



S I N C E 1 8 4 4

CARGILLS (CEYLON) LIMITED  
ANNUAL REPORT 2006

## History

William Milne and David Sime Cargill, two enterprising Scots, founded 'House of Cargills' in Colombo in 1844, on a site formerly occupied by Ceylon's first British Governor, Frederick North. Describing themselves as 'General Warehousemen and Importers' they expanded outside Colombo, dealing in imported goods catering mainly to the expatriates and other affluent.

Cargills (Ceylon) Limited became a Quoted Public Company in 1946 and control passed on to the Ceylon Theatres Group headed by the late Mr Albert A Page in 1981. The change was to be decisive in the history of retailing industry of Sri Lanka.

Since opening the first 'Food City' Supermarket in 1983, the Company has expanded through the provinces into a truly local company serving consumers all over Sri Lanka and helping to develop local farmers and producers.

## Contents

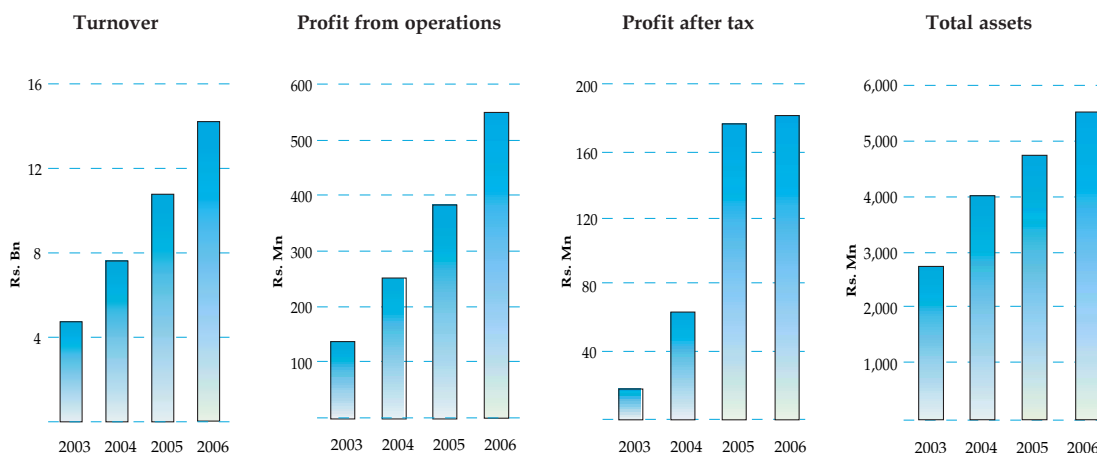
.....	
Financial highlights	2
.....	
Statement of value added	3
.....	
Chairman's statement	4 - 5
.....	
Corporate governance	6
.....	
Financial information	7 - 35
.....	
Information to shareholders and investors	36 - 37
.....	
Five year financial summary	38 - 39
.....	
Notice of annual general meeting	40
.....	

*The proxy form is on page 41*



## Financial highlights

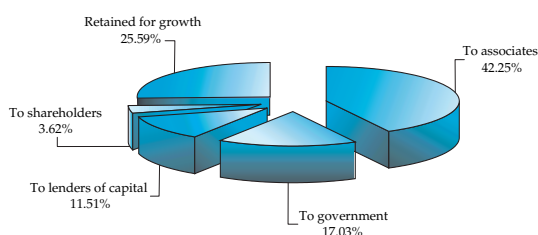
	Group			Company		
	2006 Rs. '000	2005 Rs. '000	Change %	2006 Rs. '000	2005 Rs. '000	Change %
<b>Operations</b>						
Turnover	14,221,264	10,727,029	32.6	8,150,712	7,307,064	11.5
Profit from operations	551,693	384,939	43.3	327,554	261,981	25.0
Net finance cost	(195,664)	(175,240)	(11.7)	(83,813)	(71,825)	(16.7)
Profit after taxation	181,061	176,214	2.8	150,115	167,876	(10.6)
<b>Balance sheet</b>						
Non current assets	3,735,302	3,329,058	12.2	2,386,684	1,568,752	52.1
Current assets	1,736,992	1,363,521	27.4	1,835,319	2,059,691	(10.9)
Current liabilities	3,931,810	3,277,697	20.0	2,861,221	2,397,459	19.3
Non current liabilities	348,626	326,418	6.8	193,708	154,665	25.2
Capital and reserves	1,035,158	942,900	9.8	1,167,074	1,076,319	8.4
<b>Per share data (Rs.)</b>						
Earnings per share	30.34	28.19	7.7	26.81	29.98	(10.6)
Dividends per share	11.62	6.00	93.7	10.60	6.00	76.7
Net assets per share	212.83	194.37	9.5	208.41	192.20	8.4
Market value per share	-	-	-	555.00	275.00	101.8
<b>Ratios</b>						
Interest cover (times)	2.82	2.20	28.4	3.91	3.65	7.1
Dividend yield (%)	-	-	-	1.91	2.18	(12.5)
Debt/equity ratio (times)	3.59	3.82	(6.0)	2.62	2.37	10.4
Borrowings/total assets (times)	0.35	0.37	(6.0)	0.23	0.27	(13.7)



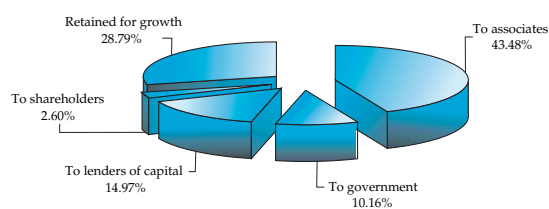
## Statement of value added

	Group			
	2006	2005	2006	2005
	%	Rs. '000	%	Rs. '000
<b>Creation of value added</b>				
Turnover from operations		14,221,264		10,727,029
Cost of goods and services		(12,673,821)		(9,613,047)
Value added from operations		1,547,443		1,113,982
Dividend received		3,773		3,302
Other income		245,879		176,253
Total value added		1,797,095		1,293,537
<b>Distribution of value added</b>				
<b>To Associates</b>				
Salaries, wages and other related costs	41.33	742,731	42.53	550,177
Directors' fees and remuneration	0.92	16,479	0.95	12,250
	42.25	759,210	43.48	562,427
<b>To Government</b>				
Government levies	7.29	131,048	7.58	97,998
Corporate taxation	9.74	174,968	2.58	33,485
	17.03	306,016	10.16	131,483
<b>To Lenders of capital</b>				
Interest	10.89	195,664	13.55	175,240
Minority interest	0.62	11,136	1.42	18,376
	11.51	206,800	14.97	193,616
<b>To Shareholders</b>				
Dividends	3.62	65,068	2.60	33,600
<b>Retained for growth</b>				
Depreciation	19.76	355,144	19.19	248,173
Retained earnings	5.83	104,857	9.60	124,238
	25.59	460,001	28.79	372,411
	100.00	1,797,095	100.00	1,293,537

Value addition for 2006



Value addition for 2005



## Chairman's statement

I take pleasure in presenting to you the Annual Report and Audited Accounts of Cargills (Ceylon) Limited for the year ended 31 March 2006.

The overall performance of the Company and the subsidiary companies in the year under review was commendable. We are pleased to say that both turnover and profits have reflected growth over the previous years.

### Results

The group achieved a turnover of Rs 14.2 Bn which reflects a growth of 33% over the previous year's turnover of Rs 10.7 Bn. The Company achieved a turnover of Rs 8.2 Bn which reflects a growth of 12% over the previous year's turnover of Rs 7.3 Bn.

The group posted a profit before tax of Rs 356 Mn which was significantly higher than the previous year's profit before tax of Rs 209.7 Mn, an impressive growth of 70%. The Company posted a profit before tax of Rs 243.7 Mn which reflects a 28% growth over the previous year's profit before tax of Rs 190.2 Mn.

The group profit after tax attributable to the shareholders was Rs 169.9 Mn (2005 - Rs 157.8 Mn). The Company's profit after tax was Rs 150.1 Mn (2005 - Rs 167.9 Mn).

### Retail

The year under review has been, as before, a year of investment. We are happy to report that as a continuation of the Company's organic expansion programme nine new Food City outlets and three new Cargills Express outlets were opened during the year. In pursuance of the Company's firm belief in the potential for growth in all provinces, some of these new outlets are located outside the main business districts of Colombo and Gampaha.

We are also pleased to report that the three outlets devastated by the tsunami at Dickwella, Hambantota and Matara were opened for business during the period under review.

The customers across Sri Lanka are now experiencing a paradigm shift in their shopping style with the company offering the benefits of

better prices, convenience and food safety. We are indeed pleased to be leading the way in providing these benefits to people across the country.

Another highlight for the year was the acquisition of the Sentra and Park N Shop supermarket chains through a purchase of assets and brand & trade marks. The six Sentra and three Park N Shop outlets further expanded the reach of the Company's retail network and will no doubt consolidate Cargills' position in the Modern Trade in the Western Province.

Our business philosophy actively encourages and promotes sourcing from rural Sri Lanka and we are pleased to say that a large segment of our society, particularly the not-so-affluent, has been the beneficiary of this policy. We also provide a ready market for small-and medium-sized entrepreneurs who now have direct access to our customers.

*"... sourcing from rural Sri Lanka ... large segment of our society, ... the not-so-affluent, ... the beneficiary of this policy ..."*

### Restaurant

The restaurant business has continued to grow over the years and now forms an important segment of our business. In line with the intention to expand the product portfolio with localized products to suit our customer preferences and taste, KFC Chicken Chinese Rice was launched during the year and this has been enthusiastically received.

*"... localized products ... to suit customer preferences ..."*

During the year, two new kiosks were opened, one at the Cargills Fort premises, and the other, a KFC cum-Cargills Magic ice cream parlour, at the business centre at Navam Mawatha. We are of the firm view that with the steady rise of disposable income amongst the youth and the changing lifestyles, there is abundant scope for a few more outlets to be opened in the coming years. Accordingly, three new restaurant locations have been selected and work is in progress and it is likely that all three will commence business operation in the first half of the ensuing year.

## Chairman's statement *contd...*

### Food Processing

We enjoyed another year of significant growth in food processing largely driven through innovation which continued to create excitement in the marketplace. Most of the new products introduced, particularly those with a unique Sri Lankan flavour, have found acceptance with the consumers.

The unmatched Cargills Magic ice cream product range in the 'take home' and 'impulse' categories have compelled the competition to import similar products. However, our products still lead in terms of range, quality and taste. The usage of fresh milk in our ice cream has contributed to the development of the dairy industry in the vicinity of the factory.

Our Kist brand popularised the healthy habit of consuming local fruit-based drinks with the launch of the innovative Ready-to-Drink Nectar range. The success of the Kist Nectar range has also seen the competition following suit.

