

# Towards a vibrant business entity



AgStar PLC  
Annual Report 2015/16



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# Towards a vibrant business entity

At AgStar, our mission to drive growth in agriculture by providing superior quality products and services, remains at the heart of all we do. Our industry sectors include seeds, grains, crop-care and fertilizer for agriculture, horticulture and floriculture. Agriculture is an important sector of the Sri Lankan economy and key stakeholders in our operations include small-scale farmers, home gardeners and planters for who we strive to enable sustainable avenues of business and enterprise.

Today, AgStar is a strong and vibrant agri-company, empowering livelihoods and ensuring excellence in resource management and value creation, in all that we do. This report reviews a year of hard work and business consolidation, as we continue to stand strong, changing lives, driving value and unleashing opportunities to grow.

# Who We are

## About Us

**AgStar is undoubtedly one of the most trusted and highly used fertilizers that ensure higher yield. AgStar brings to you a wide range of organic and chemical fertilizers in different quantities to be used in agriculture, horticulture, floriculture, home gardens and green houses.**

Over the past 14 years we have been widening our product spectrum utilizing our industrial knowledge and skills that have enabled us to give the market some of the most environment and economically friendly fertilizers. Our high-end quality assuring system has won the hearts of many domestic clients who favour AgStar organic and chemical fertilizers to enhance their production in all agricultural activities. With sales centres placed at strategic locations, together with an islandwide distribution network supported by an experienced team of agro specialists ensure the ready availability of AgStar products anywhere in the island.

# Vision

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**To be the preferred choice for agri inputs, agri products and related services**

# Mission

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**To foster growth and prosperity in agriculture by providing superior quality products and services**



# Financial Highlights

Year ended 31st March		2015/16	2014/15	Change
<b>OPERATING RESULTS</b>				
Group Revenue	(Rs'000)	2,314,290	2,100,071	10%
Gross Profit	(Rs'000)	427,532	702,829	-39%
Net Finance Cost	(Rs'000)	68,914	110,695	-38%
Profit before Tax	(Rs'000)	81,510	332,676	-75%
Profit for the year	(Rs'000)	(52,876)	212,593	-125%
<b>FINANCIAL POSITION</b>				
Stated Capital	(Rs'000)	1,204,094	1,204,094	0%
Property, Plant & Equipment	(Rs'000)	1,617,249	1,452,829	11%
Current Assets	(Rs'000)	3,716,861	3,843,853	-3%
Total Assets	(Rs'000)	5,513,466	5,373,368	3%
Non Current Liabilities	(Rs'000)	178,314	229,503	-22%
Current Liabilities	(Rs'000)	2,818,394	2,623,220	7%
Total Equity	(Rs'000)	2,516,757	2,520,645	0%
<b>FINANCIAL INDICATORS</b>				
Earning Per Share	(Rs)	(0.16)	0.67	-124%
Dividend Per Share	(Rs)	0.20	0.20	0%
Net Assets Per Share	(Rs)	7.74	7.76	0%
Return on Equity	(%)	(2.10)	8.43	-125%
Return on Total Assets	(%)	(0.96)	3.96	-124%
Gross Profit Ratio	(%)	18.5	33.5	-45%
Net Profit Ratio	(%)	(2.28)	10.12	-123%
Current Ratio	(Times)	1.32	1.47	-10%
Liquidity Ratio	(Times)	0.83	0.98	-15%

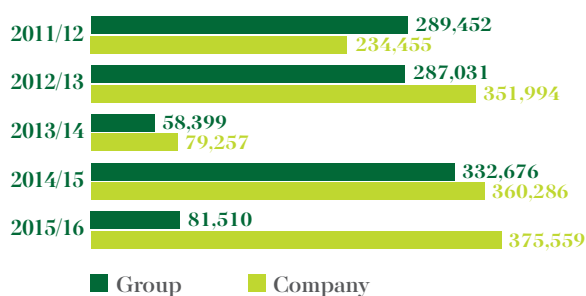
Net Assets Per Share

**Rs. 7.74**

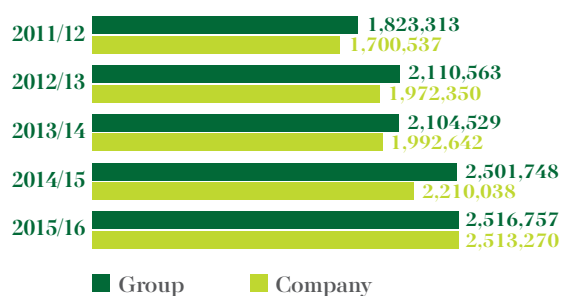
Profit before Tax

**Rs. 82 Mn**

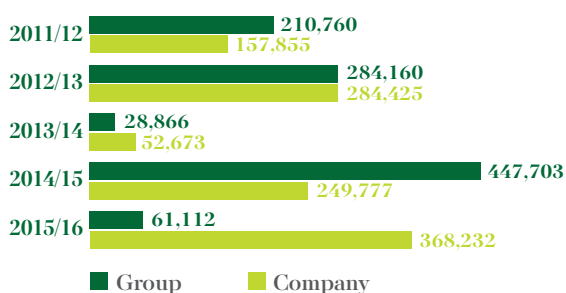
### Profit Before Tax (Rs.'000)



