to be serviced monthly and capital to be repaid in 3 bi-annual installments	Clean basis
Hatton National Bank PLC	7,000,000	5,822,697	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
		6,342,148		
		7,642,812		
Cargills Foods Company (Private) Limited				
Bank overdrafts				
Bank of Ceylon	115,000	–	On demand, based on monthly AWPLR+0.5%	Clean basis
Cargills Bank Limited	–	432,695	On demand, based on the prevailing market rates	Fully secured against cash
Commercial Bank of Ceylon PLC	200,000	165,474	On demand, based on monthly AWPLR+1.0%	Corporate guarantee from Cargills (Ceylon) PLC
Deutsche Bank	500,000	397,425	On demand, based on the prevailing market rates	Clean basis
Standard Chartered Bank	10,000	16	On demand, based on the prevailing market rates	Clean basis
		995,610		
Short-term loans				
Bank of Ceylon	500,000	–	1-12 months, based on the prevailing market rates	Clean basis
Commercial Bank of Ceylon PLC	2,800,000	2,505,000	1-12 months, based on the prevailing market rates	Corporate guarantee of Rs. 250.0 Mn. from Cargills (Ceylon) PLC
Deutsche Bank	700,000	700,000	1-3 months, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	3,000,000	–	1-4 months, based on money market rates (AWPLR weekly review)	Clean basis
Standard Chartered Bank	2,590,000	500,000	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
		3,705,000		
Long-term loans				
Commercial Bank of Ceylon PLC	3,000,000	2,336,131	Interest to be serviced monthly and capital to be repaid in 3 bi-annual installments	Clean basis
Hatton National Bank PLC	1,000,000	852,701	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	1,250,000	1,041,865	Interest to be serviced quarterly and capital to be repaid in 12 quarterly installments	Clean basis
		4,230,697		
		8,931,307		

Institution and facility	Principal amount Rs. '000	Amount outstanding Rs. '000	Repayment terms and interest rate	Security offered
Cargills Agrifoods Limited				
Bank overdraft				
Commercial Bank of Ceylon PLC	150,000	4,724	On demand, based on monthly AWPLR+1.0%	Corporate guarantee for Rs. 155 Mn. from Cargills (Ceylon) PLC
		4,724		
Cargills Food Processors (Private) Limited				
Bank overdrafts				
Cargills Bank Limited	–	65,173	On demand, based on the prevailing market rates	Fully secured against cash
Commercial Bank of Ceylon PLC	100,000	1,187	On demand, based on monthly AWPLR +1.0%	Corporate guarantee for Rs. 50 Mn. from Cargills (Ceylon) PLC
Deutsche Bank	100,000	29,752	On demand, based on the prevailing market rates	Clean basis
		96,112		
Short-term loan				
Commercial Bank of Ceylon PLC	250,000	–	1-12 months, based on the prevailing market rates	Corporate guarantee from Cargills (Ceylon) PLC
		96,112		
Cargills Food Services (Private) Limited				
Bank overdrafts				
Commercial Bank of Ceylon PLC	–	6,446	On demand, based on the prevailing market rates	Clean basis
Deutsche Bank	5,000	–	On demand, based on the prevailing market rates	Clean basis
		6,446		
Long-term loan				
Hatton National Bank PLC	11,700	2,925	To be repaid over a period of 02 years in 24 equal monthly installments	Clean basis
		2,925		
		9,371		
Cargills Quality Confectionaries (Private) Limited				
Bank overdrafts				
Cargills Bank Limited	–	9,985	On demand, based on the prevailing market rates	Fully secured against cash
Commercial Bank of Ceylon PLC	50,000	21,464	On demand, based on monthly AWPLR +1.0%	Corporate guarantee for Rs. 150 Mn. from Cargills (Ceylon) PLC
		31,449		
Short-term loans				
Commercial Bank of Ceylon PLC	50,000	50,000	1-12 months, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	200,000	–	1-4 months, based on money market rates (AWPLR weekly review)	Corporate guarantee for Rs. 200 Mn. from Cargills (Ceylon) PLC
		50,000		
		81,449		
Cargills Quality Dairies (Private) Limited				
Bank overdrafts				
Commercial Bank of Ceylon PLC	50,000	–	On demand, based on monthly AWPLR +1.0%	Corporate guarantee for Rs. 70 Mn. from Cargills (Ceylon) PLC
Deutsche Bank	100,000	98,292	On demand, based on the prevailing market rates	Clean basis
		98,292		
Short-term loans				
Commercial Bank of Ceylon PLC	1,450,000	380,000	1-12 months, based on the prevailing market rates	Clean basis
Hatton National Bank PLC	2,500,000	–	1-4 months, based on money market rates (AWPLR weekly review)	Clean basis
Standard Chartered Bank	1,150,000	630,000	1-12 months, based on the prevailing market rates	Clean basis
		1,010,000		

Institution and facility	Principal amount Rs. '000	Amount outstanding Rs. '000	Repayment terms and interest rate	Security offered
Long-term loan				
Hatton National Bank PLC	1,000,000	853,252	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
		853,252		
		1,961,544		
Cargills Quality Foods Limited				
Bank overdrafts				
Commercial Bank of Ceylon PLC	50,000	–	On demand, based on monthly AWPLR +1.0%	Corporate guarantee for Rs. 125 Mn. from Cargills (Ceylon) PLC
Deutsche Bank	350,000	347,928	On demand, based on the prevailing market rates	Clean basis
		347,928		
Short-term loans				
Commercial Bank of Ceylon PLC	100,000	70,000	1-12 months, based on the prevailing market rates	Corporate guarantee from Cargills (Ceylon) PLC
Hatton National Bank PLC	1,000,000	–	1-4 months, based on money market rates (AWPLR weekly review)	Clean basis
Standard Chartered Bank	750,000	70,000	1-12 months, based on the prevailing market rates	Clean basis
		140,000		
		487,928		
Millers Limited				
Bank overdrafts				
Commercial Bank of Ceylon PLC	50,000	–	On demand, based on monthly AWPLR +1.0%	Corporate guarantee from Cargills (Ceylon) PLC
Cargills Bank Limited	–	2,430	On demand, based on the prevailing market rates	Fully secured against cash
Deutsche Bank	200,000	23,395	On demand, based on the prevailing market rates	Clean basis
		25,825		
Short-term loans				
Commercial Bank of Ceylon PLC	150,000	–	1-12 months, based on the prevailing market rates	Corporate guarantee for Rs. 215 Mn. from Cargills (Ceylon) PLC
Hatton National Bank PLC	200,000	–	1-4 months, based on money market rates (AWPLR weekly review)	Corporate guarantee for Rs. 335 Mn. from Cargills (Ceylon) PLC
Standard Chartered Bank	250,000	–	1-3 months, based on the prevailing market rates	Corporate guarantee for Rs. 250 Mn. from Cargills (Ceylon) PLC
		25,825		
Cargills Agro Development Company (Private) Limited				
Short-term loan				
Hatton National Bank PLC	100,000	76,000	1-6 months, based on weekly AWPLR+0.5%	Clean basis
		76,000		
Long-term loan				
Hatton National Bank PLC	9,529	3,561	To be repaid over a period of 02 years in 23 equal monthly installments	Clean basis
		3,561		
		79,561		
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
		–		

Institution and facility	Principal amount Rs. '000	Amount outstanding Rs. '000	Repayment terms and interest rate	Security offered
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	–	1-4 months, based on money market rates (AWPLR weekly review)	Clean basis
Commercial Bank of Ceylon PLC	685,000	685,000	1-12 months, based on the prevailing market rates	Letter of comfort obtained from Cargills Quality Dairies (Private) Limited
		685,000		
		685,000		
Kotmale Milk Products Limited				
Bank overdraft				
Pan Asia Bank Corporation Limited	5,000	–	On demand, based on the prevailing market rates	Corporate guarantee from Kotmale Holdings PLC
Import loan facility				
Pan Asia Bank Corporation Limited	20,000	–	Based on the prevailing market rates	Corporate guarantee from Kotmale Holdings PLC
		–		
Grand Total		**20,005,633**		

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 **2022**	Rs. '000 **2021**
As at 1 April	27,456	38,937
Amortisation	(11,481)	(11,481)
As at 31 March	15,975	27,456

The unamortised grant balance refers to grants received by Cargills Agrifoods Limited in respect of projects in Dehiattakandiya and Kilinochchi from USAID.

The grants received have been accounted as per the LKAS 20 - "Accounting For Government Grants and Disclosure of Government Assistance".

28. Employee benefit liabilities

Accounting Policy

Defined benefit plan – Gratuity

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

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

The assumptions based on which the results of the actuarial valuation was determined, are included in this Note to the Financial Statements.

Recognition of actuarial gains and losses

The Group recognises the total actuarial gains and losses that arise in calculating the Group's obligation in other comprehensive income during the period in which it occurs.

Funding arrangements

The gratuity liability is not externally funded.