We are pleased to report that as a result all our food processing business units have registered significant growth in turnover and profits and the respective brands have now captured substantial marketshare. Our performance would have been even more impressive if not for certain customers refraining from consuming processed meat due to the adverse reports in the media highlighting quality issues faced by certain other brands of meat products.

In order to cater to the ever expanding demand for processed foods, a state-of-the-art meat processing plant is being set up and the new factory is expected to be complete within the first six months of the new financial year. This project would have sufficient capacity not only to serve local needs but also enable us to make forays into the export market.

The growth in our food processing businesses has had a positive impact on the dairy, agriculture and livestock industries in the country and we intend to give further impetus to these industries by actively pursuing relevant business opportunities.

*"... our food processing businesses ... a positive impact ... the dairy, agriculture and livestock industries ... country ..."*

### Investment Income

The Company received dividends amounting to Rs 3.7 Mn and Rs 5.9 Mn from CT Land Development Limited and Cargills Quality Foods (Private) Limited during the year.

### Dividends

The interim dividend of 16% paid on 5 May 2005 amounting to Rs 8.96 Mn and the final dividend of 90% paid on 5 August 2005 amounting to Rs 50.40 Mn were in respect of profits for the year ended 31 March 2005.

An interim dividend of 70% was paid on 4 April 2006 and a final dividend of 50% has been proposed for the year ended 31 March 2006.

The Company has been consistently declaring attractive dividends and it is our endeavour to continue with such dividend payouts in future. We are also mindful of the need to continuously increase the earnings per share and thus enhance shareholder returns.

### Future

The group will explore opportunities for strategic investments in the food and beverage sector to enable growth in market share and profitability while further expanding the retail network.

It is our firm belief that the organized retail industry and the food and beverage businesses can only grow from strength to strength in the coming years. Hence the group will continue to invest in its businesses, people, newer technology and better practices to take advantage of future opportunities.

### Acknowledgements

I wish to take this opportunity to place on record my sincere thanks to our valued customers, bankers, principals and suppliers for their continued support. I also wish to thank the Cargills Team for their commitment and dedication, and my colleagues on the Board for their co-operation and assistance throughout the year. I also thank the shareholders of the Company for their continued confidence and support.

Anthony A Page  
Chairman

30 June 2006

The extent to which the principles of good corporate governance are implemented within the group is set out below.

#### **The Board of Directors**

The Board of Cargills (Ceylon) Limited consists of three executive and nine non-executives Directors. Their names and designations are given on the inner back cover. The Board is responsible for the overall strategic direction, policy formulation and control procedures. All capital expenditure requires prior approval of the Board. The Deputy Chairman/ Managing Director, functions as the Chief Executive Officer.

The non-executive Directors, while not being involved in the day to day running of the Company, participate in the close review and monitoring of the operations of the Company. They are all business leaders in their own right, and comprise a strong and independent element of the Board and add a depth of knowledge and insight that is vital for the continued success of the Company. All plans and strategies proposed are examined and fully discussed at meetings of Directors. The Board met eight times during the last financial year.

Vacancies in the Board of Directors are filled by a decision of the whole Board. All members appointed to the Board have been individuals of a high standing in society, experts in their chosen fields and individuals of the highest standard of integrity.

#### **Group Compensation Committee**

A Group Compensation Committee decides the remuneration of Directors. It consists of three Directors of Ceylon Theatres Limited, the ultimate holding company of Cargills (Ceylon) Limited.

#### **Code of Ethics and Best Practices**

The principles involved in the code of ethics and best practices for the Directors, although not formally published, have been internally adopted for several years. The administrative and personnel procedure manual of the Company sets out the ethical standards and practices to be followed by the staff.

## **Corporate governance**

#### **Audit Committee**

The Audit Committee comprises three independent non-executive Directors. The Audit Committee is empowered to review the activities and financial affairs of the Company and to monitor the Internal Control system and the effectiveness of the Internal Audit function of the Company.

Reports from the External Auditors on their audit findings are referred to the Audit Committee providing an opportunity for impartial review of these reports.

The Audit Committee will in due course monitor compliance by the External Auditors with the statutory requirements and the provisions in the guidelines laid down by the Securities and Exchange Commission of Sri Lanka. During the year the Audit Committee met twice and deliberated on the key internal control and financial affairs of the Company.

#### **Group Management Committee**

The Group Management Committee is headed by the Managing Director who functions as the Chief Executive Officer of the group. This committee includes two executive Directors of Cargills (Ceylon) Limited, three executive Directors of subsidiaries and two group managers. The Group Management Committee meets on a monthly basis to review the performance of the various companies and to ensure that the overall corporate objectives are achieved.

The Chief Internal Auditor heads the Internal Audit Division, which functions independent of all operating units. This ensures an independent verification of the operation of the control systems within the group.



## Financial information

.....	
Directors' report	8 - 9
.....	
Statement of Directors' responsibilities	10
.....	
Auditors' report	11
.....	
Income statements	12
.....	
Balance sheets	13
.....	
Cash flow statements	14
.....	
Statements of changes in equity	15
.....	
Notes to the financial statements	16 - 35
.....	

## Directors' report

The Directors submit herewith their report together with the audited financial statements of the Company for the year ended 31 March 2006.

### 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 Wholesale Distribution are the principal activities.

The group;

- (a) Operates a chain of supermarkets, convenience stores and a hyper market.
- (b) Distributes world renowned brands of beverages.
- (c) Manufactures and distributes processed meats, dairy ice cream, jams, cordials, sauces and beverages.
- (d) Operates the 'Kentucky Fried Chicken' franchise restaurants in Sri Lanka

### Profits and appropriations

	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
For the year ended 31 March				
The profit for the year after taxation amounted to	181,061	176,214	150,115	167,876
After deducting the amount attributable to minority interest of	(11,136)	(18,376)	-	-
The profit attributable to shareholders was	169,925	157,838	150,115	167,876
To which profit brought forward from previous year is added	108,289	72,607	291,096	156,820
The effect of reduction in holding in subsidiary amounted to	-	(88,556)	-	-
Leaving an amount available to the Company for appropriation of	278,214	141,889	441,211	324,696
From which your Directors have made appropriations as follows :				
Dividend paid for the year ended 31 March 2005				
First interim - 16%	8,960	8,400	8,960	8,400
Second interim - 90%	50,400	25,200	50,400	25,200
By subsidiary	5,708	-	-	-
Leaving an unappropriated balance to be carried forward of	213,146	108,289	381,851	291,096
	278,214	141,889	441,211	324,696

An interim dividend for the year ended 31 March 2006 of 70% was paid on 4 April 2006. A final dividend of 50% is proposed for the year ended 31 March 2006. These will be reflected in the subsequent year's financial statements (refer note 28 to the financial statements on page 33).

### Reserves

	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
Capital reserves	730,512	743,111	693,723	693,723
Revenue reserves	35,500	35,500	35,500	35,500
Accumulated profits	213,146	108,289	381,851	291,096
	979,158	886,900	1,111,074	1,020,319

## Directors' report *contd...*

### Capital expenditure

The group's capital outlay on property, plant and equipment amounted to Rs. 821.69 Mn (2005 - Rs. 871.80 Mn) while the capital outlay of the Company on property, plant and equipment amounted to Rs. 481.21 Mn (2005 - Rs. 93.59 Mn). Details are given in note 11 to the financial statements on pages 24 and 25.

### Property, plant and equipment

The movement of property, plant and equipment during the year is given in note 11 to the financial statements on pages 24 and 25.

### Shareholdings

The Company is a subsidiary of Millers Limited. An analysis of shareholdings, according to the size of holding is given on pages 36 and 37.

### Directorate

The Directors listed on the inner back cover have been Directors of the Company throughout the year under review except Mr P S Mathavan who was co-opted to the Board on 9 February 2006. Mr M I Wahid resigned from the Board with effect from 31 January 2006.

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

Dr. D J Aloysius and Mr R Senathi Rajah also retire under the Company's Articles of Association. Pursuant to section 181 of the Companies Act No 17 of 1982 and under and by virtue of a Special Notice given by a shareholder referred to in the Notice of Meeting Dr. D J Aloysius and Mr R Senathi Rajah, who are over 70 years of age offer themselves for re-election.

Mr P S Mathavan too retires in terms of the Company's Articles of Association and being eligible offer himself for re-election.

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

### Directors' interests in contracts

The Directors' interests in contracts and proposed contracts with the Company are included in notes 29 and 30 to the financial statements on pages 34 and 35. The Directors have declared their interests at meetings of the Board.

### Directors' shareholdings

The Directors' shareholdings in the Company were as follows :

	As at 31-Mar-2006	As at 31-Mar-2005
Mr Anthony A Page	168,270	170,197
Mr V R Page	326,025	290,125
Mr S V Kodikara	2,000	2,000
Mr P S Mathavan	-	-
Dr D J Aloysius	1,078	2,652
Mr A T P Edirisinghe	1,232	1,232
Mr S E C Gardiner	7,120	7,120
Mr J C Page	59,965	57,465
Mr L R Page	2,169	2,169
Mr E A D Perera	500	500
Mr R Senathi Rajah	2,136	2,136
Mrs S R Thambiyah	1,000	1,000

### Donations

During the year donations amounting to Rs.302,272 (2005 - Rs 4,089,603) were made by the Company.

### Auditors

Messrs KPMG Ford, Rhodes, Thornton & Co. have expressed their willingness to accept re-appointment as Auditors.

By Order of the Board

**P E V Fernando**

Company Secretary

30 June 2006



SINCE 1844

## Statement of Directors' responsibilities

The Companies Act No. 17 of 1982 places the responsibility on the Directors to prepare and present financial statements for each year comprising a balance sheet as at the year end date and statements of income, cash flows and 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 (page 11).

Considering the present financial position of the Company 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, which have been consistently applied and supported, by reasonable and prudent judgments and estimates.

The Directors are responsible for ensuring that the Company maintains 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.

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

The Directors confirm that all statutory payments have been made up to date.

By order of the Board

**P E V Fernando**  
Company Secretary

30 June 2006

## Auditors' report

### Report of the auditors to the members of Cargills (Ceylon) Limited

We have audited the balance sheet of Cargills (Ceylon) Limited as at 31 March 2006, the consolidated balance sheet of the Company and its subsidiaries as at that date, and the related statements of income, cash flows and changes in equity for the year then ended, together with the accounting policies and notes as set out on pages 16 to 35 of the annual report.

### Respective responsibilities of Directors and auditors

The Directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

### Basis of opinion

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform our audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements assessing the accounting principles used and the significant estimates made by the Directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

### Opinion - Company

In our opinion, so far as appears from our examination, the Company maintained proper books of account for the year ended 31 March 2006, and to the best of our information and according to

the explanations given to us, the said balance sheet and related statements of income, cash flows and changes in equity and the accounting policies and notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act No. 17 of 1982 and give a true and fair view of the state of affairs of the Company as at 31 March 2006, and of its profit and cash flows for the year then ended.