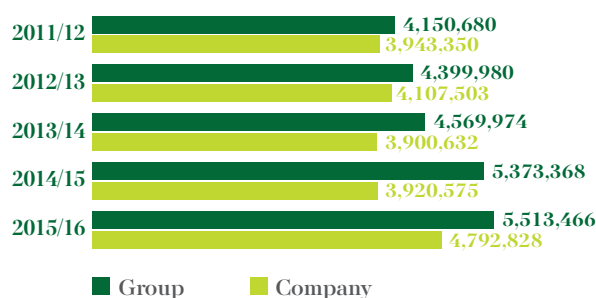
### Net Assets (Rs.'000)



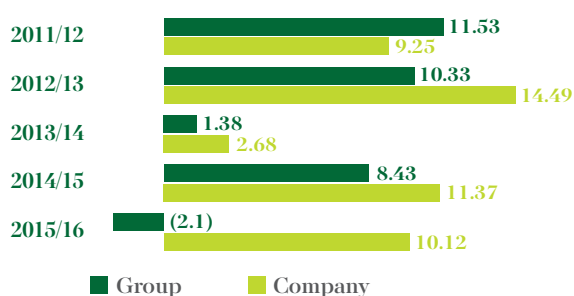
### Total Comprehensive Income (Rs.'000)



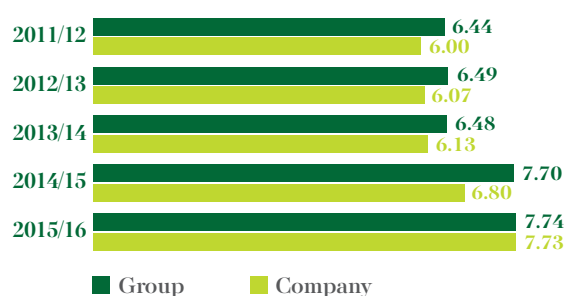
### Total Assets (Rs.'000)



### Return on Equity (%)



### Net Assets per Share (Rs)



### Group Revenue

**Rs.2.3Bn**

### Total Comprehensive Income

**Rs.61Mn**

# Driving growth in agriculture

## Operational Information

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[Executive Reviews](#) | [Our Leadership](#) | [Management Discussion & Analysis](#) | [Sustainability Review](#)





**We're driving growth in agriculture by providing superior quality products and services**



# Chairman's Statement



*N. G. R. Karunaratne*

**N. G. R. Karunaratne**  
Chairman CEO

## A Vibrant Business

**The Board strategy of agricultural diversification continues to be focused on a balanced business portfolio with sustainable growth prospects. AgStar has made a number of strategic investments with Cropcare and Seeds now established as viable businesses. Our exports business is still in the early stages of development with satisfactory progress made in exploiting niche market opportunities.**



**10%**

**Increase in  
Group Revenue**

### To Our Shareholders

I welcome you to the Fourteenth Annual General Meeting of AgStar PLC and have pleasure in presenting to you the Annual Report and Audited Financial Statements for the year ended 31st March 2016.

It is pleasing to note that the recently elected government has announced a major economic policy change by adopting much desired free market policies, which will benefit farmers, agriculturists and the fertilizer industry. Under the new policy, farmers will receive a lump sum payment to meet their fertilizer and agricultural input costs seasonally. They would be free to select their requirements and decide on the type and quantity of agro chemicals, inorganic fertilizer, organic fertilizer, seed paddy or any other agri input. The fertilizer import quota system has been withdrawn, and registered fertilizer suppliers are free to import and market without restriction. The exclusive market share enjoyed by the public sector institutions in the marketing of paddy fertilizer has also been withdrawn.

However, the year under review was challenging for the Agri Business Industry due to the lack of a sustainable agricultural development policy by the Government. Ad-hoc policy changes, uncertainty and delays in decision making regarding regulatory matters affected the group business performance. Against this backdrop our core fertilizer business remained resilient generating increased

profitability. On the other hand our newly diversified business in the Rice sector faced a major crisis with a drop in paddy prices due to surplus stock from a bumper harvest. A large carryover of rice stock imported by the previous government and sold at a loss by state institutions also aggravated this situation. This was exacerbated by the indecisive and sometimes contradictory stance taken by the state authorities who implemented a 25% increase in the guaranteed paddy price, fulfilling a political pledge.

The lack of market demand at this artificial price point and resulting farmer unrest compelled the government to backtrack and lower the guaranteed price. However, rice millers including AgStar with large stocks purchased at the previous guaranteed price were adversely affected and compelled to sell their paddy at significant financial losses.

With the announced free market policy changes coming into effect from March 2016 and I am confident it will be a catalyst for AgStar to enhance its products, sales & services and grow our core fertilizer, agri inputs and rice businesses significantly.

In summary, whilst the ad hoc market interventions by the government had a significant adverse impact on AgStar's rice milling business and consequently the group results, the



**Rs. 82Mn**  
**Profit Before Tax**



**Rs. 2,314Mn**  
**Group Turnover**

# Chairman's Statement

**Underpinning our diversification strategy is AgStar fertilizer, the leading fertilizer brand in Sri Lanka and the “jewel in the crown” of the AgStar group. Unshackled from regulatory restrictions and state intervention, I am convinced that our strategy will bear fruit and enable us to dominate and grow market share and achieve greater profitability in the coming years.**



embracing of free market policies by the new administration puts AgStar in a prime position to thrive and grow into a vibrant business.

## Financial Performance

Group turnover of Rs. 2,314 million has grown by 10% compared to the prior year, primarily due to our diversification drive into seeds and rice milling. Group profit before tax reduced from Rs. 333 million to Rs. 82 million, due to the impact of the loss from the rice milling business discussed above. The resultant net loss for the year is Rs. 53 million compared to a profit after tax of Rs. 213 million in the prior year.