28.1 Movement in present value of defined benefit obligations

As at 31 March	GROUP Rs. '000 **2022**	GROUP Rs. '000 **2021**	COMPANY Rs. '000 **2022**	COMPANY Rs. '000 **2021**
As at 1 April	1,529,000	1,231,890	580,027	517,114
Due to acquisition of subsidiary	693	–	–	–
Transferred in/(out) to subsidiary/ equity accounted investees	–	–	(114)	310
Interest cost	122,304	129,348	46,402	54,329
Current service cost	127,973	139,156	41,999	43,487
Past service cost	(7,080)	–	(3,270)	–
Actuarial (gain)/loss	(158,313)	84,109	(35,014)	(11,389)
Benefits paid	(65,393)	(55,503)	(35,057)	(23,824)
As at 31 March	1,549,184	1,529,000	594,973	580,027

28.2 Amount recognised in the profit/loss

As at 31 March	GROUP Rs. '000 **2022**	GROUP Rs. '000 **2021**	COMPANY Rs. '000 **2022**	COMPANY Rs. '000 **2021**
Continuing operations				
Current service cost	127,973	139,156	41,999	43,487
Interest cost	122,304	129,348	46,402	54,329
Past service cost	(7,080)	–	(3,270)	–
	243,197	268,504	85,131	97,816

During 2021/22, 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 2021/22.

28.3 Amount recognised in other comprehensive income

As at 31 March	GROUP Rs. '000 **2022**	GROUP Rs. '000 **2021**	COMPANY Rs. '000 **2022**	COMPANY Rs. '000 **2021**
Actuarial (gain)/loss arising from:				
- Demographic assumptions	(31,640)	(74,862)	(22,877)	(55,358)
- Financial assumptions	(14,979)	147,908	(10,730)	41,512
- Experience adjustment	(111,694)	11,063	(1,407)	2,457
	(158,313)	84,109	(35,014)	(11,389)

28.4 Actuarial assumptions

The gratuity liability is based on the actuarial valuation carried out by Mr M Poopalanathan, AIA, Messrs Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries, as at 31 March 2022. The principal assumptions, used in the actuarial valuation were as follows:

	% **2022**	% **2021**
Discount rate	15	8
Salary increment rate		
- Executive	14	9.5
- Staff	14	9.5
Staff turnover rate	20	15

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

28.5 Sensitivity analysis

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

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

As at 31 March	2022 Increase Rs. '000	2022 Decrease Rs. '000	2021 Increase Rs. '000	2021 Decrease Rs. '000
Group				
Discount rate (1% movement)	(51,207)	55,356	(69,743)	77,194
Salary increment rate (1% movement)	61,276	(57,598)	81,111	(74,654)
Company				
Discount rate (1% movement)	(16,220)	17,429	(19,392)	21,195
Salary increment rate (1% movement)	19,456	(18,403)	22,685	(21,152)

28.6 Maturity profile of the retirement benefit obligations

As at 31 March	GROUP Rs. '000 **2022**	GROUP Rs. '000 **2021**	COMPANY Rs. '000 **2022**	COMPANY Rs. '000 **2021**
Less than 1 year	465,243	385,873	272,304	251,501
Between 1 - 5 years	627,377	538,314	177,436	164,456
Between 6 - 10 years	329,849	369,674	111,539	110,553
Over 10 years	126,715	235,139	33,694	53,517
	1,549,184	1,529,000	594,973	580,027

As at 31 March 2022, the weighted average duration of the defined benefit obligation for the Company was 3.21 years (2021: 3.72 years).

29. Trade and other payables

As at 31 March	GROUP Rs. '000 **2022**	GROUP Rs. '000 **2021**	COMPANY Rs. '000 **2022**	COMPANY Rs. '000 **2021**
Trade payables	15,782,767	11,344,679	20,171	12,424
Other payables	4,984,195	3,172,880	519,070	515,744
Accrued expenses	2,342,056	1,582,401	64,664	63,340
	23,109,018	16,099,960	603,905	591,508

30. Dividends payable

As at 31 March	GROUP Rs. '000 2022	GROUP Rs. '000 2021	COMPANY Rs. '000 2022	COMPANY Rs. '000 2021
At 1 April	63,804	79,629	63,804	79,629
Dividends declared to shareholders (Note 11)	1,571,834	1,311,996	1,571,834	1,311,996
Dividends paid to shareholders	(1,557,918)	(1,299,698)	(1,557,918)	(1,299,698)
Write back of unclaimed dividends	(5,425)	(28,123)	(5,425)	(28,123)
At 31 March	72,295	63,804	72,295	63,804

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", "Food City Express" and "Food Hall"
Food and beverage manufacturing and distribution	Manufacturing and distributing ice cream and other dairy products, beverage and culinary products, processed and fresh meat products, biscuits and confectionery, distribution of international FMCG products and production, importation and distribution of agricultural seeds.
Restaurant	Operating a chain of "KFC" and "TGIF" restaurants under franchise agreements.
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

	2022	2021
Food retailing	75.3%	77.4%
Food and beverage manufacturing and distribution	20.4%	19.6%
Restaurant	4.3%	3.0%
Other	0.0%	0.0%

Profit before tax

	2022	2021
Food retailing	18.3%	16.4%
Food and beverage manufacturing and distribution	69.4%	81.6%
Restaurant	15.1%	7.3%
Real estate	0.1%	1.0%
Other	-2.9%	-6.3%

Segmental assets

	2022	2021
Food retailing	51.4%	53.6%
Food and beverage manufacturing and distribution	19.2%	21.4%
Restaurant	4.8%	3.7%
Real estate	8.3%	2.0%
Other	16.3%	19.3%

	Food retailing		Food and beverage manufacturing and distribution		Restaurant		Real estate		Others		Group	
	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Revenue	103,061,948	87,148,405	37,760,972	29,911,487	5,875,972	3,422,733	–	–	31,013	78,935	146,729,905	120,561,560
Intra-segment revenue	–	–	(297,445)	(136,217)	–	–	–	–	–	–	(297,445)	(136,217)
Inter-segment revenue	(121,473)	(84,336)	(9,587,981)	(7,655,011)	–	–	–	–	(31,013)	(78,935)	(9,740,467)	(7,818,282)
	102,940,475	87,064,069	27,875,546	22,120,259	5,875,972	3,422,733	–	–	–	–	136,691,993	112,607,061
Segment operating profit	3,750,626	2,542,577	4,148,593	4,047,813	966,556	438,748	(82,496)	4,044	275,104	253,892	9,058,383	7,287,074
Net finance cost	(2,684,097)	(1,799,026)	(120,848)	(362,775)	(87,690)	(107,944)	369	399	(362,965)	(246,752)	(3,255,231)	(2,516,098)
Change in fair value of investment property	–	–	7,950	8,850	–	–	90,534	42,824	30,979	2,957	129,463	54,631
Share of equity accounted investees results	–	–	–	–	–	–	–	–	(114,181)	(297,948)	(114,181)	(297,948)
Profit before taxation	1,066,529	743,551	4,035,695	3,693,888	878,866	330,804	8,407	47,267	(171,063)	(287,851)	5,818,434	4,527,659
Income tax expense												
Current tax expense	(512,636)	(369,940)	(773,113)	(775,739)	(240,616)	(118,941)	(1,492)	(2,284)	(25,907)	(36,691)	(1,553,764)	(1,303,595)
Deferred tax expense	220,947	196,291	25,424	250,249	15,628	29,041	(13,730)	(5,005)	(34,946)	13,593	213,323	484,169
Other tax expense	–	–	127,957	(205,123)	–	(24,126)	–	(488)	(67,230)	5,143	60,727	(224,594)
Profit for the year	774,840	569,902	3,415,963	2,963,275	653,878	216,778	(6,815)	39,490	(299,146)	(305,806)	4,538,720	3,483,639
Attributable to:												
Equity shareholders of the parent	774,840	568,184	3,414,581	2,962,345	653,878	216,778	(1,109)	39,490	(299,146)	(305,806)	4,543,044	3,480,991
Non-controlling interest	–	1,718	1,382	930	–	–	(5,706)	–	–	–	(4,324)	2,648
	774,840	569,902	3,415,963	2,963,275	653,878	216,778	(6,815)	39,490	(299,146)	(305,806)	4,538,720	3,483,639
Segment assets												
Non-current assets												
Property plant and equipment	21,104,711	18,350,031	8,928,211	8,878,342	1,410,292	1,052,652	2,132,148	1,144,206	6,436,843	6,641,970	40,012,205	36,067,201
Right-of-use assets	13,665,548	12,136,959	81,314	796,542	1,991,365	1,236,080	–	–	1,087,531	164,818	16,825,758	14,334,399
Investment property	–	–	151,750	165,789	–	–	5,504,350	426,000	1,383,784	2,120,524	7,039,884	2,712,313
Intangible assets	169,602	164,029	724,057	723,861	93,134	111,395	–	–	452,622	392,501	1,439,415	1,391,786
Other financial assets	–	–	140	118	134	84	–	–	1,525,941	18,702	1,526,215	18,904