### Opinion - Group

In our opinion, the consolidated balance sheet and the related statements of income, cash flow and changes in equity and the accounting policies and notes thereto, have been properly prepared and presented in accordance with the Companies Act No. 17 of 1982 and the Sri Lanka Accounting Standards, and give a true and fair view of the state of affairs as at 31 March 2006 and the profit and cash flows for the year then ended of the Company and its subsidiaries dealt with thereby, so far as concerns the members of the Company.

### Directors' interests in contracts with the Company

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31 March 2006 except as stated in notes 29 and 30 to these financial statements.

(Signed)

**KPMG Ford, Rhodes, Thornton & Co.**  
Chartered Accountants

30 June 2006



## Income statements

For the year ended 31 March	Note	Group		Company	
		2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
<b>Gross turnover</b>		14,221,264	10,727,029	8,150,712	7,307,064
Turnover tax		(131,048)	(97,998)	(78,169)	(70,262)
<b>Net turnover</b>	2	14,090,216	10,629,031	8,072,543	7,236,802
Cost of sales	3	(13,072,151)	(9,745,096)	(7,576,610)	(6,823,407)
<b>Gross profit</b>		1,018,065	883,935	495,933	413,395
Other operating income	4	249,652	179,555	136,962	109,995
Administrative expenses		(386,339)	(394,282)	(234,251)	(194,433)
Selling and distribution expenses		(252,944)	(216,111)	(61,587)	(59,886)
Other operating expenses		(76,741)	(68,158)	(9,503)	(7,090)
<b>Profit from operations</b>	5	551,693	384,939	327,554	261,981
Finance cost	6	(195,664)	(175,240)	(108,141)	(95,330)
Finance income	7	-	-	24,328	23,505
<b>Profit before taxation</b>		356,029	209,699	243,741	190,156
Income tax expense	8	(174,968)	(33,485)	(93,626)	(22,280)
<b>Profit after taxation</b>		181,061	176,214	150,115	167,876
Minority interest		(11,136)	(18,376)	-	-
<b>Profit attributable to shareholders</b>		169,925	157,838	150,115	167,876
<i>Earnings per share (Rs.)</i>	10	30.34	28.18	26.81	29.98
<i>Dividend per share (Rs.)</i>		11.62	6.00	10.60	6.00

The accounting policies and notes from pages 16 to 35 form an integral part of these financial statements.

## Balance sheets

As at 31 March	Note	Group		Company	
		2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
<b>ASSETS</b>					
<b>Non current assets</b>					
Property, plant and equipment	11	3,656,205	3,240,474	1,780,872	1,412,940
Intangible assets	12	32,731	42,218	-	-
Long term investments	13	46,366	46,366	581,812	131,812
Long term loan to subsidiary	14	-	-	24,000	24,000
		<b>3,735,302</b>	<b>3,329,058</b>	<b>2,386,684</b>	<b>1,568,752</b>
<b>Current assets</b>					
Inventories	15	1,121,948	895,521	667,869	520,156
Trade and other receivables	16	439,197	406,831	222,564	201,993
Amounts due from holding company		68,797	1,735	1,727	1,735
Amounts due from subsidiary companies		-	-	857,103	1,295,536
Amounts due from other related companies		4,416	4,382	4,416	4,382
Short term investments	13	7,676	5,400	7,556	5,400
Cash and bank balances	17	94,958	49,652	74,084	30,489
		<b>1,736,992</b>	<b>1,363,521</b>	<b>1,835,319</b>	<b>2,059,691</b>
<b>Total assets</b>		<b>5,472,294</b>	<b>4,692,579</b>	<b>4,222,003</b>	<b>3,628,443</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	18	56,000	56,000	56,000	56,000
Reserves	19	766,012	778,611	729,223	729,223
Accumulated profit		213,146	108,289	381,851	291,096
Shareholders' funds		1,035,158	942,900	1,167,074	1,076,319
Minority interest		156,700	145,564	-	-
		<b>1,191,858</b>	<b>1,088,464</b>	<b>1,167,074</b>	<b>1,076,319</b>
<b>Non current liabilities</b>					
Borrowings	20	98,230	140,375	-	-
Deferred taxation	21	198,177	145,535	148,664	120,381
Retirement benefit obligations	22	52,219	40,508	45,044	34,284
		<b>348,626</b>	<b>326,418</b>	<b>193,708</b>	<b>154,665</b>
<b>Current liabilities</b>					
Trade and other payables	23	2,034,649	1,585,198	1,802,639	1,343,346
Amounts due to holding company		59,880	69,673	59,139	69,673
Amounts due to subsidiary companies		2,103	-	17,364	6,786
Amounts due to other related companies		-	1,232	-	1,232
Dividend payable	24	4,229	2,697	4,229	2,697
Borrowings	20	1,830,949	1,618,897	977,850	973,725
		<b>3,931,810</b>	<b>3,277,697</b>	<b>2,861,221</b>	<b>2,397,459</b>
<b>Total equity and liabilities</b>		<b>5,472,294</b>	<b>4,692,579</b>	<b>4,222,003</b>	<b>3,628,443</b>

The Board of Directors is responsible for the preparation and presentation of these financial statements. The accounting policies and notes from pages 16 to 35 form an integral part of these financial statements. These financial statements have been approved by the Board on 30 June 2006.

Signed for and on behalf of the Board

**V R Page** (Deputy Chairman / Managing Director)  
**P S Mathavan** (Executive Director)

Colombo

## Cash flow statements

For the year ended 31 March	Note	Group		Company	
		2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
<b>Cash flows from operating activities</b>					
Profit from operations		551,693	384,939	327,554	261,981
Adjustments for :					
Depreciation/ amortisation	11	355,144	248,173	105,642	102,224
Provision for gratuity	22	15,194	9,865	14,446	9,124
Amortisation of intangible assets	12	13,537	16,117	-	-
Amortisation of capital reserve	19	(12,599)	(17,091)	-	-
Profit on disposal of property, plant and equipment		(4,386)	(4,008)	(2,351)	(3,604)
Dividend income		(3,773)	(3,302)	(9,766)	(3,302)
Operating profit before working capital changes		914,810	634,693	435,525	366,423
Increase in inventories		(226,427)	(179,500)	(147,713)	(24,508)
Decrease in trade and other receivables		41,513	71,892	17,290	37,109
(Increase)/decrease in related company receivables		(67,096)	331	438,407	(608,321)
Increase in trade and other payables		304,917	233,131	379,940	241,802
Increase/(decrease) in related company payables		(19,660)	25,804	(451,189)	12,541
<b>Cash generated from operations</b>		<b>948,057</b>	<b>786,351</b>	<b>672,260</b>	<b>25,046</b>
Tax paid		(68,053)	(62,143)	(37,861)	(50,000)
Interest paid	6	(195,664)	(175,240)	(108,141)	(95,330)
Interest received	7	-	-	24,328	23,505
Gratuity paid	22	(3,686)	(2,560)	(3,686)	(2,202)
<b>Net cash generated from/(used in) operating activities</b>		<b>680,654</b>	<b>546,408</b>	<b>546,900</b>	<b>(98,981)</b>
<b>Cash flows from investing activities</b>					
Additions to property, plant and equipment		(793,952)	(896,640)	(475,204)	(93,595)
Addition to intangible assets	12	(4,050)	(9,948)	-	-
Proceeds from disposal of property, plant and equipment		27,464	4,265	3,981	3,717
Investments		(85,319)	(5,400)	(47,384)	(5,400)
Proceeds from disposal of investments		110,366	-	59,239	61,869
Dividend received		3,773	3,302	9,766	3,302
<b>Net cash used in investing activities</b>		<b>(741,718)</b>	<b>(904,421)</b>	<b>(449,602)</b>	<b>(30,107)</b>
Cash flow before financing activities		(61,064)	(358,013)	97,298	(129,088)
<b>Cash flows from financing activities</b>					
Temporary borrowings/(repayment)- net		230,303	293,948	280,326	49,674
Repayment of long term loans	20	(93,280)	(93,480)	-	-
Proceeds from issue of shares		-	57,960	-	-
Dividend paid		(63,537)	(32,518)	(57,828)	(32,518)
<b>Net cash generated from financing activities</b>		<b>73,486</b>	<b>225,910</b>	<b>222,498</b>	<b>17,156</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>12,422</b>	<b>(132,102)</b>	<b>319,796</b>	<b>(111,932)</b>
Cash and cash equivalents at the beginning of the year		(783,278)	(651,176)	(643,562)	(531,630)
<b>Cash and cash equivalents at the end of the year</b>	17	<b>(770,856)</b>	<b>(783,278)</b>	<b>(323,766)</b>	<b>(643,562)</b>

The accounting policies and notes from pages 16 to 35 form an integral part of these financial statements.



## Statements of changes in equity

	Share capital Rs.'000	Share premium Rs.'000	Revaluation reserve Rs.'000	Capital reserve on consolidation Rs.'000	General reserve Rs.'000	Accumulated profits Rs.'000	Total Rs.'000
<b>Group</b>							
Balance as at 1 April 2004	56,000	74,723	619,000	64,744	35,500	72,607	922,574
Effect of reduction in holding in subsidiary	-	-	-	(22,455)	-	(88,556)	(111,011)
From issue of new shares by subsidiary	-	24,190	-	-	-	-	24,190
Net profit for the year	-	-	-	-	-	157,838	157,838
Dividends	-	-	-	-	-	(33,600)	(33,600)
Amortisation	-	-	-	(17,091)	-	-	(17,091)
Balance as at 31 March 2005	56,000	98,913	619,000	25,198	35,500	108,289	942,900
Balance as at 1 April 2005	56,000	98,913	619,000	25,198	35,500	108,289	942,900
Net profit for the year	-	-	-	-	-	169,925	169,925
Dividends	-	-	-	-	-	(65,068)	(65,068)
Amortisation	-	-	-	(12,599)	-	-	(12,599)
<b>Balance as at 31 March 2006</b>	<b>56,000</b>	<b>98,913</b>	<b>619,000</b>	<b>12,599</b>	<b>35,500</b>	<b>213,146</b>	<b>1,035,158</b>
<b>Company</b>							
Balance as at 1 April 2004	56,000	74,723	619,000	-	35,500	156,820	942,043
Net profit for the year	-	-	-	-	-	167,876	167,876
Dividends	-	-	-	-	-	(33,600)	(33,600)
Balance as at 31 March 2005	56,000	74,723	619,000	-	35,500	291,096	1,076,319
Balance as at 1 April 2005	56,000	74,723	619,000	-	35,500	291,096	1,076,319
Net profit for the year	-	-	-	-	-	150,115	150,115
Dividends	-	-	-	-	-	(59,360)	(59,360)
<b>Balance as at 31 March 2006</b>	<b>56,000</b>	<b>74,723</b>	<b>619,000</b>	<b>-</b>	<b>35,500</b>	<b>381,851</b>	<b>1,167,074</b>

The accounting policies and notes from pages 16 to 35 form an integral part of these financial statements.