Taking into consideration the overall performance of the group, the Board of Directors recommends a first and final dividend of Rs. 0.20 per share for 2015/2016, maintaining the previous year's dividend declaration.

## Future Outlook

The Board strategy of agricultural diversification continues to be focused on a balanced business portfolio with sustainable growth prospects.

AgStar has made a number of strategic investments with Cropcare and Seeds now established as viable businesses. Whilst rice milling suffered a turbulent year, I am confident that the recent introduction of free market policies by the government will enable us to deliver profitable growth in the coming years. Our exports business is still in the early stages of development with satisfactory progress made in exploiting niche market opportunities.

Underpinning our diversification strategy is AgStar fertilizer, the leading fertilizer brand in Sri Lanka and the “jewel in the crown” of the AgStar group. Unshackled from regulatory restrictions and state intervention, I am convinced that our strategy will bear fruit and enable us to dominate and grow market share and achieve greater profitability in the coming years.

## Acknowledgements

In conclusion I wish to thank my colleagues in the AgStar Executive Management team and all employees for their unstinted support, dedication and hard work which has enabled the group to withstand a challenging year and yet deliver value to shareholders.





I also wish to thank our customers, business partners and financial institutions for their continued support.

Finally I take this opportunity to thank the Board of Directors for their valuable contribution and guidance over the past year. I look forward to a promising year ahead as we continue to create greater value for our shareholders and enable AgStar to fulfil its potential as a vibrant business enterprise.

**N. G. R. Karunaratne**

Chairman/CEO

# Managing Director's Review



*A. P. Weerasekara*

**A. P. Weerasekara**  
Managing Director



## Exploring Possibilities

**The company is currently exploring the possibility of expanding its portfolio of eco-friendly products, with many in the pipeline to be introduced in the new financial year. We expect to leverage on various process improvements introduced across all divisions in the company during the year to gain a clear advantage in terms of market positioning and profitability in the upcoming year.**

Operating in one of the most regulated sectors requires a tightrope act. But, the company has managed to forge ahead over the last few years despite these regulatory hurdles. The 2015/16 financial year posed more formidable challenges than in previous years, which impacted our overall profitability adversely, although the Group was able to realize a 10% increase in turnover having approached challenges as opportunities.

### Fertilizer

Our Fertilizer business has been the main contributor to the group's profitability despite the fact that its imports were controlled by the government through a quota system. The year under review began in an inauspicious manner, when the government reduced the fertilizer quota by as much as 15% for the private sector and appended the same to the public sector quota. This move directly impacted by limiting our Imports and by it, sales.

The government's decision to eliminate fertilizer subsidy to farmers and provide in lieu cash for cultivation would have had a favourable impact if the transition was smooth and simultaneously executed. But the implementation was carried out in an unwieldy manner.

The initial announcement of subsidy withdrawal by 31st December 2015 was changed for implementation from 1st March 2016, although entitlement of subsidy was only for

closing stocks as at 31st December 2015. Consequently, we did not have adequate stocks for January/February 2016.

To make matters worse, the in lieu cash component did not reach the farmer on time. As a result, the farmers did not have cash in hand to purchase, while we had no market for the new stock we imported. The direct impact of these two events saw the last quarter of the 2015/16 as the worst in our history. The drought that prevailed during March 2016 further exacerbated the situation.

As a result of these unfavourable industry conditions, the company's fertilizer business experienced a drastic dip in 4th quarter volume by as much as 52%, contributing to an overall weakening of group profitability. Profitability from the fertilizer business is derived from the agreed pricing formula margin and from Trading gains. During the period under review, price fluctuation for Fertilizers stayed below US\$20, resulting in the trading gain reducing drastically.

Despite these daunting challenges, our turnover reduced only marginally from Rs. 1,471 million to Rs. 1,459 million. However, profit before tax rose to Rs. 375 million compared to Rs. 360 million achieved in the previous year.

A sum of Rs. 1.2 billion due from the government for past subsidies provided is being aggressively pursued for recovery, so as not to jeopardize our financial performance in the new financial year.



**Rs.1,458Mn**

**Fertilizer Category  
Turnover**



**52%**



**Seeds Category  
Turnover**

# Managing Director's Review

On the upside, with the withdrawal of the fertilizer subsidy, no quota controls are now applicable to the industry and companies are free to import fertilizers without any restrictions providing us an opportunity to grow. While in the short term this could result in a drop in fertilizer usage due to the doubling of fertilizer prices, this would only be temporary, forecasted to be followed by an upsurge in demand, which makes us optimistic about the future of our fertilizer business.

## Cropcare

The year commenced with the government ban on the weedicide, Glyphosate, which contributed to 63% of our turnover in the year 2014/15, but following the ban dropped to 34.7%. However, we responded to this challenge by introducing 'green' products backed by aggressive marketing initiatives, eventually experiencing only a marginal drop of 6% in turnover by year-end.

The company is currently exploring the possibility of expanding its portfolio of eco-friendly products, with many in the pipeline to be introduced in the new financial year. We are confident of overcoming all the negative perceptions and stringent regulations pertaining to agro chemical business and expect the Cropcare business to make a significant contribution to group profitability.

## Seeds

Our turnover in the Seeds category rose by 52%, partly due to the acquisition of Prith Seeds Pvt Ltd. AgStar has now taken over the management and operations of Prith Seeds.

During the year, we had to write off seed paddy and vegetable seeds due to germination issues, which resulted in a loss of Rs. 34.7 million, thereby affecting the performance of the seed business adversely. New products were identified during the year and are currently pending approval before their launch to the market.