	Food retailing		Food and beverage manufacturing and distribution		Restaurant		Real estate		Others		Group	
	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Prepayments on leasehold land and buildings	200,912	200,912	–	–	–	–	–	–	–	–	200,912	200,912
Investment in equity accounted investees	–	–	–	–	–	–	–	–	4,207,228	4,727,183	4,207,228	4,727,183
Deferred tax assets	–	–	11,969	13,036	2,101	3,192	–	–	–	–	14,070	16,228
	35,140,773	30,851,931	9,897,441	10,577,688	3,497,026	2,403,403	7,636,498	1,570,206	15,093,949	14,065,698	71,265,687	59,468,926
Current assets												
Inventories	10,329,414	8,945,365	4,329,647	2,752,929	130,061	79,011	–	–	13,162	903	14,802,284	11,778,208
Trade and other receivables	3,134,168	2,626,183	3,202,038	2,657,650	177,267	194,040	420,805	55,435	503,807	524,381	7,438,085	6,057,689
Amount due from related companies	40,987	59,963	4,578	11,981	–	–	1,562	–	329,938	1,256,314	377,065	1,328,258
Other financial assets	904,695	856,021	92,453	88,827	–	–	19,408	9,948	–	–	1,016,556	954,796
Cash and cash equivalents	1,044,381	925,111	1,397,962	1,549,956	921,829	368,645	45,834	9,780	134,093	151,209	3,544,099	3,004,701
	15,453,645	13,412,643	9,026,678	7,061,343	1,229,157	641,696	487,609	75,163	981,000	1,932,807	27,178,089	23,123,652
Total segmental assets	50,594,418	44,264,574	18,924,119	17,639,031	4,726,183	3,045,099	8,124,107	1,645,369	16,074,949	15,998,505	98,443,776	82,592,578
Segment liabilities												
Non-current liabilities												
Interest-bearing loans and borrowings	2,274,267	2,330,420	853,252	3,551	–	2,925	–	–	4,395,893	518,092	7,523,412	2,854,988
Lease liability	15,382,893	13,383,266	48,283	718,077	2,070,085	1,246,797	–	–	1,000,818	31,243	18,502,079	15,379,383
Deferred tax liability	(200,152)	5,485	461,270	481,620	(14,665)	(950)	28,981	10,060	454,371	399,583	729,805	895,798
Capital grant	–	–	15,975	27,456	–	–	–	–	–	–	15,975	27,456
Employee benefit liability	828,149	829,173	125,433	119,800	–	–	629	–	594,973	580,027	1,549,184	1,529,000
	18,285,157	16,548,344	1,504,213	1,350,504	2,055,420	1,248,772	29,610	10,060	6,446,055	1,528,945	28,320,455	20,686,625
Current liabilities												
Trade and other payables	17,466,943	12,395,926	3,937,862	2,571,222	1,088,762	535,415	11,483	5,837	603,968	591,560	23,109,018	16,099,960
Current tax liabilities	957,745	768,802	2,399,167	2,336,239	583,669	412,681	495	822	253,246	198,227	4,194,322	3,716,771
Amount due to related companies	–	–	2,834	4,281	–	–	1,738	–	–	3,959	4,572	8,240
Dividends payable	–	–	–	–	–	–	–	–	72,295	63,804	72,295	63,804
Interest bearing loans and borrowings	6,657,040	9,062,386	2,472,779	4,509,408	105,483	88,320	–	150,000	3,246,919	4,132,570	12,482,221	17,942,684
Lease liability	889,943	761,319	33,531	102,933	193,079	235,231	–	–	22,825	14,288	1,139,378	1,113,771
	25,971,671	22,988,433	8,846,173	9,524,083	1,970,993	1,271,647	13,716	156,659	4,199,253	5,004,408	41,001,806	38,945,230
Total segmental liabilities	44,256,828	39,536,777	10,350,386	10,874,587	4,026,413	2,520,419	43,326	166,719	10,645,308	6,533,353	69,322,261	59,631,855
Other information												
Capital expenditure	5,244,146	4,095,073	1,440,536	1,397,032	619,173	192,994	1,450,371	158,326	92,322	560,522	8,846,548	6,403,947
Depreciation	1,953,551	1,652,187	1,150,751	1,011,956	259,467	225,399	8,510	–	80,680	56,779	3,452,959	2,946,321

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

32. Commitments

As at 31 March	GROUP		COMPANY	
	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Capital commitment				
Approved and contracted	3,047,782	2,157,569	9,000	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	495,341	2,018,360	–	–

* Future payments of operating lease rentals are disclosed in Note 13.2 under "Maturity analysis – Contractual undiscounted cash flows".

33. Contingent liabilities

Accounting Policy

Contingencies

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

33.1 IFRIC 23 – Uncertainty over income tax treatments

Deferred tax on freehold land

The Inland Revenue Act No. 24 of 2017 and new tax rates including capital gains taxes were effective from 1 April 2018. Accordingly, the income tax charge for the year ended 31 March 2022 has been computed at rates applicable to the year of assessment 2021/22. The provision for deferred tax as at 31 March 2022 has been calculated at 10% on capital gains arising from revalued land applicable post 1 April 2018.

The uncertain tax treatment relates to the interpretation of the new law relating to freehold land for tax purposes, where the Group had to exercise judgement to determine the provision required for deferred taxes on capital gains applicable to freehold land.

Having sought independent professional legal advice, the Group is of the view that the freehold land used in the business falls under the category of "Investment Assets" and that it is likely that the taxation authorities would accept the Group's tax treatment and accordingly, deferred tax has been provided on the related gain on revaluation post 1 April 2018.

In the event it is deemed that freehold land be considered as "Capital Assets used in the business", the Company and Group would have to make an additional deferred tax charge in the Statement of Profit or Loss and Other Comprehensive Income, with a consequential increase in the deferred tax liability on the Statement of Financial Position for the year ended 31 March 2022, as shown below:

For the year ended	GROUP		COMPANY	
	Rs. Mn. 2022	Rs. Mn. 2021	Rs. Mn. 2022	Rs. Mn. 2021
Description				
Freehold land classified as investment property which may have a P&L impact	460	462	296	308
Freehold land classified as property, plant and equipment which could have an OCI impact	579	587	516	516

The above amounts have not been recognised in these Consolidated Financial Statements because based on the independent professional and legal advice received.

Income tax

Arm's length price charged on the related party transactions of Cargills (Ceylon) PLC is being contested by the Department of Inland Revenue. 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 letter of guarantee to Commercial Banks on behalf of the subsidiary companies amounting to Rs. 1.95 Bn. Kotmale Holdings PLC a subsidiary of the Company has given letters of guarantee to Commercial Banks on behalf of its subsidiary companies Kotmale Dairy Products (Pvt) Ltd. (Rs. 50 Mn.) and Kotmale Milk Products Ltd. (Rs. 25 Mn.) amounting to Rs. 75 Mn. The Directors do not expect any claim on these guarantees. Accordingly, no provision has been made in the Financial Statements.

Bank guarantee

The Company has provided Bank guarantees to 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 Surcharge tax

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.

As the Act was certified by the Speaker of Parliament after the financial reporting date, no liability has been recognised in financial year 2021/22 on account of the one-off surcharge tax as the law had not been enacted as at 31 March 2022.

Total surcharge tax liability of Rs. 1,068.52 Mn. will be recognised in the Financial Statements of financial year 2022/23 for the Group as an adjustment to the 1 April 2021 retained earnings in the Statement of Changes in Equity as per the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka. On 20 April 2022, the Group paid Rs. 534.26 Mn. on account of the first instalment of the surcharge tax liability with the balance payable on 20 July 2022.

34.2 Changes to tax laws

According to the Gazette No. 2282/26 enacted on 31 May 2022, Value Added Tax (VAT) charged based on the Value Added Tax Act No. 14 of 2002 as amended by Act No. 6 of 2005, has been increased from 8% to 12% effective from 1 June 2022.

34.3 Economic uncertainty

Sri Lankan economy showed signs of recovery from the impact of COVID-19 pandemic during the year ended 31 March 2022. However, from late March 2022, the Sri Lankan economy presented a negative outlook mainly due to insufficient foreign reserves/liquidity and the global price increases of fuel. The situation was aggravated when the credit rating of the country was downgraded to "Restricted Default (RD)" by Fitch Ratings in May 2022, following the expiry of the 30-day grace period on coupon payments that were due on 18 April 2022 on two international sovereign bonds.

The macro level issues on reserves and the free floating of the USD caused a sharp depreciation of the rupee along with an adjustment to the Standing Lending Facility Rate by 700 basis points in April, resulted in a steep increase in costs of imports and other products. The inflationary pressures could further intensify in the period ahead, driven by the build-up of aggregate demand, fuel shortages, domestic supply disruptions, and the elevated prices of commodities globally, which could also have an impact on the Group's businesses.