## Notes to the financial statements

For the year ended 31 March 2006

### 1. Accounting policies

#### 1.1 General

The balance sheet, statements of income, cash flows and changes in equity together with the accounting policies and notes to the financial statements of the group are prepared in accordance with the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

The financial statements of the group are prepared under the historical cost convention except for the revaluation of property, plant and equipment as stated in note 11 to the financial statements.

The financial statements are prepared in Sri Lanka Rupees (Rs.)

#### Basis of consolidation

The group financial statements comprise a consolidation of the financial statements of the Company and its subsidiaries in terms of the Sri Lanka Accounting Standard No.26 - "Consolidated financial statement and accounting for investment in subsidiaries". All the companies in the group have a common financial year, which ends on 31 March.

The total profits or losses of subsidiary companies are included in the consolidated income statement and the proportion of the profit or loss after taxation applicable to outside shareholders is deducted in arriving at the profit or loss attributable to the shareholders of the Company.

All assets and liabilities of the Company and its subsidiaries are included in the consolidated balance sheet. The interest of the outside shareholders in the net assets is stated separately in the consolidated balance sheet under the heading 'Minority interest'.

Goodwill arising in connection with the acquisition of subsidiaries, which is the excess of purchase price or consideration over the net assets acquired, is shown as a non current asset in the balance sheet and amortised over a period of five years commencing from the year in which it arose.

The excess of the net assets of the subsidiaries over the purchase price or consideration at the date of acquisition is treated as deferred income and shown as 'capital reserve on consolidation' under reserves in the group's balance sheet. Such deferred income is treated as surplus on acquisitions and is recognized as income on a systematic basis over a period of five years commencing from the year in which it arose.

#### Foreign exchange

Transactions arising in foreign currencies are converted into Sri Lanka Rupees at the exchange rate prevailing at the date of the transaction.

Assets and liabilities in foreign currencies are translated into Sri Lanka Rupees at the appropriate exchange rate prevailing at the balance sheet date. Profit or loss arising therefrom is taken up in the income statement.

#### Taxation

The provision for income tax is based on the element of income and expenditure as reported in the financial statements.

The liability for taxation has been computed according to the provisions of the Inland Revenue Act No.38 of 2000 and subsequent amendments thereto, taking into consideration the maximum relief available to investors. Relevant details have been disclosed in note 8 to the financial statements.

Provision has been made for deferred taxation based on the liability method in respect of :

- a) Excess capital allowance claimed over historical cost depreciation.
- b) Other material timing differences in the accounts only in so far as a liability is reasonably expected to crystallise.

#### Borrowing cost

All borrowing costs are recognized as an expense in the period in which they are incurred except to the extent that they are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use and are capitalised as part of the asset.

#### Comparative information

The accounting policies have been consistently applied by the Company and are consistent with those of the previous year and the previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

#### Events after the balance sheet date

All material events occurring after the balance sheet date are considered, and where appropriate, adjustments or disclosures are made in the financial statements.

## Notes to the financial statements *contd...*

For the year ended 31 March 2006

### 1.2 Assets and bases of their valuation

#### Property, plant and equipment

The property, plant and equipment are stated at cost / valuation less accumulated depreciation. The cost of property, plant and equipment is the cost of purchase or construction together with any incidental expenses thereon.

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business has been treated as capital expenditure.

The land has been subsequently revalued and the resultant surplus has been credited to the revaluation reserve. The revalued amount is the market value of the asset as determined by an independent professional valuer on the date of valuation.

#### Depreciation / amortisation

Depreciation / amortisation has been provided on a consistent basis so as to write off the cost over their estimated useful lives as follows :

Freehold buildings	2%
Plant and machinery	20%
Office equipment	20%
Furniture and fittings	20%
Motor vehicles	25%
Air-conditioners and refrigerators	10%
Improvements to leasehold buildings	10% - 25%

Buildings constructed on leasehold land is amortised over the lower of lease period or their economic useful life.

A full year's depreciation is provided on property, plant and equipment in the year of disposal whereas no depreciation is charged in the year of purchase.

The Company uses the reducing balance method, (except for the amortisation of improvements on leasehold buildings and buildings constructed on leasehold land which is amortised on a straight line basis) whereas the subsidiary companies use the straight-line method in computing depreciation.

#### Leased assets

Where assets are financed by an agreement under which substantially all the risks and rewards of ownership are transferred to the lessee, such assets are recorded in the balance sheet as property, plant and equipment at their cash price.

The total interest payable is accounted as interest in suspense, and the corresponding credit is recorded as an amount payable to the lessor. The installments paid are used to reduce this liability.

An amount equal to the interest charge for the year is transferred from interest in suspense account to the income statement.

#### Intangible Assets

An intangible asset is recognised if it is probable that future economic benefit will flow to the enterprise, and the cost of the asset can be measured reliably.

Intangible assets other than goodwill are amortised on a straight-line basis, from the date when the asset is available for use, over a period of 10 years.

#### Investments

Marketable securities which are classified as short term investments are carried at lower of cost and market value, on an aggregate portfolio basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of the business on the balance sheet date.

Long term investments are shown at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to income statement.

#### Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

The cost of each category of inventory of the Company and its subsidiaries other than Cargills Food Processors (Private) Limited and Cargills Food Services (Private) Limited are determined on the following basis.

- Inventories and merchandising stocks at the warehouse and retail outlets are valued at actual cost on a weighted average basis.
- Work in progress is valued at direct material cost.
- Goods in transit are valued at actual cost.
- Consumables are valued at actual cost on a weighted average basis.

## Notes to the financial statements *contd...*

For the year ended 31 March 2006

Food and beverages and consumables of the subsidiaries Cargills Food Processors (Private) Limited and Cargills Food Services (Private) Limited are valued on a weighted average basis.

### Trade and other receivables

Trade and other receivables are stated at the amount that they are estimated to realise. Provision is made in the financial statements for bad and doubtful debts.

### Investments

Investments of a long-term nature are carried at cost. No adjustment is made for fall in value of these investments, unless it is deemed to be permanent.

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits in bank and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of change in value.

For the purpose of cash flow statements cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdraft.

For the purpose of presentation of cash flow statement, interest paid and received are classified as operating cash flows, dividend received is classified as investing cash flows while dividends paid are classified as financing cash flows. Cash flow statement is prepared based on the indirect method.

### 1.3 Liabilities and provisions

#### Liabilities

Liabilities classified as current liabilities in the balance sheet are those obligations payable on demand or within one year from the balance sheet date. Liabilities classified as non current liabilities are those obligations that extend beyond a period of one year from the balance sheet date.

#### Provisions

Provisions are recognized when the Company has a legal or constructive obligation, as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

#### Capital commitments and contingencies

All material capital expenditure commitments and contingent liabilities as at the balance sheet date have been disclosed in the notes to the financial statements.

### Retirement benefit cost

#### Defined benefit plans - Retirement gratuity

Full provision has been made in the financial statements for all the employees in conformity with the Sri Lanka Accounting Standards No. 16-Retirement Benefit cost, at one half month salary for each completed year of service. However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company. This liability, which is classified as a non current liability, is not externally funded or actuarially valued.

#### Defined contribution plans - Employees' Provident Fund and Employees' Trust Fund

All the employees who are eligible for employees' provident fund and employees' trust fund contributions are covered by relevant contributions funds in line with respective statutes and regulations.

Contribution to provident fund and trust fund covering the employees are recognized as an expense in the income statement in the period in which it is incurred.

#### Bills payable

The Company accounts for the liability on receipt of documents for clearance.

### 1.4 Income statement

#### Presentation

The income statement is presented on the 'function of expenses' format as prescribed by Sri Lanka Accounting Standard No 3.

#### Turnover

The turnover of the group and the Company represents the invoiced value of goods, net of discounts and returns. Intra group sales are excluded in computing group turnover.

#### Revenue recognition

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

Revenue from retail, distribution, restaurant and manufacturing operations are recognized at the point of invoicing.

Rental income is recognized on an accrual basis.

Interest income is recognized as the interest accrues unless future collection is in doubt.

## Notes to the financial statements *contd...*

For the year ended 31 March 2006

Dividend income is accounted as income when the dividend is received.

Gains or losses on disposal of property, plant and equipment are accounted for in the income statement.

All other income is recognized on an accrual basis.

### Expenditure recognition

All expenditure incurred in running the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year.

### 1.5 Segmental reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment) or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The businesses of the group fall under the foods and beverages and distribution categories. There are no distinguishable components to be identified as geographical segment for the group. The business segments are reported based on the group's management and internal reporting structure.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenues, interest bearing loans, borrowings and expenses, corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets, which are expected to be used for more than one accounting period.

## Notes to the financial statements *contd...*

For the year ended 31 March 2006

2. Net turnover	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
Food and beverage	14,911,862	11,432,319	7,968,422	7,130,321
Wholesale distribution	379,043	280,492	104,121	106,481
	15,290,905	11,712,811	8,072,543	7,236,802
Inter segment sales	(1,200,689)	(1,083,780)	-	-
	14,090,216	10,629,031	8,072,543	7,236,802

### 2. (a) Geographical dispersion of turnover

The group does not distinguish its turnover into significant geographical segments. The entirety of the turnover consists of turnover within Sri Lanka.

### 3. Cost of sales

Cost of sales of the Company and group includes direct operating costs of restaurants, super markets and factories.

4. Other operating income	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
Dividend income	3,773	3,302	9,766	3,302
Rental income	17,859	19,947	16,455	16,913
Profit on sale of property, plant and equipment	4,386	4,008	2,351	3,604
Merchandising income	149,364	108,881	95,043	84,999
Profit on sale of investments	24,966	-	11,009	-
Amortisation of surplus on acquisition	12,599	17,091	-	-
Sundry income	36,705	26,326	2,338	1,177
	249,652	179,555	136,962	109,995

## Notes to the financial statements *contd...*

For the year ended 31 March 2006

5. Profit from operations	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
Profit from operations is stated after charging all expenses including the following :				
Personnel costs [refer note 5 (a)]	759,210	562,427	395,683	309,795
Audit and other professional services	1,129	990	552	480
Depreciation	355,144	248,173	105,642	102,224
Donations	398	4,089	302	4,089
Amortisation of intangible assets	13,537	16,117	-	-
Foreign exchange loss	2,208	-	2,208	-

5. (a) Personnel costs	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
Salaries, wages and other related costs	699,820	519,358	355,769	284,145
Defined benefit plan cost - retirement gratuity	15,194	12,044	14,446	8,122
Defined contribution plan cost - EPF and ETF	44,196	31,025	25,468	17,528
	<u>759,210</u>	<u>562,427</u>	<u>395,683</u>	<u>309,795</u>
The above includes Directors' emoluments	16,479	12,250	15,514	10,594

The number of employees at the end of the year is 3,775 ( 2005 - 3,176).