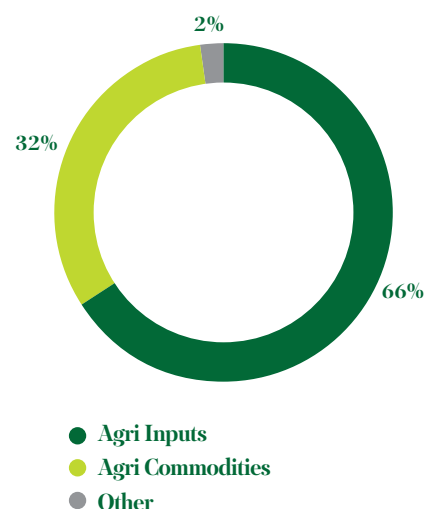
## Property Development Business

As part of its asset base, AgStar owns a warehousing company which provides warehousing services for group companies at present. The company owns a land bank of 747 perches in Kaduwela, ideally located to become a key warehousing hub. It embarked on developing the property further, so as to utilize the extensive facilities and generate further profit. During the year, we earned an appreciation amount on the land to the value of Rs. 14 million.



**The company is developing a new portfolio of products for the export market. The company currently exports to USA, EU and UAE, and continues to explore opportunities in new markets. Our value-added product range has seen a growing demand from more high-end markets. The company believes it can carve out a niche for itself in the future.**

## Sectorial Contribution





The company also owns a 9-acre land bank in Ekala. As at 31st March 2016, the company owns Rs. 889 million worth of assets. The company has ambitious plans to further develop the Ekala and Kaduwela land banks in order to generate additional income for the company.

### Exports

The company decided to scrap its exports of bulk cinnamon in favour of focusing on value-added cinnamon products, a decision which impacted the turnover of the company unfavourably.

The company is developing a new portfolio of products for the export market. The company currently exports to USA, EU and UAE, and continues to explore opportunities in new markets. During the year, we participated in the Anuga exhibition in Germany the Gulf Food festival in UAE, considered a vital platform for networking with international counterparts.

The company's value-added product range has seen a growing demand from more high-end markets. The company believes it can carve out a niche for itself in the future.

### Grains

In January 2015, the new government promised farmers competitive prices for paddy. Since it was the harvesting period and milling was to commence in February, we were compelled to buy paddy at the government declared prices. However, by March of the year, the government stopped purchasing paddy at the declared prices, leading the market prices to drop. This resulted in a major conundrum for our grains business, because we were carrying stock purchased at higher prices. The gap was too large to enter the market, instead, we decided to adopt a wait and watch policy in case prices became more favourable.

However, the reverse scenario played out, with the government dropping prices. At this point, the company decided to minimize losses and to go on the normal course and absorb the loss. This resulted in a significant loss and affected group profitability in a negative manner.

### Future Outlook

Despite the various challenges during the year under review due to policy changes, we have been upbeat about group prospects. In fact, we expect to leverage on various process improvements introduced across all divisions in the company during the year to gain a clear advantage in terms of market positioning and profitability in the upcoming year.

The company will focus on improving its out-grower network, seed paddy quality and brand development. The resilience displayed saw an increase in Group turnover by 10% although profit before tax dropped from Rs. 332.6 million in 2014/15 to Rs. 81.5 million in the year under review due to losses experienced in the Grains business in 2015/16. Furthermore, the group earned a revaluation gain of Rs. 125.8 million, enhancing its financial position.

### Acknowledgement

I would like to place on record my appreciation for the guidance extended to me by the Chairman and Board of Directors during what was a most difficult year. Our shareholders need to be thanked for their continued trust in us which boosts our confidence no end. The AgStar team has proved yet again their devotion to the company by putting all their energies together, along with our stakeholders, partners and suppliers, who all remain our close allies in our journey to profitability.

**A. P. Weerasekera**  
Managing Director

# The Board of Directors



**1. Mr. N G R Karunaratne**  
Chairman/CEO

**2. Mr. A P Weerasekera**  
Managing Director

**3. Mr. D N N Lokuge**  
Deputy Chairman

**4. Mr. I C Nanaykkara**  
Non Executive Director

**5. Mr. W A P Perera**  
Non Executive Director

**6. Mr. D S K Amarasekera (Absent)**  
Non Executive Director



- 7. Mr. H P J de Silva (Absent)**  
Independent & Non Executive Director
- 8. Mr. A G Weerasinghe**  
Independent & Non Executive Director
- 9. Mrs. S N Wickramasinghe**  
Independent & Non Executive Director



# The Board of Directors

## 1. Mr. N G R Karunaratne

Chairman / Chief Executive

Mr Rohan Karunaratne is a Fellow of the Institute of Chartered Accountants of Sri Lanka and is the founder Chairman/CEO of AgStar Fertilizers PLC. He has previously served on the Boards of Ceylon Tobacco Company, CIC Holdings PLC and CIC Agri Business. Mr Karunaratne has a wealth of experience counting over 35 years of managing agri business ventures.

As the founder CEO of CIC Agri Business, Mr Karunaratne successfully spearheaded the setting up and development of new agricultural ventures in fertilizer, seed, planting material, biotechnology, agro consultancy and agri technology. He was also instrumental in developing public/private partnerships in the agricultural sector of Sri Lanka by transforming the management of large Government farms and converting ADB funded perennial crop development projects to viable business ventures. Mr Karunaratne has provided the vision and leadership to introduce pioneering new technologies and products into the agricultural sector, and has contributed significantly to its development in Sri Lanka.