The Management has considered the consequences of the current economic and political uncertainty in the country and based on its strategic plans has determined that it is not expected to have a significant impact on the Group's operations in the foreseeable future.

34.4 Proposed dividend

The Board of Directors have proposed a final dividend of 5.00 Rupee per share (on the 257,677,731 shares now in issue) for the year ended 31 March 2022 which is to be approved by the shareholders at the Annual General Meeting.

In accordance with LKAS 10 - "Events after the reporting period", the final dividend has not been recognised as a liability in the Financial Statements as at 31 March 2022.

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

35. Transactions with group companies

Accounting Policy

Related party transaction

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

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

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

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

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:

	GROUP		COMPANY	
Year ended 31 March	Rs. '000 **2022**	Rs. '000 **2021**	Rs. '000 **2022**	Rs. '000 **2021**
Salaries and other short-term employee benefits	461,784	445,862	124	56,263
Equity settled share based payments	–	–	–	–
Post-employment benefit payments	–	–	–	–
	461,784	445,862	124	56,263

35.2 Amount due from/due to related companies

Amounts due from and due to related companies as at the year end have been disclosed under Note 21 to these Financial Statements.

35.3 Transactions with related companies

	GROUP		COMPANY	
For the year ended 31 March	Rs. '000 **2022**	Rs. '000 **2021**	Rs. '000 **2022**	Rs. '000 **2021**
Transaction with related parties				
Subsidiaries				
Sale/(purchase)	–	–	31,013	78,935
Other income/(expense)	–	–	1,792,627	1,075,186
Fund transfer/(settlement)	–	–	(995,366)	(1,048,811)
Holding company				
Sale/(purchase)	–	–	–	–
Other income/(expense)	21,148	–	11,437	–
Fund transfer/(settlement)	393	(4,626)	395	655
Associates				
Sale/(purchase)	–	–	–	–
Other income/(expense)	79,621	80,692	41,577	46,741
Fund transfer/(settlement)	(94,348)	(18,377)	(21,079)	(14,533)
Other related companies				
Sale/(purchase)	(24,171)	889	–	–
Other income/(expense)	49,512	17,225	15,718	6,075
Fund transfer/(settlement)	(12,696)	14,164	(5,217)	23,365

The admin expense relating to Company includes employee benefit cost transfer to subsidiaries amounting to Rs. 49.23 Mn. (2021 – 56.08 Mn.) for the year ended 31 March 2022.

	Rs. '000 **2022**	Rs. '000 **2021**
Net dividends received from subsidiary companies		
Cargills Quality Foods Limited	1,210,455	1,199,933
Cargills Foods Company (Private) Limited	300,149	-
Cargills Foods Processors (Private) Limited	155,040	137,648
	1,665,644	1,337,581

35.4 Transactions, arrangements and agreements involving Key Management Personnel (KMP) and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include;

(a) the individual's domestic partner and children;

(b) children of the individual's domestic partner; and

(c) dependence of the individual or the individual's domestic partner

CFM are related parties to the entity. There were no transactions other than disclosed below with the CFM during the year.

Double Yummm (Private) Limited

Mrs R Page, wife of the Deputy Chairman is a Director of the above company with which the Cargills Food Company (Private) Limited had the regular transactions in the ordinary course of business and the amount outstanding as at 31 March 2022 was Rs. 16.20 Mn. (2021 – Rs. 13.72 Mn.).

Purchases for re-sale in the ordinary course of business amounted to Rs. 158.42 Mn. (2021 – Rs. 123.71 Mn.) Rental income is Nil (2021 – Rs. Nil).

Directors have no direct or indirect interest in any other contacts with the Company.

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

36. Comparative information

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

37. Assessment of going concern

The Financial Statements of Cargills (Ceylon) PLC for the year ended 31 March 2022, 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 uncertainty faced by the country and, whilst these challenges would have a bearing on the inflation, consumer demand and supply chain, 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.

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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 asses 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 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Financial assets measured at fair value							
Other financial instruments – Equity	16.3.1	–	–	26,215	18,904	–	–
Other financial instruments – Debt	16.3.2	–	–	–	–	1,500,000	–
Financial assets not measured at fair value							
Trade and other receivables, excluding prepayments, deposits and tax recoverable	20	4,661,430	3,589,581	–	–	–	–
Amounts due from related companies	21	377,065	1,328,258	–	–	–	–
Other financial assets	16.3.3	1,016,556	954,796	–	–	–	–
Cash and cash equivalents	25	3,544,099	3,004,701	–	–	–	–
Total		9,599,150	8,877,336	26,215	18,904	1,500,000	–

Financial liabilities by categories (Group)		Financial liabilities at amortised cost	
As at 31 March	Note	Rs. '000 2022	Rs. '000 2021
Financial liabilities not measured at fair value			
Interest bearing loans and borrowings	26	20,005,633	20,797,672
Lease liability	13	19,641,457	16,493,154
Trade and other payables, excluding accrued expenses	29	20,766,962	14,517,559
Amounts due to related companies	21	4,572	8,240
Total		60,418,624	51,816,625

Financial Assets by Categories (Company)		Financial assets at amortised cost		FVTOCI – equity instruments		FVTPL - debt instruments	
As at 31 March	Note	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Financial assets measured at fair value							
Other financial instruments – Equity	16.3.1	–	–	25,941	18,702	–	–
Other financial instruments – Debt	16.3.2	–	–	–	–	1,500,000	–
Financial assets not measured at fair value							
Trade and other receivables, excluding prepayments, deposits and tax recoverable	20	66,355	24,707	–	–	–	–
Amounts due from related companies	21	2,333,277	1,458,638	–	–	–	–
Cash and cash equivalents	25	73,504	147,419	–	–	–	–
Total		2,473,136	1,630,764	25,941	18,702	1,500,000	–

Financial liabilities by categories (Company)		Financial liabilities at amortised cost	
As at 31 March	Note	Rs. '000 2022	Rs. '000 2021
Financial liabilities not measured at fair value			
Interest bearing loans and borrowings	26	7,642,812	4,650,662
Lease liability	13	1,025,528	50,356
Trade and other payables, excluding accrued expenses	29	539,241	528,168
Amounts due to related companies	21	15,338	11,819
Total		9,222,919	5,241,005

38.1.1 The above table does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

38.2 Fair value hierarchy

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

The different levels have been defined as follows:

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

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

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

	Level 1		Level 2		Level 3		Total	
As at 31 March	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Group								
Freehold land and buildings (Note 12)	–	–	–	–	15,430,577	15,496,058	15,430,577	15,496,058
Investment property (Note 14)	–	–	–	–	7,039,884	2,712,313	7,039,884	2,712,313
Equity investment at FVOCI (Note 16.3.1)	26,215	18,904	–	–	–	–	26,215	18,904
Debt investment at FVTPL (Note 16.3.2)	–	–	1,500,000	–	–	–	1,500,000	–

	Level 1		Level 2		Level 3		Total	
As at 31 March	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Company								
Freehold land and buildings (Note 12)	–	–	–	–	3,085,856	3,095,500	3,085,856	3,095,500
Investment property (Note 14)	–	–	–	–	3,170,928	4,259,566	3,170,928	4,259,566
Equity investment at FVOCI (Note 16.3.1)	25,941	18,702	–	–	–	–	25,941	18,702
Debt investment at FVTPL (Note 16.3.2)	–	–	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.

Asset and liabilities	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Property, plant and equipment – Freehold land and building	**Market 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 – Rs. 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)

Asset and liabilities	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
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. 4,400 – Rs. 12,700. 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. 250,000 – Rs. 18,000,000 per perch	The estimated fair value would increase/(decrease) if Cost per square foot was higher/(lower) Market value per perch was higher/(lower)
	Income approach – The net income generated by the property is used in conjunction with certain factors is used to calculate its fair value.	Occupancy rates 70% – 95% Capitalisation rates 5.5% - 7.5% Repairs and insurance 25% – 35% Contractual rental Rs. Rs. 15,000 – Rs. 9,000,000 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 oversee how management monitors compliance with the Group's risk management processes/guidelines and procedures and reviews the adequacy of the risk management framework in relation to the risks. The Audit Committee is assisted in its oversight role by Risk Management Team and Internal Audit, who undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

39.1 Credit risk

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

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

Carrying amount of financial assets represents the maximum credit exposure.