6. Finance cost	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
Interest on;				
Commercial papers and loans	96,994	97,605	36,163	33,113
Bank overdrafts	75,501	66,453	54,367	52,005
Other loans and bank charges	22,841	10,845	17,284	9,875
Staff security deposits	328	337	327	337
	<u>195,664</u>	<u>175,240</u>	<u>108,141</u>	<u>95,330</u>

7. Finance income	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
Interest on;				
Loans and advances given to related companies	-	-	24,328	23,505

## Notes to the financial statements *contd...*

For the year ended 31 March 2005

8. Income tax expense	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
Income tax	114,682	41,603	65,343	26,082
Irrecoverable ESC	5,916	-	-	-
Under provision in previous year	1,728	-	-	-
Deferred tax (refer note 21)	52,642	(8,118)	28,283	(3,802)
	<u>174,968</u>	<u>33,485</u>	<u>93,626</u>	<u>22,280</u>

- (a) The Company and the subsidiaries excluding which enjoying tax holiday as referred to below in note 8(c) are liable for income tax at rates ranging from 20% to 32.5% on their taxable income.
- (b) The Company is entitled to take cognizance of the 2.5% bonus rate reduction in arriving at the tax charge for the year.
- (c) Subsidiary company enjoying tax holiday :  
Cargills Retail (Private) Limited - In terms of the agreement entered into with the Board of Investment (BOI) of Sri Lanka, the company would be exempt from income tax for a period of 5 years. The exemption would commence from the year in which the company makes profit or any year not less than 2 years from the date of commercial operation. (ie. The exemption would commence from the year of assessment 2005/06)
- (d) During the year the Company and the subsidiaries paid Economic Service Charge (ESC) amounting to Rs. 37.8 Mn and Rs.20.4 Mn respectively.
- (e) Reconciliation between tax charge and profit before tax is given below :

	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
Profit before tax	356,029	209,699	243,741	190,156
Aggregate disallowed expenses	291,732	260,193	126,144	114,741
Aggregate allowable expenses	(192,331)	(218,799)	(131,302)	(120,923)
Aggregate exempt income	(34,733)	(3,302)	(20,775)	(3,302)
Adjusted profit	420,697	247,791	217,808	180,672
Tax losses brought forward	353,144	354,795	-	48,419
Tax losses added	-	23,146	-	-
Tax losses utilised	(55,124)	(24,799)	-	(48,419)
Tax losses carried forward	298,020	353,144	-	-
Investment tax allowances brought forward	-	45,314	-	45,314
Investment tax allowance utilised	-	(45,314)	-	(45,314)
Investment tax allowance carried forward	-	-	-	-
Taxable income	365,573	134,696	217,808	86,939
Income tax @ 32.5%	49,339	15,521	-	-
Income tax @ 30%	65,343	26,082	65,343	26,082
Income tax expense	114,682	41,603	65,343	26,082
Irrecoverable ESC	5,916	-	-	-
Under provision in previous year	1,728	-	-	-
Deferred tax charge / (credit)	52,642	(8,118)	28,283	(3,802)
Total tax charge	<u>174,968</u>	<u>33,485</u>	<u>93,626</u>	<u>22,280</u>



## Notes to the financial statements *contd...*

For the year ended 31 March 2006

9. Segmental profit	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
<b>Segmental profit before unallocated overheads</b>				
Food & Beverages	723,909	521,550	508,480	415,030
Wholesale distribution operation	27,104	31,082	27,104	21,169
	<b>751,013</b>	<b>552,632</b>	<b>535,584</b>	<b>436,199</b>
Unallocated overheads	(220,014)	(191,916)	(234,251)	(194,433)
Dividend income	3,773	3,302	9,766	3,302
Rental income	17,859	19,947	16,455	16,913
Amortisation of intangible assets	(13,537)	(16,117)	-	-
Amortisation of reserve on consolidation	12,599	17,091	-	-
Finance costs	(195,664)	(175,240)	(108,141)	(95,330)
Finance income	-	-	24,328	23,505
Income tax expense	(174,968)	(33,485)	(93,626)	(22,280)
<b>Profit after taxation</b>	<b>181,061</b>	<b>176,214</b>	<b>150,115</b>	<b>167,876</b>

10. Earnings per share	Group		Company	
	2006	2005	2006	2005
<b>Amount used as the numerator</b>				
Net profit attributable to ordinary shareholders (Rs. '000)	169,925	157,838	150,115	167,876
<b>Number of shares used as the denominator</b>				
Weighted average number of ordinary shares in issue	5,600	5,600	5,600	5,600
<b>Earnings per share (Rs.)</b>	<b>30.34</b>	<b>28.18</b>	<b>26.81</b>	<b>29.98</b>

Basic earnings per share is calculated based on the net profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

## Notes to the financial statements *contd...*

As at 31 March 2006

11. Property, plant and equipment Group	Freehold land	Freehold buildings	Improve- ments to leasehold buildings	Plant, machinery and others	Motor vehicles	Total 2006	Total 2005
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost / valuation</b>							
As at 1 April	722,674	304,727	618,536	1,998,594	157,190	3,801,721	2,938,284
Additions	-	29,524	104,679	670,698	16,798	821,699	871,804
Disposals	-	-	(4,357)	(22,223)	(6,393)	(32,973)	(8,367)
As at 31 March	722,674	334,251	718,858	2,647,069	167,595	4,590,447	3,801,721
<b>Depreciation / amortisation</b>							
As at 1 April	-	74,786	180,768	570,385	59,118	885,057	640,136
Charge for the year	-	19,824	90,072	212,861	32,387	355,144	248,173
Disposals	-	-	-	(3,998)	(5,898)	(9,896)	(3,252)
As at 31 March	-	94,610	270,840	779,248	85,607	1,230,305	885,057
<b>Net book value</b>							
As at 31 March	722,674	239,641	448,018	1,867,821	81,988	3,360,142	
Capital work in progress	-	-	-	-	-	296,063	
	722,674	239,641	448,018	1,867,821	81,988	3,656,205	
As at 1 April	722,674	229,941	437,768	1,428,209	98,072		2,916,664
Capital work in progress	-	-	-	-	-		323,810
	722,674	229,941	437,768	1,428,209	98,072		3,240,474
<b>Company</b>							
	Freehold land	Freehold buildings	Improve- ments to leasehold buildings	Plant, machinery and others	Motor vehicles	Total 2006	Total 2005
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost / valuation</b>							
As at 1 April	700,923	92,296	282,414	716,273	40,009	1,831,915	1,745,521
Additions	-	29,524	24,007	427,228	457	481,216	93,595
Disposals	-	-	-	(2,347)	(4,565)	(6,912)	(7,201)
As at 31 March	700,923	121,820	306,421	1,141,154	35,901	2,306,219	1,831,915
<b>Depreciation / amortisation</b>							
As at 1 April	-	6,387	146,621	259,190	14,079	426,277	326,286
Charge for the year	-	1,616	30,141	67,391	6,494	105,642	102,224
Disposals	-	-	-	(1,213)	(4,069)	(5,282)	(2,233)
As at 31 March	-	8,003	176,762	325,368	16,504	526,637	426,277
<b>Net book value</b>							
As at 31 March	700,923	113,817	129,659	815,786	19,397	1,779,582	
Capital work in progress	-	-	-	-	-	1,290	
	700,923	113,817	129,659	815,786	19,397	1,780,872	
As at 1 April	700,923	85,909	135,793	457,083	25,930		1,405,638
Capital work in progress	-	-	-	-	-		7,302
	700,923	85,909	135,793	457,083	25,930		1,412,940

## Notes to the financial statements *contd...*

As at 31 March 2006

- (a) Additions to improvements to leasehold buildings of the group and the Company include cost of Rs. 30.11 Mn and Rs. 18.38 Mn in respect of new buildings constructed on leasehold lands, which are depreciated over the lower of lease period or their useful economic life.
- (b) Capital work in progress consists of expenditure incurred on projects where operations had not commenced as at the balance sheet date.
- (c) Improvements to leasehold buildings represent the cost incurred in setting up new outlets.
- (d) Freehold land owned by the Company was revalued as at 31 March 2003 by an independent professional valuer on a contractor's principle basis and the revalued amount was accordingly incorporated in the financial statements. This revaluation has been carried out in conformity with the requirements of the Sri Lanka Accounting Standard No 18 "Property, plant and equipment". The surplus on revaluation was credited to the Revaluation Reserve Account.
- (e) The carrying amount of the revalued freehold land as at 31 March 2006 that would have been included in the financial statements had the freehold land been carried at cost is Rs. 14.19 Mn.
- (f) The independent professional valuer also valued the freehold buildings of the Company and the freehold land and buildings of the subsidiary, Cargills Quality Foods (Private) Limited, the details of which are as follows :

	Cost Rs. '000	Revalued amount Rs. '000	Date of valuation
<b>Cargills (Ceylon) Limited</b>			
Freehold buildings	21,228	279,430	31 March 2003
<b>Cargills Quality Foods (Private) Limited</b>			
Freehold land	9,644	32,840	31 March 1995
Freehold buildings	9,811	13,505	31 March 1995
	40,683	325,775	

However, these have not been incorporated in the financial statements as at 31 March 2006.