During his tenure at Ceylon Tobacco Company, Mr Karunaratne functioned as the Head of Tobacco Business. He thereafter functioned as the Managing Director of CTC Services, with responsibility for the management of diversified businesses.

## 2. Mr. A P Weerasekera

Managing Director

Mr Pasad Weerasekera is a Fellow of the Chartered Institute of Management Accountants, United Kingdom and has over 25 years of industry experience having started his carrier in 1988. He has been a founder Director of AgStar Fertilizers PLC, initially functioning as Head of Finance and thereafter as the Chief Operating Officer. He has contributed significantly to the Company becoming a viable business entity.

Mr Weerasekera previously was at CIC Agri business having joined the company in 1993. He was Finance Manager of CIC and gathered a wide experience in the management of agro business related activities.

## 3. Mr. D. N. N. Lokuge

Deputy Chairman

Mr. Nimal Lokuge is a founder Director of AgStar Fertilizers PLC and functioning as the Deputy Chairman of the Company. He was also a founder Director of Sierra Construction (Pvt) Ltd with 30 years of experience in the construction industry. He is a Director of a number of Sierra Group Companies.

## 4. Mr. Ishara Nanayakkara

Non- Executive Director

Mr. Ishara Nanayakkara is an astute businessman who holds directorial positions in many corporates and conglomerates in Sri Lanka. He joined to the Board of Lanka ORIX Leasing Company PLC in 2002, presently Mr. Nanayakkara is the Deputy Chairman of LOLC PLC a director in Lanka ORIX Finance Company PLC.

He chairs the Board of Commercial Leasing & Finance PLC, LOLC Micro Credit Limited and BRAC Lanka Finance PLC backed by the professional expertise in the industry for over a decade. He also serves the Board of PRASAC Micro Finance Institute; Cambodia's largest Micro Finance Institute. His expertise in micro finance in the region is evident in the recent investment in Thaneakea Phum Ltd (TPC Micro Finance), the 5th largest microfinance company in Cambodia in addition to the green field operations in Myanmar via the Myanmar Micro Finance Company Ltd in which he is the founding Chairman.

Mr. Nanayakkara is the Deputy Chairman of Seylan Bank PLC, a premier commercial bank in the country. His exposure in general and life insurance through LOLC Insurance Company, stock brokering through LOLC Securities Company, factoring through LOLC Factors, micro financing and Islamic finance, manifests his vision of catering to entire value chain of the finance sector.

His Business philosophy based on sustainable development has made LOLC to enter into many new business ventures with high potential for growth in all three spheres economic, social and environment.

Accordingly he serves the Board of Sierra Constructions Ltd, Lanka Century Investment PLC, Associated Battery Manufacturers (Cey) Ltd in line with Group's vision to divest into strategic investments such as Agriculture & Plantation, Trading & Manufacturing, Leisure and Construction.

His need to diversify LOLC group into a key conglomerate that operates in the growth sectors of the economy is further reflected through the vital role played by him in Brown & Company PLC & Browns Investments PLC as the Executive Chairman. Browns Group is a renowned conglomerate with leading market position in trade, leisure, manufacturing, consumer appliances and agriculture equipment.

Mr. Nanayakkara was appointed as the Chairman in FLC Holdings PLC, FLC Hydro Power PLC, Pussellawa Plantations Ltd, Ceylon Estate Teas (Pvt) Ltd and FLMC Plantations (Pvt) Ltd subsequent to the recent acquisition.

He holds a diploma in Business Accounting from Australia.



## **5. W.A.P. Perera**

Non Executive Director

Mr. W. A. P. Perera is a founder Director of AgStar Fertilizers PLC and serves as the Chairman of Sierra Cables PLC and a founder Director of Sierra Holdings (Pvt) Limited and Sierra Construction (Pvt) Limited. He has over 33 years –experience in the Engineering and Construction industry.

## **6. Mr. D.S.K. Amarasekera –**

Non -Executive Director

Mr. Kamantha Amarasekera is an eminent tax consultant and the Senior Tax and Legal Partner of Amarasekera & Company – a leading tax consultancy firm in the country.

He is a member of the Institute of Chartered Accountants of Sri Lanka and is an Attorney-at-Law of the Supreme Court of Sri Lanka.

He graduated in Business Administration from the University of Sri Jayawardenapura.

Mr. Kamantha Amarasekera holds the directorships of various companies in Sri Lanka.

## **7. Mr. H.P. Janaka de Silva**

Independent and Non -Executive Director

Mr. Janaka de Silva is a holder of B.Sc. (Ceylon) and a MBA (Sri Jayawardenapura) Degree. He is a Fellow of the Institute of Chartered Accountants and Institute of Bankers of Sri Lanka and counts for over 40 years' experience in Banking and Finance.

Mr. de Silva served as a Consultant to National Development Bank during the period of August 2003 to December 2007 and advised the bank on the integration of financial and accounting systems on the merger of NDB Bank with NDB. He joined Union Bank of Colombo Ltd at the pre operational stage of the bank as General Manager/Chief Operations Officer and was appointed as the Managing Director/CEO in May 2002. During the period April 1992 to April 1995 Mr de Silva Served as the Director-Operations of American Express Bank, Colombo and was responsible for all operational activities and functioned as the Quality Coordinator of the Colombo Office. In September 1976 Mr de Silva joined Bank of Ceylon as Assistant General Manager/Controller and was elevated to the position of Corporate Adviser in 1979. In February 1987 Mr de Silva joined Sampath Bank as the founder General Manager/CEO.