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

		GROUP		COMPANY	
As at 31 March	Note	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Trade and other receivables, excluding prepayments and tax recoverable	20	4,661,430	3,589,581	66,355	24,707
Amount due from related companies	21	377,065	1,328,258	2,333,277	1,458,638
Cash and cash equivalents, excluding cash in hand	25	2,830,498	2,436,934	10,786	133,462
		7,868,993	7,354,773	2,410,418	1,616,807

39.1.1 Trade receivables net of provision for impairment

	GROUP		COMPANY	
As at 31 March	Rs. '000 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Past due 1 – 30 days	2,628,689	2,143,756	–	–
Past due 31 – 60 days	556,254	451,514	–	–
Past due 61 – 90 days	230,716	198,772	–	–
> 91 days	262,339	167,221	–	–
	3,677,998	2,961,263	–	–

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

39.1.2 Amount due from related companies

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

39.1.3 Cash and cash equivalents

The Group and the Company held cash and cash equivalents of Rs. 3,544.01 Mn. and Rs. 73.50 Mn. at 31 March 2022 (2021 – Rs. 3,004.70 Mn. and Rs. 147.42 Mn.), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks, which are rated AA-(lka) to BBB-(lka), based on Fitch Ratings.

39.1.4 Guarantees

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

39.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to shortage of funds by considering maturity of both the Group's financial investment and financial assets and other projected cash flow from operations.

The Group's objective is to maintain balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts over a wider spread of maturity periods.

In liquidity risk management, the Group uses a mixed approach where it combines elements of cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows that can be generated through the sale of assets, repurchase agreement or secured borrowings.

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

		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	14,517,559	14,517,559	14,517,559	–	–
Amounts due to related companies	8,240	8,240	8,240	–	–
Short-term loan	14,407,200	14,407,200	14,407,200	–	–
Long-term loan	3,711,351	3,711,351	856,363	2,854,988	
Bank overdraft	2,679,121	2,679,121	2,679,121	–	–
Lease liabilities	16,493,154	33,499,109	2,658,487	10,256,939	20,583,683
	51,816,625	68,822,580	35,126,970	13,111,927	20,583,683

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

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

		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	528,168	528,168	528,168	–	–
Amounts due to related companies	11,819	11,819	11,819	–	–
Short-term loan	3,415,000	3,415,000	3,415,000	–	–
Long-term loan	693,189	693,189	175,097	518,092	–
Bank overdraft	542,473	542,473	542,473	–	–
Lease liabilities	50,356	173,121	19,623	19,938	133,560
	5,241,005	5,363,770	4,692,180	538,030	133,560

39.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

39.3.1 Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the Sri Lankan rupees (LKR). The Group also has limited exposure in respect of recognised foreign currency assets and liabilities. Based on the discussions with the Group's banking partners, economic conditions and expectations of the future exchange rates, management has estimated Rs. 360 per USD and Rs. 282 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 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
5% - Increase in exchange rate USD	152,568	56,027	–	–
5% - Decrease in exchange rate USD	(152,568)	(56,027)	–	–

39.3.2 Interest rate risk

The Group is exposed to interest rate risk on borrowings and deposits. The Group's interest rate policy seeks to minimise the cost and volatility of the Group's interest expense by maintaining a diversified portfolio of fixed rate, floating rate and inflation-linked liabilities.

The Group adopt policy of ensuring borrowings are maintained at manageable level while optimising return. Interest rates are negotiated leveraging on the strength of the Cargills Group and thereby ensuring the availability of cost effective funds at all time, while 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 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
+100 basis points	(144,061)	(144,072)	(70,277)	(34,150)
-100 basis points	144,061	144,072	70,277	34,150

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 2022	Rs. '000 2021	Rs. '000 2022	Rs. '000 2021
Total liabilities	69,322,261	59,631,855	10,480,415	6,370,756
Less: Cash and cash equivalents	3,544,099	3,004,701	73,504	147,419
Net debt	65,778,162	56,627,154	10,406,911	6,223,337
Total equity	29,121,515	22,960,723	12,601,740	12,433,486
Net debt to equity ratio	2.26	2.47	0.83	0.50

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

ANNEXURES

ABOUT THE REPORT

Cargills (Ceylon) PLC is proud to present our first Integrated Annual Report, which has been prepared in line with the International Integrated Reporting <IR> Framework developed by The International Integrated Reporting Council (IIRC). This Annual Report marks a significant milestone in the progressive journey made by Cargills towards transparently and concisely communicating the Company's strategy, governance, performance and prospects in the context of its external environment, and the resources and relationships leveraged and affected by Cargills to create value over the short, medium and long-term.

How this Report is Organised

Guided by two principal references – the <IR> Framework and the GRI Sustainability Reporting Standards – the Management Discussion and Analysis provided in this Report has been structured according to the Cargills mission statement. This structure provides our shareholders and stakeholders with an overarching view of how we are living our purpose, i.e. making business decisions and executing our strategy in a manner consistent with our mission and identity. A high level of compliance and transparency of business conduct has long been a primary engine for growth and improvement at Cargills. Therefore, the transition to this integrated approach is a natural progression of our reporting journey, and increases our transparency across our socially-driven business operations, opens communication with all our stakeholders across material matters based on internal assessments, and enables our shareholders to make informed decisions on aligning their investments and their trust with our Company. We have provided both quantitative and qualitative data and it has been our intention to provide quantitative data where possible to facilitate comparisons and further analysis.

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 2021 to 31 March 2022. All financial and non-financial reviewing is within the scope of sectoral operations and their respective business units.

The Reporting structure enables the Group's businesses to be reviewed by sector in terms of operations, strategy and performance while GRI reporting is compiled herein at Group level through a process of data gathering and review by operation and by sector. Therefore, the main entity for which the social and environmental information is presented in the narrative reports, unless otherwise stated, is the Group as a whole. The material aspects and boundaries are based on internal assessments covering the Group's operations in Sri Lanka.

Financial Reporting

The financial information for this Annual Report has been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of the Chartered Accountants of Sri Lanka in compliance with the requirements of the Companies Act No. 07 of 2007 and the listing rules of the Colombo Stock Exchange, and have been audited by M/s KPMG. The Report also adheres with the requirements of the Code of Best Practice on Corporate Governance issued jointly by the Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

Non-Financial Reporting

The Annual Report serves as a comprehensive framework on disclosing our impact on, progress towards, and contribution to the UN Sustainable Development Goals (SDGs) and UNGC principals, and meets the need for reliable, consistent information of non-financial highlights across the Group's national development initiatives. The Independent Assurance Report by Messrs. KPMG providing reasonable assurance on the Financial Highlights on pages 6 and 7, and limited assurance on the Non-Financial Highlights on page 8 and 9 as well as the Performance Summary on pages 43 to 119.

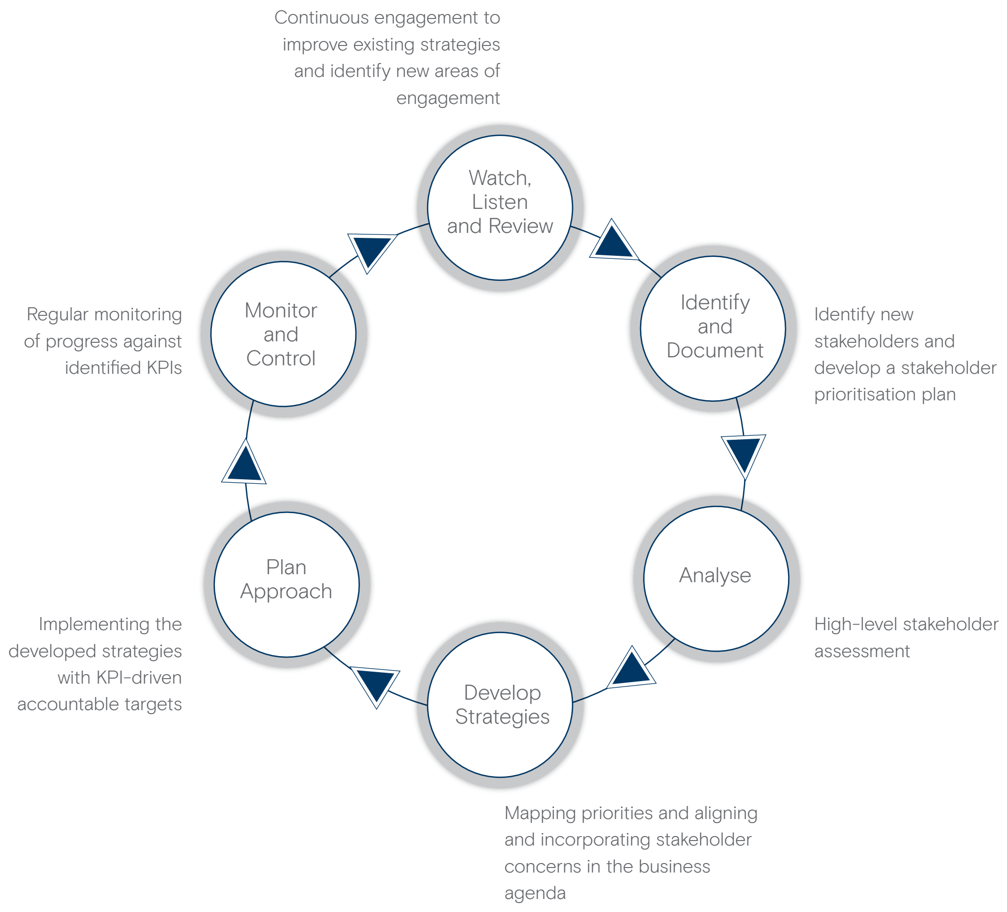
Questions, suggestions and feedback on the Cargills' Integrated Annual Report 2021/22 can be sent to info@cargillsceylon.com

Stakeholder Engagement

Cargills engages with a broad range of internal and external stakeholders who have the potential to impact, or be impacted by our business. We have always maintained a two-way dialogue, thereby mobilising action to address the rapidly changing needs and expectations of our stakeholders, increase shareholder value, and drive long-term sustainability across our business verticals.