## Notes to the financial statements *contd...*

As at 31 March 2006

12. Intangible assets	Goodwill		Franchisee fee		Total	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
<b>Gross value</b>						
As at 1 April	68,000	85,870	35,108	25,160	103,108	111,030
Additions	-	-	4,050	9,948	4,050	9,948
Effect of reduction in holding in subsidiary	-	(17,870)	-	-	-	(17,870)
As at 31 March	68,000	68,000	39,158	35,108	107,158	103,108
<b>Amortisation</b>						
As at 1 April	47,949	34,348	12,941	10,425	60,890	44,773
Amortisation for the year	10,026	13,601	3,511	2,516	13,537	16,117
As at 31 March	57,975	47,949	16,452	12,941	74,427	60,890
<b>Balance as at 31 March - net</b>	<b>10,025</b>	<b>20,051</b>	<b>22,706</b>	<b>22,167</b>	<b>32,731</b>	<b>42,218</b>

13. Investments	Holding %	No of ordinary shares	Group		Company	
			2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
<b>Long term investments</b>						
Quoted :						
CT Land Development Limited	10.75	5,241,457	29,610	29,610	29,610	29,610
Lanka Ceramics Limited	2.50	750,000	15,931	15,931	15,931	15,931
Un quoted :						
Cargills Quality Foods (Private) Limited	53.33	1,566,667	-	-	60,446	60,446
CT Films (Private) Limited	33.00	82,500	825	825	825	825
Cargills Retail (Private) Limited	100.00	47,500,002	-	-	475,000	25,000
Others [refer note (d) below]			-	-	-	-
			<b>46,366</b>	<b>46,366</b>	<b>581,812</b>	<b>131,812</b>
<b>Short term investments</b>						
Quoted :						
Lanka IOC Limited			5,400	5,400	5,400	5,400
Dialog Telekom Limited			1,030	-	1,030	-
Sierra Cables Limited			150	-	30	-
Commercial Bank of Ceylon Limited			804	-	804	-
Hemas Holdings Limited			292	-	292	-
			<b>7,676</b>	<b>5,400</b>	<b>7,556</b>	<b>5,400</b>

## Notes to the financial statements *contd...*

As at 31 March 2006

### Notes:

- (a) The nominal value per share of all investments is Rs 10 except for the investments in Dialog Telekom Limited and Sierra Cables Limited whose nominal value per share is Rs. 1.
- (b) The market value of quoted investments as at 31 March 2006, as quoted by the Colombo Stock Exchange amounted to Rs. 107,472,543 (2005 - Rs. 91,755,389)
- (c) The results of the associate company, CT Films (Private) Limited has not been accounted under the equity method of accounting, in view of the insignificant amounts involved in terms of operations since acquisition.
- (d) The investment of the Company in Cargills Developers (Private) Limited amounted to Rs. 20 (2005 - Rs. 20) and other investments of the group amounted to Rs. 125 (2005 - Rs. 125).
- (e) Cargills Quality Foods (Private) Limited and Cargills Retail (Private) Limited are subsidiaries of Cargills (Ceylon) Limited.
- (f) CPC Agrifoods Limited, CPC Lanka Limited, Cargills Quality Dairies (Private) Limited, Cargills Distributors (Private) Limited and Cargills Food Processors (Private) Limited are subsidiaries of Cargills Quality Foods (Private) Limited (CQF). The financial statements of the said subsidiaries of CQF have been consolidated as 100% subsidiaries in view of the minority shareholders (subscriber shares) confirming that they hold the shares in trust for CQF.
- (g) The financial statements of Cargills Food Services (Private) Limited (CFS) has been consolidated with that of Cargills Food Processors (Private) Limited (CFP) as a 100% subsidiary in view of the two shareholders of CFS holding the shares in trust for CFP.
- (h) 1,500,000 shares held in CT Land Development Limited were held as security by Commercial Bank of Ceylon Limited for borrowing facilities granted.

### 14. Long term loan to subsidiary

This represents a loan granted to Cargills Quality Foods (Private) Limited, for which no repayment terms have been agreed upon. The loan carries interest at the rate of 11% p.a.

### 15. Inventories

	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
Raw materials	133,660	150,959	-	-
Work in progress	2,030	-	-	-
Merchandising stock for sale	949,036	710,589	648,383	495,658
Food and beverages - restaurant operations	11,853	8,960	-	-
Goods in transit	982	16,391	-	15,876
Consumables	24,387	8,622	19,486	8,622
	<b>1,121,948</b>	<b>895,521</b>	<b>667,869</b>	<b>520,156</b>

## Notes to the financial statements *contd...*

As at 31 March 2006

16. Trade and other receivables	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
Trade receivables	122,129	165,157	25,917	37,174
Other receivables, pre payments and deposits	191,337	136,212	93,716	92,096
Loans and advances [refer note 16 (a)]	1,658	1,351	1,658	1,249
Tax recoverable [refer note 16 (b)]	129,091	108,378	105,540	75,741
	<u>444,215</u>	<u>411,098</u>	<u>226,831</u>	<u>206,260</u>
Provision for bad and doubtful debts	(5,018)	(4,267)	(4,267)	(4,267)
	<u>439,197</u>	<u>406,831</u>	<u>222,564</u>	<u>201,993</u>

### 16. (a) Loans and advances represents loans to employees and the movement during the year is as follows :

As at 1 April	1,351	1,103	1,249	1,001
Loans granted	1,248	3,160	1,350	3,160
	<u>2,599</u>	<u>4,263</u>	<u>2,599</u>	<u>4,161</u>
Repayments	(941)	(2,912)	(941)	(2,912)
As at 31 March	<u>1,658</u>	<u>1,351</u>	<u>1,658</u>	<u>1,249</u>

### 16. (b) Tax recoverable

This includes Economic Service Charge and Withholding Tax recoverable amounts.

17. Cash and cash equivalents	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
Cash and bank balances	94,958	49,652	74,084	30,489
Bank overdrafts (refer note 20)	(865,814)	(832,930)	(397,850)	(674,051)
	<u>(770,856)</u>	<u>(783,278)</u>	<u>(323,766)</u>	<u>(643,562)</u>

18. Share capital	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
<b>Authorised :</b>				
10,000,000 Ordinary shares of Rs. 10 each	100,000	100,000	100,000	100,000
<b>Issued and fully paid :</b>				
5,600,000 Ordinary shares of Rs 10 each.	56,000	56,000	56,000	56,000

## Notes to the financial statements *contd...*

As at 31 March 2006

19. Reserves	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
<b>Capital reserves</b>				
Share premium	98,913	98,913	74,723	74,723
Capital reserve on consolidation [refer note 19(a)]	12,599	25,198	-	-
Revaluation reserve	619,000	619,000	619,000	619,000
	<b>730,512</b>	<b>743,111</b>	<b>693,723</b>	<b>693,723</b>
<b>Revenue reserve</b>				
General reserve	35,500	35,500	35,500	35,500
	<b>766,012</b>	<b>778,611</b>	<b>729,223</b>	<b>729,223</b>
<b>19. (a) Capital reserve on consolidation</b>				
<b>Gross value</b>				
As at 1 April	85,451	107,906	-	-
Effect of reduction in holding in subsidiary	-	(22,455)	-	-
As at 31 March	<b>85,451</b>	<b>85,451</b>	<b>-</b>	<b>-</b>
<b>Amortisation</b>				
As at 1 April	60,253	43,162	-	-
Amortisation for the year	12,599	17,091	-	-
As at 31 March	<b>72,852</b>	<b>60,253</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 March - net</b>	<b>12,599</b>	<b>25,198</b>	<b>-</b>	<b>-</b>

The movement in the above reserves is given in the statement of changes in equity (page 15).

## Notes to the financial statements *contd...*

As at 31 March 2006

20. Borrowings	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
<b>Non current</b>				
As at 1 April	272,390	365,870	-	-
Loans received	-	-	-	-
Repayments	(93,280)	(93,480)	-	-
As at 31 March	179,110	272,390	-	-
Falling due within one year	(80,880)	(132,015)	-	-
	<u>98,230</u>	<u>140,375</u>	<u>-</u>	<u>-</u>
<b>Current</b>				
Current portion of long term loan	80,880	132,015	-	-
Commercial papers and short term loans	884,255	653,952	580,000	299,674
Bank overdraft	865,814	832,930	397,850	674,051
	<u>1,830,949</u>	<u>1,618,897</u>	<u>977,850</u>	<u>973,725</u>

### Details of borrowings

- a) The bank overdraft facility of Rs. 80 Mn and term loans of Rs. 125 Mn and Rs. 25 Mn of Cargills Quality Dairies (Private) Limited from Seylan Bank Limited are secured as follows :
- Primary mortgage for Rs. 95 Mn over leasehold land and building at Baduragoda which is pending.
  - Primary mortgage bond for Rs. 95 Mn over plant and machinery.
  - Corporate guarantee from Cargills (Ceylon) Limited for Rs. 250 Mn.
- These loans carry an interest rate of 11.75% and the repayment terms are as follows :
- Rs. 125 Mn loan- 59 monthly installments of Rs. 2.09 Mn each and a final installment of Rs. 1.69 Mn.
  - Rs. 25 Mn loan - 59 monthly installments of Rs. 0.42 Mn each and a final installment of Rs. 0.22 Mn.
- b) The bank overdraft facility of Rs. 25 Mn and term loan of Rs. 100 Mn of Cargills Quality Foods (Private) Limited from Commercial Bank of Ceylon Limited are secured as follows :
- Corporate guarantee from Cargills (Ceylon) Limited for Rs. 125 Mn.
- The loan carries an interest rate of 12.92% and the repayment term is as follows :
- 59 monthly installments of Rs. 1.68 Mn each and a final installment of Rs. 0.88 Mn.
- c) The bank overdraft facility of Rs. 40 Mn and short term loan of Rs. 8.31 Mn of Cargills Food Processors (Private) Limited from Commercial Bank of Ceylon Limited are secured as follows :
- Corporate guarantee from Cargills (Ceylon) Limited for Rs. 50 Mn.
- The loan carries an interest rate of 12.62% and the repayment term is as follows :
- 7 monthly installments of Rs. 1.05 Mn each and a final installment of Rs. 0.96 Mn.
- d) The bank overdraft facility of Rs. 50 Mn and term loan of Rs. 155 Mn of CPC Agrifoods Limited from Commercial Bank of Ceylon Limited are secured follows:
- Primary mortgage over land, building and machinery at Kandaganmulla, Katana which is pending
  - Corporate guarantee from Cargills (Ceylon) Limited for Rs. 155 Mn.
- The loan carries an interest rate of 12.81% and the repayment term is as follows :
- 59 monthly installments of Rs 2.55 Mn each and a final installment of Rs. 4.55 Mn.



## Notes to the financial statements *contd...*

As at 31 March 2006

- e) Short term loan facilities of Rs.150 Mn, Rs. 125 Mn and Rs. 100 Mn of Cargills Retail (Private) Limited from Commercial Bank of Ceylon Limited are secured as follows :
- Primary mortgage over the equipment imported
  - Corporate guarantee from Cargills (Ceylon) Limited for Rs.150 Mn, Rs. 125 Mn and Rs. 100 Mn respectively.

These facilities carry an interest rates of 12.04%, 12.42% and 11.91% respectively.

- f) The bank overdraft and other short term facilities of Rs. 100 Mn of Cargills (Ceylon) Limited from Seylan Bank Limited are secured as follows:
- Stock mortgage for Rs.100 Mn.
  - Demand promissory note for Rs.100 Mn.