## **8. Mr. A. G. Weerasinghe**

Independent and non -executive Director

Mr. Weerasinghe is an experienced senior banker who joined AgStar PLC board in the year 2011. Presently he serves as the Chairman of Lanka Century Investments PLC, Taprobane Securities (Pvt) Ltd, Taprobane Investments (Pvt) Ltd, Lexinton Holdings (Pvt) Ltd, Taprobane Wealth Plus (Pvt) Ltd, Heron Agro Products (Pvt) Ltd and Colombo City Holdings PLC.

He is an Associate and a Fellow member of the Institute of Bankers, Sri Lanka and also holds a B.A. in Economics from the University of Ceylon, Peradeniya. Mr. Weerasinghe served as an Assistant Lecturer in Economics, University of Ceylon, Peradeniya. He was also a former President of Sri Lanka FOREX Association and a member of the Sri Lanka Cricket Board.

Mr. Weerasinghe was the former Deputy General Manager, Corporate Banking at Bank of Ceylon. He has served as Country Manager, Bank of Ceylon, London and Deputy General Manager, International at Seylan Bank. He was a Director and was subsequently appointed as the Chairman of Pan Asia Banking Corporation PLC in March 2008, and continued his service till March, 2012.

At present he serves the Boards of many renowned companies in Sri Lanka, namely, Ceylon Leather Products PLC, Dankotuwa porcelain PLC and South Asia Textile Industries Lanka (Pvt) Ltd.

## **9. Mrs. S. N. Wickramasinghe**

Non -executive Director - AgStar PLC

Mrs. Siromi Wickramasinghe an Attorney at Law of the Supreme Court of Sri Lanka and a Fellow of the Chartered Management Institute U.K., is a Senior Banker with 35 years of experience and has held many positions in financial institutions including the post of DGM- Hatton National Bank PLC, GM / CEO-Lankaputhra Development Bank, Director-Commercial Bank of Ceylon PLC, Chairman of HDFC Bank and Director-Sri Lanka Banks' Association (Guarantee) Ltd.

She was also a Commission Member of the Securities and Exchange Commission of Sri Lanka (SEC) and the Chairman of Ceybank Asset Management (Pvt.) Ltd an Associate Company of Bank of Ceylon.

Mrs. Wickramasinghe is presently a Director of HNB Assurance PLC, and Head of the Credit Counselling Centre.

# Corporate Management Team



**Mr. Daya Jayasekara**  
Director - Technical



**Mr. Shantha Emithiyagoda**  
Director/Consultant - Agri Business Development



**Mr. Kanishka Samaraweera**  
General Manager - Exports



**Mr. Rajith Perera**  
General Manager - Finance



**Mrs. Uma Shanmuganathan**  
General Manager - Accounts & Admin



**Mr. Alex de Vas**  
General Manager - Commercial



**Mr. Aruna Kumarasinghe**  
SBU Head - AgStar Seeds and Prith Seeds



**Mr. Ruwan Marambage**  
General Manager - Cropcare



**Mr. Athula Gunarathne**  
General Manager - Sales, Product Development & Compliance



**Mr. Lakmal Dasanayake**  
General Manager - Mahaweli Rice



**Mr. Vipula Waidyaratne**  
General Manager - Grains Business



**Mr. Saman Premasiri**  
Sales Manager - Seeds



**Mr. Chandana Udawela**  
Sales Manager - Cropcare



**Mr. Asela Indika**  
Sales Manager - Fertilizer



# Management Discussion & Analysis



## A Resilient Brand...

**In the face of external challenges arising from adverse regulatory pressures, inclement weather conditions and unfavourable market demand for some key client sectors, we prudently restructured our operations to drive diversification and higher yielding products.**

### Overview

The 2015/16 financial year was a very significant one for the company as it witnessed significant transformation across the enterprise. In the face of external challenges arising from adverse regulatory pressures, inclement weather conditions and unfavourable market demand for some key client sectors, we prudently restructured our operations to drive diversification and higher yielding products, successfully reducing over-reliance on any one product category. Product innovation and targeted relationships with customers and suppliers served to garner greater profitability as we successfully cemented our credentials as a critical partner in the operations of our stakeholders.

### Economic Review

Sri Lanka recorded GDP growth of 4.8 per cent in 2015, in comparison to 4.9 per cent in 2014. There was a further rise in domestic consumption with the augmentation of public sector workers' salaries. Agriculture and services related activities grew by 5.5 per cent and 5.3 per cent respectively, while industry related activities grew by 3 per cent during 2015. Inflation hovered in negative territory for the first time in over two decades. A slow down of net foreign exchange inflows, including worker remittances, and capital outflows, generated an overall deficit in the balance of payments (BOP).

Agriculture activities, which account for 7.9 per cent of GDP, expanded by 5.5 per cent, mainly due to the significant growth in growing of rice (23.3 per cent) and vegetables



(24.9 per cent), amidst the contraction in fishing (-2.7 per cent), growing of rubber (-10.1 per cent) and growing of tea (-2.6 per cent). The sector accelerated its growth momentum, increasing its GDP share marginally to 7.9 per cent in 2015.