Our Engagement Process

Effective stakeholder engagement helps translate their needs into organisational goals and creates the basis of effective strategy development. At Cargills, we implement a structured stakeholder engagement process which identifies our key stakeholders and routinely monitors the main performance indicators. Each step involves a series of actions and measures to ensure that current developments and changes in our operating environment are captured in a timely manner:



Stakeholder	Engagement Mechanism	Key Concerns raised in 2021/22	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	• On-going Daily Engagement • On-going Monthly Meetings • On-going 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 *Sarubima* Credit Relief Fund, with Rs. 10 Mn. reserved from the *Sarubima* Fund for the purpose
Employees – The Cargills team comprises 9,481 members spread across 25 districts and over 400 locations	• On-going training and mentoring via online portal • On-going orientation programs • Daily briefings • Open door policy • Monthly/quarterly briefings by senior management • Periodic face-to-face and remote HR engagements • Annual regional staff conventions	• Access to training and capacity building with mapped career development • Rewards and recognition • Grievance sharing • Team building and interaction • Transparency of corporate decisions	• Introduced new online training portal with 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
Customers – We serve millions of customers through our extensive, island-wide retail and restaurant network and food value chain	• On-going daily customer interactions at all sales points • Cargills Online and Cargills app • On-going promotional messaging and print/electronic media publications • On-going social media engagement • Customer service hotline • On-going 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 • Increased agricultural output of healthy, socially responsible brands such as Good Harvest, BeeSafe, Cargills Rice, and 11 new healthier product options • Increasing production volume and eliminating waste across the supply chain
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	• On-going 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 Meetings • Annual Reports	• Financial performance • Risk management • Capacity expansion • ESG disclosures	• Addressed 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 enhancing existing reporting and compliance standards • Ensure 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 *Sarubima* Activities • Cargills Foundation Activities	• Growing Regional Disparities • Access to equal opportunities in education and employment • Female and Youth Empowerment	• Provision of 178 scholarships through the *Sarubima* Fund • Creating equal access to job opportunities for rural communities by extending Cargills retail network, with 66% of the team hailing from outside the Western Province • Partnering with State Universities for product development and commercialisation • Investment of Rs. 865,000.00 in rural community development projects • Expansion of the Early Childhood Education (ECE) Programme - • Maintaining a 50:50 gender parity across the Company

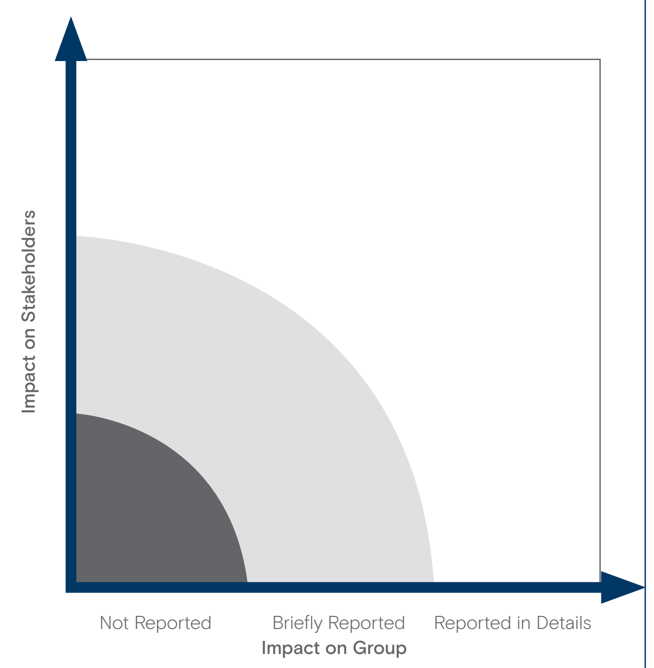
Stakeholder	Engagement Mechanism	Key Concerns raised in 2021/22	Measures taken by Cargills in Response
Government and Regulatory Authorities – Cargills drives policy change and implementation towards better health, nutrition and overall living standards by engaging with local lawmakers and regulators	• Ongoing regulatory reporting • Meetings and representation at various Government Forums, Events and Chambers	• Market and community impact • Youth Unemployment • Good Governance and Ethics	• Creating promising job opportunities for youth with 5,610 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

Materiality

Cargills considers a matter to be material if it has the potential to substantively influence our business, whether it be commercially or socially, and cause an impact on relationships with our stakeholders. We engage with our stakeholders regularly to assess and update various topics that are material to each of our business sectors. The degree to which a material issue impacts Cargills and our stakeholders determines the extent to which it is reported.

Our Enterprise Risk Management (ERM) framework helps identify, analyse, evaluate, mitigate, and monitor strategic, financial, external, and operational risks, often emerging from the concerns of key stakeholders. These risks are then mapped against Global Reporting Index (GRI) standards and included as material to Cargills. Risks pertaining to competition, reputation, business strategy, inventory and supply chain, IT systems and infrastructure, funding and liquidity risk, market risk (interest rates, FOREX and commodity market fluctuations) and natural disasters emerge as aspects that are evaluated but remain outside the scope of the GRI.

Materiality and Reporting



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	High
2.	Reputation	Internal	102	High	High
3.	Risk Management	Internal	102	High	High
4.	Economic Performance	Internal	201	High	High
5.	Market Presence	Internal	202	High	High
6.	Indirect Economic Impact	External	203	High	High
7.	Anti-Corruption	Internal	205	High	High
8.	Anti-Competitive Behaviour	Internal	206	Low	Low
9.	Energy Consumption	Internal	302	Moderate	Moderate
10.	Water Management	Internal	303	Moderate	Moderate
11.	Emissions	Internal	305	Moderate	Moderate
12.	Waste Management	Internal	306	High	Moderate
13.	Environmental Protection	Internal	307	High	Moderate
14.	Labour Practices and Grievances	Internal	402	Moderate	High
15.	Occupational Health and Safety	Internal	403	High	High
16.	Employee Training and Development	Internal	404	High	High
17.	Diversity and Equal Opportunity	Internal	405	High	High
18.	Community Development	External	413	High	High
19.	Customer Health and Safety	External	416	High	High
20.	Product Labelling	External	417	Moderate	High
21.	Product Responsibility	Internal	417	High	High
22.	Regulatory Compliance	Internal	417	Moderate	Moderate
23.	Customer Privacy	External	418	High	High

FIVE YEAR FINANCIAL SUMMARY

Group	Rs. '000 2018	Rs. '000 2019	Rs. '000 2020	Rs. '000 2021	Rs. '000 2022
Continuing operations					
Revenue	91,293,127	94,662,991	107,051,866	112,607,061	136,691,993
Profit from operation	6,262,937	4,682,326	7,060,621	7,287,074	9,058,383
Profit before taxation	5,245,334	3,402,935	4,199,634	4,527,659	5,818,434
Profit after taxation	3,330,921	2,033,813	2,761,419	3,483,639	4,538,720
Discontinued operations					
Profit/loss from discontinued operation, net of tax	–	–	–	–	–
Profit for the year	3,330,921	2,033,813	2,761,419	3,483,639	4,538,720
Attributable to					
Owners of the Company	3,200,534	1,980,246	2,692,092	3,480,691	4,543,044
Non-controlling interest	130,387	53,567	69,327	2,648	(4,324)
	3,330,921	2,033,813	2,761,419	3,483,639	4,538,720
Financial position					
Stated capital	6,530,709	6,530,709	6,756,591	6,773,878	6,841,068
Reserves	9,797,683	10,890,361	11,092,673	16,179,971	18,654,175
Non controlling interest	491,919	521,831	515,554	6,874	3,626,272
Capital and reserves	16,820,311	17,942,901	18,364,818	22,960,723	29,121,515
Current assets	19,115,574	21,632,870	21,832,167	23,123,652	27,178,089
Current liabilities	(30,523,915)	(34,365,900)	(39,556,049)	(38,945,230)	(41,001,806)
Working capital	(11,408,341)	(12,733,030)	(17,723,882)	(15,821,578)	(13,823,717)
Non-current assets	33,676,707	36,642,556	49,375,858	59,468,926	71,265,687
Non-current liabilities	(5,448,055)	(5,966,625)	(13,287,158)	(20,686,625)	(28,320,455)
Non-controlling interest	(491,919)	(521,831)	(515,554)	(6,874)	(3,626,272)
Net assets attributable to equity holders of the parent	16,328,392	17,421,070	17,849,264	22,953,849	25,495,243