The bank overdraft of Rs. 75 Mn of Cargills (Ceylon) Limited from Standard Chartered Bank is secured as follows :

- Undertaking to mortgage land and building at Colombo 2 for Rs. 75 Mn.
- Corporate guarantee from Ceylon Theatres Limited for Rs. 75 Mn.

The bank overdraft of Rs.150 Mn of Cargills (Ceylon) Limited from Commercial Bank of Ceylon Limited is secured as follows :

- An agreement to mortgage the freehold property known as "Cargills Premises", Kandy for Rs. 100 Mn.
- Corporate guarantee from Ceylon Theatres Limited for Rs. 50 Mn.
- Mortgage over 1,500,000 shares held by Cargills (Ceylon) Limited in CT Land Development Limited.

The bank overdraft and other short term facilities of Rs. 115 Mn of Cargills (Ceylon) Limited from Bank of Ceylon is secured by stock in trade.

The bank overdraft and other short term facilities of Rs. 100 Mn of Cargills (Ceylon) Limited from Nations Trust Bank is unsecured.

The bank overdraft and other short term facilities of Rs. 200 Mn of Cargills (Ceylon) Limited from Hong Kong and Shanghai Banking Corporation Limited is unsecured.

The bank overdraft and other short term facilities of Rs. 100 Mn of Cargills (Ceylon) Limited from Deutsche Bank is unsecured.

The short term loan facilities of Rs. 330 Mn and Rs. 250 Mn from Nations Trust Bank is unsecured. These facilities carry interest rates of 11.15% and 11.25% respectively.



SINCE 1844

## Notes to the financial statements *contd...*

As at 31 March 2006

21. Deferred taxation	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
As at 1 April	145,535	153,653	120,381	124,183
Charge/(release) for the year	52,642	(8,118)	28,283	(3,802)
As at 31 March	198,177	145,535	148,664	120,381

22. Retirement benefit obligations	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
As at 1 April	40,711	33,203	34,284	27,362
Charge for the year	15,194	9,865	14,446	9,124
Payments during the year	(3,686)	(2,560)	(3,686)	(2,202)
As at 31 March	52,219	40,508	45,044	34,284

23. Trade and other payables	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
Trade payables	1,454,212	1,204,522	1,411,543	1,114,225
Income tax payable	88,027	41,603	65,343	26,082
Other payables and accruals	492,410	339,073	325,753	203,039
	2,034,649	1,585,198	1,802,639	1,343,346

24. Dividend payable	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
Unclaimed dividend	4,229	2,697	4,229	2,697

## Notes to the financial statements *contd...*

As at 31 March 2006

### 25. Segmental information - Group

	Food & Beverage		Distribution		Others		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
<b>Assets and liabilities</b>								
Segment assets	5,330,712	4,527,145	31,898	53,021	290	416	5,362,900	4,580,582
Unallocated assets							55,321	60,231
Unallocated investments							54,073	51,766
Consolidated assets							5,472,294	4,692,579
Segment liabilities	3,960,140	3,250,644	9,826	4,125	-	-	3,969,966	3,254,769
Unallocated liabilities							310,470	349,346
							4,280,436	3,604,115
Capital expenditure	793,952	896,640	-	-	-	-	821,699	871,804
Depreciation	353,595	248,861	2	2	-	-	353,597	246,347
Unallocated depreciation							1,547	1,826
							355,144	248,173
Non cash expenses other than depreciation	15,194	9,865	-	-	-	-	15,194	12,044

### 26. Commitments

	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
<b>Capital commitments</b>				
Approved and contracted	300,000	250,000	-	-
<b>Financial commitments</b>				
Future payments of operating lease rentals :				
- within 1 year	144,540	95,359	88,827	58,980
- between 1 - 5 years	541,675	317,801	283,852	153,727
- more than 5 years	1,439,713	886,299	668,650	361,903
	2,125,928	1,299,459	1,041,329	574,610

### 27. Contingent liabilities

The Company has given letters of guarantee to commercial banks on behalf of the subsidiary companies amounting to Rs. 955 Mn. The Directors do not expect any claim on these guarantees.

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

### 28. Post balance sheet events

The Board of Directors have proposed a final dividend of 50% on the issued share capital of the Company for the year ended 31 March 2006 which is to be approved by the shareholders at the Annual General Meeting.

No other events other than the above have occurred since the balance sheet date which would require any adjustment to, or disclosure in, the financial statements.

## Notes to the financial statements *contd...*

For the year ended 31 March 2006

29. Directors' Interest in contracts			Company	Group
			Rs. '000	Rs. '000
Name of Directors	Name of company	Nature of transactions		
Mr Anthony A Page	Millers Limited	Purchases	62,205	69,774
Mr R Senathi Rajah		Sales	11,175	321,459
Mr V R Page		Rent	1,129	1,129
Mr A T P Edirisinghe		Merchandising income	9,304	9,304
Mr S E C Gardiner				
Mr E A D Perera				
Mr L R Page				
Mr J C Page				
Mr Anthony A Page	Ceylon Theatres Limited	Re-imbusement of expenses	39	39
Mr L R Page		Sales	86	1,237
Mr A T P Edirisinghe		Corporate guarantee	75,000	75,000
Mr V R Page				
Mr J C Page				
Mr Anthony A Page	CT Land Development Limited	Rent	10,515	16,066
Mr J C Page		Dividends received	3,773	3,773
Mr V R Page		Sales		
Mr A T P Edirisinghe				
Mr L R Page				
Mr Anthony A Page	Directories Lanka (Private) Limited	Advertising	66	66
Mr E A D Perera				
Mr Anthony A Page	CT Films (Private) Limited	Sales	55	53
Mr V R Page				
Mr J C Page				
Mr Anthony A Page	Ceylon Printers (Private) Limited	Printing	687	687
Mr Anthony A Page	Unidil Packaging (Private) Limited	Purchases	465	465
Mr E A D Perera				
Mr S E C Gardiner	Galle Face Hotel Company Limited	Sales	734	2,535
Dr D J Aloysius				
Mr S E C Gardiner	Nuwara Eliya Hotels Company Limited	Sales	772	3,838
Mr S E C Gardiner	Grand Hotel Limited	Sales	348	348

## Notes to the financial statements *contd...*

For the year ended 31 March 2006

The Company received interest amounting to Rs.24.33 Mn from subsidiary companies during the year at the interest rate of 11%. The Company also received rental income from subsidiary companies, Cargills Food Processors (Private) Limited and Cargills Food Services (Private) Limited, amounting to Rs 9.6 Mn. Reimbursement of common expenses from subsidiaries amounted to Rs. 24.30 Mn.

The Company has provided corporate guarantees for term loans and banking facilities obtained by its subsidiary companies, the details of which have been disclosed under note 20 to the financial statements.

The Company provides Secretarial and Management services to its subsidiary companies free of charge.

Companies within the group engage in trading and business transactions under normal commercial terms which give rise to related company balances.

The Company has provided an owned apartment to the Deputy Chairman/Managing Director for the due performance of his office.

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

### 30. Related party disclosures

#### **Panadaria (Private) Limited**

Mrs. R Page, wife of the Deputy Chairman/Managing Director is a Director of the above company with which the Company had the following transaction during the year.

- Purchase for re-sale in the ordinary course of business - Rs. 19,266,371

#### **LCL Distributors (Private) Limited.**

The above company is a subsidiary of Lanka Ceramic Limited, with which the Company had the following transaction.

- Purchases for re-sale in the ordinary course of business - Rs. 1,163,132

There are no other material related party transactions other than those disclosed above and in note 29 to the financial statements.

## Information to shareholders and investors

### 1. General

Authorised share capital	Rs. 100,000,000
Issued share capital	Rs. 56,000,000
Class of shares	Ordinary Shares of Rs. 10 each
Voting rights	One vote per ordinary share

### 2. Stock exchange listing

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

### 3. Distribution of shareholders

Size of	31 March 2006				31 March 2005			
	Shareholders		Holdings		Shareholders		Holdings	
	Number	%	Number	%	Number	%	Number	%
1 - 1000	796	87.67	134,473	2.40	787	86.96	136,230	2.43
1001 - 5000	82	9.03	154,746	2.77	88	9.72	171,073	3.06
5001 - 10,000	12	1.32	80,707	1.44	11	1.22	77,972	1.39
10,001 - 50,000	12	1.32	260,835	4.66	13	1.44	288,959	5.16
50,001 - 100,000	1	0.11	59,965	1.07	1	0.11	57,465	1.03
100,001 - 500,000	3	0.33	757,543	13.53	3	0.33	716,570	12.80
500,001 - 1,000,000	1	0.11	690,077	12.32	1	0.11	690,077	12.32
1,000,001 and over	1	0.11	3,461,654	61.81	1	0.11	3,461,654	61.81
	<u>908</u>	<u>100.00</u>	<u>5,600,000</u>	<u>100.00</u>	<u>905</u>	<u>100.00</u>	<u>5,600,000</u>	<u>100.00</u>

### 4. Analysis of shareholders

Group of	31 March 2006				31 March 2005			
	Shareholders		Holdings		Shareholders		Holdings	
	Number	%	Number	%	Number	%	Number	%
Institutions	55	6.06	4,518,447	80.69	54	5.97	4,514,776	80.62
Individuals	853	93.94	1,081,553	19.31	851	94.03	1,085,224	19.38
Total	<u>908</u>	<u>100.00</u>	<u>5,600,000</u>	<u>100.00</u>	<u>905</u>	<u>100.00</u>	<u>5,600,000</u>	<u>100.00</u>
Residents	814	89.65	5,516,518	98.51	809	89.39	5,509,604	98.39
Non residents	94	10.35	83,482	1.49	96	10.61	90,396	1.61
Total	<u>908</u>	<u>100.00</u>	<u>5,600,000</u>	<u>100.00</u>	<u>905</u>	<u>100.00</u>	<u>5,600,000</u>	<u>100.00</u>

## Information to shareholders and investors *contd...*

### 5. Group companies

Millers Limited, a subsidiary of Ceylon Theatres Limited, is the holding company of Cargills (Ceylon) Limited with 61.81% (2005 - 61.81%) share in the equity as at 31 March 2006.

### 6. Share valuation

The market value of Cargills (Ceylon) Limited ordinary shares of Rs 10 each on 31 March 2006 was Rs. 555.00 (2005 - Rs. 275.00). The highest and lowest values recorded during the twelve months ended 31 March 2006 were Rs. 800.00 on 3 November 2005 and Rs. 260.00 on 17 May 2005 respectively.