The value addition from Agriculture, Forestry and Fishing activities grew by 5.5 per cent in 2015, in comparison to the growth of 4.9 per cent in the previous year. This was largely driven by the expansion in growing of rice, which recorded a high growth of 23.3 per cent. Paddy production, which was severely affected by extreme weather conditions in 2014, increased significantly during both 2014/2015 Maha and 2015 Yala seasons, supported by favourable weather conditions and the increased purchase price of paddy. The value addition from several other key sub sectors, including coconut (a growth of 5.1 per cent), fruits (a growth of 16.5 per cent), and vegetables (a growth of 24.9 per cent), also increased in 2015, compared to the previous year, due to favourable weather conditions.

In 2015, the Government introduced several measures which contributed to the increase in output of the Agriculture sector. The increase in the purchase prices of paddy and raw milk contributed towards the increased production in these sectors. Agrarian policies proposed in the Budget for 2016 also aim to make the country self-sufficient in essential food commodities, through crop diversification and productivity improvements, while envisaging a move from subsistence agriculture into an agri-business based economy with access to export markets.



**The 2015/16 financial year was a very significant one for the company as it witnessed significant transformation across the enterprise. Product innovation and targeted relationships with customers and suppliers served to garner greater profitability as we successfully cemented our credentials as a critical partner in the operations of our stakeholders.**

Accordingly, the Budget proposed several policy measures, including setting up granaries with state of the art technology for paddy, maize, gingelly, pepper, black gram, etc. and cold rooms for vegetables and fruits. Further, it has been proposed to establish 23 Agricultural Development Mega Zones in order to make Sri Lanka's agricultural products globally competitive. As part of the Western Region Megapolis Master Plan, 13 planning areas have been proposed, including a Plantation City and a Forest City

# Management Discussion & Analysis

## Sector Analysis

# Fertilizer

**Our profitability from the fertilizer business is derived in two ways, namely, from the agreed pricing formula and from purchasing gains.**



# Rs.1,458.5Mn

Revenue

The year under review began with the Government reducing fertilizer quota by as much as 15 per cent for the private sector and appended the same to the public sector quota. This move directly impacted us by way of limiting our sales. The Government then eliminated fertilizer subsidy to farmers in lieu of cash for cultivation which took an inordinate amount of time to implement, once again impacting company sales.

Meanwhile, the industry was informed that only closing stock purchased by companies before 31st December 2015 could be sold in the market and that it could not be carried beyond that date. As a responsible corporate citizen, we complied as per Government's declaration. However, implementation of this policy was delayed to March 2016, by which time we had exhausted our closing stock and had no more stocks to release to the market to cater the demand.

Further, the Government eliminated the subsidies and in lieu decided to hand over cash to farmers. Once again, the disbursement of funds to farmer was delayed by several months, thus limiting their purchasing power in that period, which impacted our sales negatively. Our profitability from the fertilizer business is derived in two ways, namely, from the agreed pricing formula and from purchasing gains. However, during the period under review, price fluctuation for the full year for main products stayed below US\$20, which resulted in the quantum of trading gain reducing drastically.

### Future Prospects

The removal of quotas now implies that we are free to plan our own volumes. While in the short term this could result in a drop in fertilizer usage due to the doubling of fertilizer prices, we expect this to be a temporary phenomenon, to be followed by an upsurge in demand, which makes us optimistic about the future of our fertilizer business.



**“The removal of quotas now implies that we are free to plan our own volumes. We expect an upsurge in demand, which makes us optimistic about the future of our fertilizer business.”**



# Management Discussion & Analysis

## Sector Analysis

### Cropcare

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**The Cropcare segment will continue to focus on diversifying further while forging strategic partnerships. We expect the turbulence in the industry to continue, with the industry coming under greater pressure by the regulator. Cropcare continues to be a key profitable venture for AgStar, a pivotal player in the agri inputs space and a vital contributor to group profitability.**



The Cropcare segment demonstrated a marginal growth in profitability despite tight input controls on key products in our portfolio, as the agro chemicals industry is highly regulated. In fact, the industry was severely affected, but in comparison to the loss suffered by the sector, the company managed to balance out its profitability by leveraging on other products in its diversified portfolio.

Number of impediment market conditions notwithstanding, we demonstrated reasonable profit growth during the financial year under review. The Cropcare segment experienced a marginal increase in profit under a severely competitive environment. The strategic approach adopted by the company during the year earned due dividend for AgStar's Cropcare operations.

The Cropcare segment had to contend with insurmountable challenges during the year. The weedicide which was banned by the regulator last year was contributing high revenue to the company. The recession in the key customer segments further eroded the profitability of our cropcare business.

We responded to these formidable challenges by restructuring the insecticide category to perform more efficiently, which resulted in positive growth numbers. Our portfolio of fungicide products performed well, although demand for weedicides declined due to regulatory restrictions.

In another strategic move, the Company has taken steps to source biological weedicides which are currently under trial; essentially, green products, but which do not fall into the highly regulated weedicide category. In an effort to further diversify the portfolio and reduce dependence on any one category, we are innovating with water soluble, granular, new chemicals and growth stimulant products and organic products, which reflect promising growth potential in the future. The Company is currently exploring the possibility of expanding its portfolio of eco-friendly weedicides. Many products are in the pipeline and will be introduced to the market in the new financial year.

**“The Cropcare segment experienced a marginal increase in profit under a severely competitive environment. The strategic approach adopted by the company during the year earned due dividend for AgStar’s Cropcare operations.”**



The Company’s sales, marketing, branding and promotions teams had to work closely through this difficult year to maximize synergies. The proactively improved packaging quality and the measures initiated to increase delivery of service resulted in sustainable revenue and profitability.