Group	Rs. '000 2018	Rs. '000 2019	Rs. '000 2020	Rs. '000 2021	Rs. '000 2022
Key indicators					
Growth in turnover (%)	8.44	3.69	13.09	5.19	21.39
Growth in earnings (%)	45.82	(38.94)	35.78	26.15	30.29
Operating profit to turnover (%)	6.86	4.95	6.60	6.47	6.63
Earnings to turnover (%)	3.65	2.15	2.58	3.09	3.32
Return on total assets (%)	6.31	3.49	3.88	4.22	4.61
Growth in total assets (%)	7.08	10.11	22.18	15.99	19.19
Growth in capital and reserves (%)	17.04	6.67	2.35	25.03	26.83
Return on capital and reserves (%)	19.80	11.33	15.04	15.17	15.59
Return on investment (%)	21.36	11.70	15.21	16.86	36.84
Earnings per share (Rs.)	12.42	7.68	10.45	13.51	17.63
Dividends per share (Rs.)	6.00	1.90	6.00	5.10	6.10
Net assets per share (Rs.)	63.37	67.61	69.27	89.08	98.94
Dividends paid per share (Rs.)	6.00	1.90	6.00	5.10	6.10
Dividend pay out (%)	42.06	24.56	57.33	37.75	34.60
Dividends paid	1,344,000	486,400	1,543,326	1,311,996	1,571,834
Debt equity ratio (times)	2.14	2.24	2.88	2.60	2.38
Interest cover (times)	4.79	3.29	2.69	2.90	2.78
Current ratio (times)	0.63	0.63	0.55	0.59	0.66
Quick assets ratio (times)	0.31	0.34	0.29	0.29	0.30
Capital additions	4,746,875	5,431,854	5,518,880	6,403,947	8,846,548
Market value per share as at 31 March (Rs.)	194.90	200.00	170.00	235.00	182.50
Market capitalisation	49,894,400	51,200,000	43,727,577	60,468,908	47,026,186

a) Return on investment is computed by dividing the profit for the year by total average assets employed.
b) Debt equity ratio is computed by dividing the total liabilities by the shareholders' funds.
c) Above per share details have been computed based on 257,677,731 shares in issue as at 31 March 2022 except for dividend per share and market value per share.

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 Mach 2022				31 Mach 2021			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 – 1,000	1,377	65.04	213,131	0.08	1,213	61.79	204,576	0.08
1,001 – 10,000	488	23.06	1,647,218	0.64	506	25.78	1,723,905	0.67
10,001 – 100,000	192	9.07	5,741,415	2.23	185	9.42	5,587,135	2.17
100,001 – 1,000,000	49	2.31	14,288,033	5.55	48	2.45	14,316,664	5.56
1,000,001 and over	11	0.52	235,787,934	91.50	11	0.56	235,482,220	91.52
	2,117	100.00	257,677,731	100.00	1,963	100.00	257,314,500	100.00

4. Analysis of shareholders

Group of	31 Mach 2022				31 Mach 2021			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Institutions	119	5.62	218,662,900	84.86	115	5.86	222,263,895	86.38
Individuals	1,998	94.38	39,014,831	15.14	1,848	94.14	35,050,605	13.62
Total	2,117	100.00	257,677,731	100.00	1,963	100.00	257,314,500	100.00
Residents	2,036	96.17	243,046,271	94.32	1,886	96.08	239,401,524	93.04
Non residents	81	3.83	14,631,460	5.68	77	3.92	17,912,976	6.96
Total	2,117	100.00	257,677,731	100.00	1,963	100.00	257,314,500	100.00

5. Share valuation

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

	Rs	Rs
Highest	260.00	252.00
Lowest	175.00	150.00
Last traded price	182.50	235.00

6. Top 20 shareholders

The holdings of the top 20 shareholders

	31 Mach 2022		31 Mach 2021	
	Number of Shares	%	Number of Shares	%
C T Holdings PLC	183,404,417	71.18	179,713,417	69.84
Mr V R Page	19,168,346	7.44	17,858,781	6.94
Employees' Provident Fund	8,407,333	3.26	8,407,333	3.27
Ms M M Page	5,892,552	2.29	5,866,552	2.28
Odeon Holdings (Ceylon) (Private) Limited	5,511,909	2.14	5,511,909	2.14
Seb Ab-Tundra Frontier Opportunities Fund	3,797,770	1.47	3,797,770	1.48
CITI Bank New York S/A Norges A/C No. 2	3,595,773	1.40	5,280,234	2.05
Mr A I Dominic Antoine Indrajit	1,960,677	0.76	–	–
Ceylon Guardian Investment Trust PLC – A/C No. 1	1,807,002	0.70	2,886,858	1.12
GF Capital Global Limited	1,124,605	0.44	1,124,605	0.44
Seylan Bank PLC/ Senthilverl Holdings (Pvt) Ltd	1,117,550	0.43	–	–
The Associated Newspapers of Ceylon Limited	914,103	0.35	914,103	0.36
Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	770,675	0.30	868,675	0.34
Dr A Aravinda Page	769,105	0.30	761,728	0.30
Serendip Investments Limited	760,788	0.30	852,429	0.33
Sir Chittampalam A Gardiner Trust	643,474	0.25	643,474	0.25
Mr P E Muttukumaru	527,000	0.20	520,000	0.20
Mr J C Page	520,000	0.20	520,000	0.20
Hatton National Bank PLC – NDB Wealth Growth and Income Fund	513,841	0.20	1,063,841	0.41
Hatton National Bank PLC - Senfin Growth Fund	500,210	0.19	250,210	0.10
	241,707,130	93.80	236,841,919	92.04
Others	15,970,601	6.20	20,472,581	7.96
Total	257,677,731	100.00	257,314,500	100.00

7. Public holding

The percentage of shares held by the public and number of public shareholders as at 31 March 2022 is 18.65%. (2021 – 20.53%) and 2,105 (2021 – 1,951) respectively. The total number of shares in issue is 257,677,731, of which Public Holding represents 48,046,644 shares. The float adjusted market capitalisation amounts to Rs. 8.77 Bn. Accordingly, the Company complies with the Minimum Public Holding requirement of the Main Board as per Option 2 of Section 7.13.1 (a) of the CSE Listing Rules.

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	953,900	2022
Braybrooke Place	78.17 Perches	5,146	744,230	2022
Canal Row - Colombo 1	15.25 Perches	12,300	400,300	2022
Cargills Square - Jaffna	Leasehold	99,164	1,060,620	2022
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
Negombo	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	483,518	2022
Ja-Ela - Ma Eliya	4 Acres	18,643	236,455	2022
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	–	151,750	2022
CPC Lanka Limited				
Katoolaya estate, Thawalantenne	4 Acres	19,961	67,000	2021

Location	Land extent	Building area (Sq.Ft)	Valuation/cost Rs. '000	Year of valuation
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
Fredrick North Hotel Company Limited				
Boralesgamuwa	2.5 Acres	23,168	447,000	2022
The Empire Investments Company (Private) Limited				
Bandarawela	85.2 Perches	63,653	718,065	2022
Katubedda	1.15 Acres	47,171	750,505	2022
Dematagoda	84.32 Perches	71,956	1,248,000	2022
Gampaha	82.6 Perches	43,115	508,395	2022
Negombo	91 Perches	17,534	303,925	2022
Kandy	170 Perches	937	685,293	2022
Bare land - Kandy	11.3 Perches	–	78,000	2022
C T Real Estate (Private) Limited				
Bare land - Piliyandala	114 Perches	–	102,600	2022
Commercial property – Piliyandala	154.9 Perches	21,278	135,755	2022
C T Properties Lakeside (Private) Limited				
Boralesgamuwa	43 Acres	11,400	1,200,000	2022
C T Properties G S (Private) Limited				
Kotahena	199.8 Perches	–	1,528,500	2022

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventy sixth Annual General Meeting (AGM) of Cargills (Ceylon) PLC (the Company) will be held at the "Board Room" of the Cargills Corporate Office at Level 28, West Tower, World Trade Center, Echelon Square, Colombo 01 to be convened as a Virtual AGM using a digital platform on Thursday, 28 July 2022 at 9.30am for the following purposes.

Read the Notice convening the Meeting.

1. To receive and consider the Annual Report of the Directors and the Financial Statements for the year ended 31 March 2022, with the Report of the Auditors thereon.