### 7. Top 20 shareholders

The holdings of the top 20 shareholders

	31 March 2006		31 March 2005	
	Number of shares	Holding %	Number of shares	Holding %
Millers Limited	3,461,654	61.81	3,461,654	61.81
Ceylon Theatres Limited	690,077	12.32	690,077	12.32
Mr V R Page	326,025	5.82	290,125	5.18
The Galle Face Hotel Company Limited	263,248	4.70	256,248	4.58
Mr Anthony A Page	168,270	3.00	170,197	3.04
Mr J C Page	59,965	1.07	57,465	1.03
Cyril Gardiner Limited	41,984	0.75	41,984	0.75
Mr M M Udeshi	39,400	0.70	39,400	0.70
Mrs M M Udeshi	38,416	0.69	38,416	0.69
Ms M M Page	30,000	0.54	31,689	0.57
Associated Newspapers of Ceylon Limited	19,996	0.36	19,996	0.36
Dr. T Senthilverl	16,672	0.30	8,700	0.16
Mr C Gardiner, The Bishop of Jaffna, The Archbishop of Colombo	14,076	0.25	14,076	0.25
Mr B N Shiner	12,300	0.22	12,300	0.22
Mr K B de Vos	12,107	0.22	12,107	0.22
Mr R D de Vos	12,107	0.22	12,107	0.22
Mrs D Grimshaw	12,107	0.22	12,107	0.22
Estate of the late Mr N E Weerasoorya	11,670	0.21	11,670	0.21
Mr J A Aloysius	8,008	0.14	-	-
Estate of late Mr H Mohamedally	7,996	0.14	-	-
Mr M I Wahid	-	-	31,000	0.55
Mr M K de Vos	-	-	12,107	0.22
<b>Total</b>	<b>5,246,078</b>	<b>93.68</b>	<b>5,223,425</b>	<b>93.30</b>

### 8. Public holding

The percentage of shares held by the public as at 31 March 2006 amounted to 10.09% (2005 - 10.31%)

## Five year financial summary

Group	2002 Rs. '000 (Restated)	2003 Rs. '000 (Restated)	2004 Rs. '000 (Restated)	2005 Rs. '000	2006 Rs. '000
<b>Financial results</b>					
Gross turnover	3,530,841	4,748,265	7,590,325	10,727,029	14,221,264
Profit from operations	138,087	134,428	253,397	384,939	551,693
Net finance costs	(40,421)	(79,656)	(129,368)	(175,240)	(195,664)
Profit before taxation	97,666	54,772	124,029	209,699	356,029
Income tax expense	(26,323)	(37,237)	(59,842)	(33,485)	(174,968)
Profit after taxation	71,343	17,535	64,187	176,214	181,061
Minority interest	(1,776)	(1,278)	(102)	(18,376)	(11,136)
Net profit for the year	69,567	16,257	64,085	157,838	169,925
<b>Financial position</b>					
Share capital	56,000	56,000	56,000	56,000	56,000
Reserves	364,487	840,870	866,574	886,900	979,157
Minority interest	17,190	8,491	8,593	145,564	156,700
Capital and reserves	437,677	905,361	931,167	1,088,464	1,191,857
Current assets	558,337	848,223	1,331,531	1,358,121	1,736,991
Current liabilities	(969,146)	(1,488,442)	(2,650,863)	(3,277,697)	(3,931,809)
Working capital	(410,809)	(640,219)	(1,319,332)	(1,919,576)	(2,194,818)
Investments	46,866	46,366	46,366	51,766	46,366
Property, plant and equipment	902,300	1,775,394	2,611,857	3,240,474	3,656,204
Intangible assets	-	68,696	51,522	42,218	32,731
Non current liabilities	(100,680)	(344,876)	(459,246)	(326,418)	(348,626)
Net assets	437,677	905,361	931,167	1,088,464	1,191,857
<b>Corporate strength</b>					
<b>Performance (%)</b>					
Growth in turnover	23.94	34.48	59.85	41.32	32.57
Growth in earnings	11.73	(76.63)	294.20	146.29	7.65
Operating profit to turnover	3.91	2.83	3.34	3.59	3.88
Earnings to turnover	1.97	0.34	0.84	1.47	1.19
Return on total assets	4.61	0.59	1.59	3.36	3.11



## Five year financial summary *contd...*

Group	2002 Rs.'000 (Restated)	2003 Rs.'000 (Restated)	2004 Rs.'000 (Restated)	2005 Rs.'000	2006 Rs.'000
<b>Corporate strength</b>					
Total assets	1,507,503	2,738,679	4,041,276	4,692,579	5,472,292
Growth in total assets (%)	26.63	81.67	47.56	16.12	16.62
Growth in capital and reserves (%)	9.44	106.86	2.85	7.83	9.49
Turnover to capital and reserves (times)	8.07	5.24	8.15	9.85	11.93
Shareholders' funds to total assets (%)	27.89	32.75	22.83	20.08	18.92
Current ratio (times)	0.58	0.57	0.50	0.41	0.44
<b>Shareholders' interest</b>					
Return on capital and reserves (%)	15.89	1.80	6.88	14.50	14.26
Return on investment (%)	17.03	2.61	6.99	17.45	14.90
Earnings per share (Rs)	12.42	2.90	11.44	28.19	30.34
Growth in earnings per share (%)	11.69	(76.65)	294.48	146.41	7.63
Dividends paid	33,600	-	16,800	33,600	65,068
Effective rate of dividends(%)	60.00	0.00	30.00	60.00	116.19
Dividends per share (Rs)	6.00	0.00	3.00	6.00	11.62
Growth in dividends per share (%)	20.00	-	-	100.00	93.67
Net assets per share (Rs)	78.16	161.67	166.28	194.37	212.83
<b>Leverage</b>					
Debt equity ratio (times)	2.44	2.04	3.37	3.82	3.59
Total liabilities as a % of total assets	70.97	66.94	76.96	76.82	78.22
Interest cover (times)	3.42	1.69	1.96	2.20	2.82

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

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

## Notice of Annual General Meeting

Notice is hereby given that the sixtieth Annual General Meeting of the Company will be held at the registered office 40, York Street, Colombo 1 on Tuesday, 1 August 2006, at 3.00 p.m. and the business to be brought before the meeting will be:

1. To receive and consider the report of the Directors and the statement of accounts for the year ended 31 March 2006 with the report of the auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Directors
  - a) Dr. D J Aloysius (Note ii)
  - b) J C Page
  - c) R Senathi Rajah (Note iii)
  - d) P S Mathavan
4. To authorise Directors to determine contributions to charities.
5. To re-appoint Messrs. KPMG Ford, Rhodes, Thornton & Co. as auditors and to authorise the Directors to fix their remuneration.

By Order of the Board

**P E V Fernando**  
Company Secretary

30 June 2006

Note:

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

(ii) A special notice dated 28 June 2006 has been received on that date by the company from a shareholder giving notice of his intention to move the following resolution as an ordinary resolution at the Annual General Meeting:

*“Resolved that Dr. D J Aloysius who is presently over 70 years of age be and is hereby re-elected a director of the company and it is further specially declared that the age limit of 70 years referred to in section 181 of the Companies Act No 17 of 1982 shall not apply to the said Dr. D J Aloysius”*

(iii) A special notice dated 28 June 2006 has been received on that date by the company from a shareholder giving notice of his intention to move the following resolution as an ordinary resolution at the Annual General Meeting:

*“Resolved that Mr R Senathi Rajah who is presently over 70 years of age be and is hereby re-elected a director of the company and it is further specially declared that the age limit of 70 years referred to in section 181 of the Companies Act No 17 of 1982 shall not apply to the said Mr R Senathi Rajah”*

## Proxy form

For use at the sixtieth Annual General Meeting

(Before completing this form please see notes on the reverse hereof)

I/ We .....  
of .....  
(a) member(s) of Cargills (Ceylon) Limited hereby appoint.....  
.....of .....or failing him/her,  
the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the sixtieth Annual  
General Meeting of the Company to be held on 1 August 2006 and at any adjournment thereof in the manner  
indicated below:

(Please indicate how you wish your votes to be cast by placing an 'X' in the spaces provided below. The  
resolutions are as indicated in the notice of the meeting in the annual report. Except as indicated by you, the  
proxy will exercise his/ her discretion both as to voting and whether or not to abstain from voting on all  
resolutions at the meeting)

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

.....  
Date

.....  
Signature of member(s)

**Instructions as to completion of the proxy form**

1. The form of proxy must be signed by the appointor, or by his/her attorney duly authorised in writing.
2. In the case of a corporation, the form of proxy must be either under its common seal or under the hand of an officer or attorney duly authorised.
3. In the case of joint holders, only one need sign. The votes of the senior holder who tenders a vote will alone be counted.
4. To be valid, this form must be filled up, signed and deposited at the registered office of the Company at 40, York Street, Colombo 1, not less than 48 hours before the time appointed for holding the meeting.

## Corporate information

### **Name of company**

Cargills (Ceylon) Limited

### **Legal form**

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

### **Board of Directors**

Anthony A Page (Chairman)  
V R Page (Deputy Chairman / Managing Director)  
S V Kodikara (Executive Director)  
P S Mathavan (Executive Director) - (w.e.f. 09.02.2006)  
Dr. D J Aloysius  
A T P Edirisinghe  
S E C Gardiner  
J C Page  
L R Page  
E A D Perera  
R Senathi Rajah  
Mrs. S R Thambiayah

### **Company Secretary**

P E V Fernando

### **Corporate Management Committee**

V R Page  
S V Kodikara  
P S Mathavan  
Dr. J S Punjrath  
Mrs. J P Kuruppu  
G A M D Ganepola  
J C M Victoria  
Mrs. D Chandrasekara  
N Sri Kandaraj

### **Stock exchange listing**

Colombo Stock Exchange

### **Registered office**

40, York Street, Colombo 1, Sri Lanka  
Telephone : 2427777  
Telefax : 2338704  
E-mail : ccl@cargillsceylon.com

### **Postal address**

P.O. Box 23, Colombo 1

### **Auditors and tax consultants**

KPMG Ford, Rhodes, Thornton & Co.  
Chartered Accountants

### **Legal consultants**

John Wilson Partners, Attorneys-at-law

### **Bankers**

Commercial Bank of Ceylon  
Seylan Bank  
Bank of Ceylon  
Standard Chartered Bank  
Sampath Bank  
Nations Trust Bank  
HSBC  
National Development Bank  
Deutsche Bank

### **Subsidiary companies**

Cargills Quality Foods (Private) Limited  
Cargills Distributors (Private) Limited  
Cargills Quality Dairies (Private) Limited  
Cargills Food Processors (Private) Limited  
Cargills Food Services (Private) Limited  
CPC Agrifoods Limited  
CPC Lanka Limited  
Cargills Retail (Private) Limited

### **Associate company**

C T Films (Private) Limited



SINCE 1844

## CARGILLS (CEYLON) LIMITED

40, York Street, Colombo 1  
Tel: 2427777 Fax: 2338704  
[www.cargillsceylon.com](http://www.cargillsceylon.com)