2. To declare a dividend as recommended by the Directors.

3. To re-elect Directors:
   a) Mrs C I Malwatte and
   b) Mr A D B Talwatte who retire by rotation in terms of the Company's Articles of Association and being eligible offer themselves for re-election
   c) Mr D S Jayawardhana who was appointed on 1 July 2021 also retires in terms of the Company's Articles of Association and being eligible offers himself for re-appointment, and
   d) Mr L R Page,
   e) Mr A T P Edirisinghe, and
   f) 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 Louis Page, a retiring Director, who has attained the age of seventy two 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 Priya Edirisinghe, a retiring Director, who has attained the age of seventy six years be and is hereby reappointed a Director of the Company and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director", and

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

4. To authorise the Directors to determine contributions to charities for the financial year 2022/23.

5. To authorise the Directors to determine the remuneration of the Auditors, Messrs. KPMG, who are deemed reappointed as Auditors at the Annual General Meeting of the Company in terms of Section 158 of the Companies Act No. 07 of 2007.

The Annual Report and Financial Statements of Cargills (Ceylon) PLC for the year ended 31 March 2022 are available on the:
– Corporate website : *https://www.cargillsceylon.com/investors/annual-reports/Cargills_Ceylon_PLC_Annual_Report_2021_2022.pdf*

– The Colombo Stock Exchange – *https://www.cse.lk/home/company-info/CARG.N0000/financial*

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

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 2022, 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 clarification on how to download and/or access the Annual Report and Financial Statements, please contact Mr. Kannahasan on +94 77 6529116 on any working day between 8.30am to 5.00pm.

By Order of the Board
Cargills (Ceylon) PLC

H S Ellawala
Company Secretary
5 July 2022

Notes:

(i) A member is entitled to appoint a proxy to attend and vote at the meeting in his or her stead and the proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose.

(ii) The Board of Directors, having taken note of the health and safety guidelines issued by the Health Authorities in view of the COVID-19 pandemic and the Colombo Stock Exchange issuing guidelines to the listed entities to hold Shareholder Meetings virtually, has decided to hold the Annual General Meeting (AGM) through a digital platform in conformity with the applicable regulatory provisions.

(iii) Shareholders who wish to participate in the Annual General Meeting through the digital platform are kindly requested to complete and forward the "Annexure II – Registration of Shareholder details" attached hereto to the email address ccp.agm@cargillsceylon.com with the email subject title "CCP AGM 2022" or post it to the registered address mentioned below to be received not less than 48 hours before the date of the meeting.

Shareholders are requested to provide their email address in the space provided in "Annexure II" in order to forward the weblink if they wish to participate at the meeting through the digital platform.

(iv) The Deputy Chairman, certain members of the Board and key essential officials for the administration of formalities to conduct the meeting, will be physically present at the Cargills Corporate Office.

(v) Voting on the items listed in the Agenda will be registered by using a digital platform and the procedure to be followed when voting will be explained to the shareholders prior to the commencement of the meeting.

(vi) Shareholders who wish to appoint a member of the Directors as his/her proxy to represent them at the AGM may do so by completing the Form of Proxy, in such event the email address of the proxy holder will not be required.

(vii) Shareholders may send their questions/comments on the items listed in the Agenda of the Notice convening the AGM by email to the ccp.agm@cargillsceylon.com to be received not less than 48 hours before the date of the meeting.

(viii) The duly completed instrument appointing the proxy should be deposited at the Registered Office of the Company or a scanned copy of the same should be emailed to ccp.agm@cargillsceylon.com to be received not less than 48 hours before the date of the meeting.

(ix) Only registered shareholders and registered proxy holders will be permitted to log-in and participate in the AGM virtually.

(x) The Company intends to proceed to hold the AGM as planned on 28 July 2022 irrespective of whether it is declared a public holiday since the aforesaid measures will enable full participation at the meeting.

(xi) In the event the Company is required to take any further action in relation to the Meeting in the best interests of the shareholders in the context of any communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of additional announcement/s made to the Colombo Stock Exchange.

FORM OF PROXY

SEVENTY SIXTH ANNUAL GENERAL MEETING

Cargills (Ceylon) PLC (PQ 130)

*I/We..

....

bearing NIC No.. of ....

.... being a *member/members of Cargills (Ceylon) PLC (the Company) hereby

appoint *Mr/Mrs/Miss..

....

... bearing NIC No .... of ....

(email address ....) whom failing ....

.... of

.... or failing him/her,

the Chairman of the meeting as *my/our Proxy to represent *me/us and to vote for on *my/our behalf at the Seventy-Sixth Annual General Meeting of the Company to be held at the "Board Room" of the Cargills Corporate Office at Level 28, West Tower, World Trade Center, Echelon Square, Colombo 01 to be convened as a Virtual AGM using a digital platform on Thursday, 28 July 2022 at 9.30am and at any adjournment thereof.

Please mark your preference with "X"

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

Signed on this .... day of 2022

Signature of member (s) ....

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

NOTES:

(a) *Strike out whichever is not desired.

(b) Instructions as to completion of the Form of Proxy are set out in the reverse hereof.

(c) A Proxy holder need not be a member of the Company.

(d) Please indicate with an "X" in the cage provided how your Proxy holder should vote. If no indication is given, or if there is, in the view of the Proxy holder, any doubt (by reason of the manner in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder in his/her discretion may vote as he/she thinks fit.

INSTRUCTIONS FOR COMPLETION OF THE PROXY FORM

1. To be valid, the completed Form of Proxy should be deposited at the Registered Office of the Company at No: 40, York Street, Colombo 1 or electronic document with e-signature or scan of the signed document emailed to ccp.agm@cargillsceylon.com, with the subject tittle "CCP-AGM 2022" not less than 48 hours before the time appointed for the holding of the Meeting.
2. In perfecting the form, please ensure that all details are legible. If you wish to appoint a person other than the Chairman as your proxy, please fill in your full name and address, the name, address and email address of the proxy holder and sign in the space provided and fill in the date of signature.
3. The instrument appointing a Proxy shall, in the case of an individual, be signed by the appointer or by his Attorney and in the case of a Corporation must be executed under its Common Seal or in such other manner prescribed by its Articles of Association or other constitutional documents.
4. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy, if it has not already been registered with the Company.
5. In the case of joint holders, only one need sign. The votes of the senior holder who tenders a vote will alone be counted.
6. In the case of non-resident Shareholders, the stamping will be attended to upon return of the completed form of proxy to Sri Lanka.

CORPORATE INFORMATION

Name of Company
Cargills (Ceylon) PLC

Company Registration No.
PQ 130

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

Board of Directors
Louis Page (Chairman)
Ranjit Page (Deputy Chairman/CEO)
Imtiaz Abdul Wahid (Managing Director/Deputy CEO)
Priya Edirisinghe
Sanjeev Gardiner
Sunil Mendis (up to 29 June 2021)
Joseph Page
Errol Perera
Yudhishtran Kanagasabai
Asoka Pieris
Indira Malwatte
Asite Talwatte
Dilantha Jayawardhana (w.e.f. 1 July 2021)

Company Secretary
Hemali Sagarika Ellawala

Remuneration Committee
Asite Talwatte (Chairman)
Sunil Mendis (up to 29 June 2021)
Priya Edirisinghe
Indira Malwatte (w.e.f. 2 July 2021)

Audit Committee
Asite Talwatte (Chairman)
Priya Edirisinghe
Sunil Mendis (up to 29 June 2021)
Errol Perera
Yudhishtran Kanagasabai

Related Party Transactions Review Committee
Asite Talwatte (Chairman)
Priya Edirisinghe
Sunil Mendis (up to 29 June 2021)
Errol Perera
Yudhishtran Kanagasabai

Stock Exchange Listing
Colombo Stock Exchange

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

Postal Address
P.O. Box 23, Colombo 1

Auditors
KPMG
Chartered Accountants

Bankers
Bank of Ceylon
Cargills Bank
Commercial Bank of Ceylon
Deutsche Bank
HNB Bank
HSBC Bank
MCB Bank
NDB Bank
Nations Trust Bank
Pan Asia Bank
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank
Union Bank
DFCC Bank
Habib Bank

Subsidiary Companies*
Cargills Agrifoods Limited
Cargills Agro Development Company (Private) Limited
Cargills Distributors (Private) Limited
Cargills Enterprise Solutions (Private) Limited
Cargills Food Processors (Private) Limited
Cargills Food Services (Private) Limited
Cargills Foods Company (Private) Limited
Cargills Frozen Products (Private) Limited
Cargills Quality Confectioneries (Private) Limited
Cargills Quality Dairies (Private) Limited
Cargills Quality Foods Limited
C P C (Lanka) Limited
C T Properties Limited (w.e.f. 29 October 2021)
C T Properties G S (Private) Limited (w.e.f. 29 October 2021)
C T Real Estate (Private) Limited (w.e.f. 29 October 2021)
C T Property Management Company (Private) Limited (w.e.f. 29 October 2021)
C T Properties Lakeside (Private) Limited (w.e.f. 29 October 2021)
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

* All Companies are incorporated in Sri Lanka.

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www.carbonfund.org

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