#### **Future Prospects**

The Company intends to focus more on building a portfolio of green products by allocating a greater proportion of its annual budget to R&D efforts, while strengthening sales and marketing initiatives. We will continue to expand our dealer network. The Company further expanded its sales force to enhance reach across the country. The Company’s redistribution channels too were further strengthened during the year.

The Cropcare sales force forged close associations with farmers and took on the responsibility of educating them on the safe use of fertilizers and chemicals. Our team of experts regularly visits farmers and impart knowledge about related issues in order to better equip them to produce higher yields.

The Cropcare segment will continue to focus on diversifying further while forging strategic partnerships. We expect the turbulence in the industry to continue, with the industry coming under greater pressure by the regulator. Cropcare continues to be a key profitable venture for AgStar, a pivotal player in the agri inputs space and a vital contributor to group profitability.



# Management Discussion & Analysis

## Sector Analysis

# Seeds

**The year was eventful in many ways. The acquisition of Prith Seeds necessitated the synchronization of human capital of AgStar and Prith Seeds for optimum synergies.**



The Seeds division witnessed abundant activity during the year. The financial period under review is the first full year of operations for Prith Seeds which was acquired by AgStar in May 2015. A leader in the supply of capsicum seeds, Prith Seeds was quick to get off the mark during the year, successfully introducing Highland Queen, a superior cabbage category of seeds.

The year was eventful in many ways. The acquisition of Prith Seeds necessitated the synchronization of human capital of AgStar and Prith Seeds for optimum synergies. The transition has been smooth and the valuable staff from Prith Seeds has been absorbed into AgStar. We value their expertise and loyalty to the company and expect joint synergies to further expand our presence in the seeds sector. Vegetable seeds in particular have tremendous scope for delivering profitability and the acquisition of Prith Seeds, which is reputed in supply of vegetable seeds, will help to enhance group profitability and strengthen our credentials in the seeds sector.

We are now importing seeds from reliable suppliers in China, Korea and USA. AgStar has reassured longstanding suppliers of Prith Seeds of continued support from the Company. Currently, Prith Seeds possesses 20 products - with 11 hybrids and 9 OP varieties. We are exploring opportunities to increase our hybrid quotient, as hybrid seeds are growing in popularity due to the fact that they enable higher yields.

### Future Prospects

We are excited about the prospects for Prith Seeds and intend to increase the number of products while continuing product trials to add to the portfolio. Currently, there are 10 products being tested for release to the market. There is a good demand for seeds in upcountry regions and we are focused on acquiring high quality vegetable seeds, which grow well in the upcountry region. Approximately 40% of our business comes from the upcountry region, but we intend to expand our presence in markets in the dry zone.

**“Approximately 40% of our business comes from the upcountry region, but we intend to expand our presence in markets in the dry zone.”**



# Management Discussion & Analysis

## Sector Analysis

### AgStar Seeds

AgStar Seeds was successful in widening its product range during the year by introducing a new variety of Bitter Gourd and Big onion varieties. The current demand of 45,000 Kgs of big onions seeds is not met by local production and our new seeds will help reduce reliance on poor quality smuggled onion seeds. All our products are released only after successful trials. Furthermore, we introduced a better quality of Cabbage seeds from Japan. We were also able to introduce high quality Luffa seeds from Indonesia. The government has allowed us to do large scale cultivation of different variety seeds from these companies so that it can catch on commercially. AgStar Seeds looks forward to work in close concert with Prith Seeds and effect cross-marketing for mutual profitability.

Major changes took place during the year in the paddy seed business. We separated our seed paddy and imported seed segments and placed them under separate management control to increase efficiency of each division. This has resulted in improvement of the seed paddy business along with improvements in processing and storage facilities.

The Government of Sri Lanka has approved about 35 varieties of seed paddy and we expect to add about 20 of the most popular varieties to our portfolio going ahead. The industry felt the effects of climate change and needs to come up with effective strategies to combat this in the future.

Our Savijaya Programme continues to go from strength to strength. We continue to support our outgrower network which cultivates seed paddy for us. This initiative has assured the farmers of regular earnings and access to a ready market. This projects works well for us commercially whilst also proving to be a worthy CSR project by AgStar that is uplifting lives of the farmers.

### Future Prospects

We are forging ahead to meet our target of achieving 25% increase in revenue in the coming year. Going ahead, we will release new varieties in vegetable seeds. We successfully added chillie varieties to our portfolio recently. We intend to produce our own seeds locally to take advantage of higher prices in the future.







“We separated our seed paddy and imported seed segments and placed them under separate management control to increase efficiency of each division. This has resulted in improvement of the seed paddy business along with improvements in processing and storage facilities.”



# Management Discussion & Analysis

## Sector Analysis

### Grains

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**We could overcome the initial start-up issues with the commissioning of the plant and successfully commenced the commercial operation in compliance with the BOI standards on 01st June 2015.**



Soon after the general elections in January 2015, the incumbent Government promised farmers competitive prices for samba and nadu rice paddy at Rs. 50 and Rs. 45 respectively. Since the harvesting period was to begin a month later in February and it was the milling season for two of our mills, we were compelled to buy paddy at the government declared prices. However, by March of the year, the Government stopped purchasing paddy at the declared prices, leading the market prices to drop to Rs. 42 and Rs. 32 respectively.

This resulted in a major conundrum for our grains business, because we were carrying stock at the earlier higher prices. The gap proved to be too large for us to enter the market with, as we could have incurred heavy losses. So instead, we decided to adopt wait and watch policy in case prices became more favourable to the Company.

However, the reverse scenario played out, with the Government dropping guaranteed prices of samba below Rs. 42 and nadu below Rs. 38. At this point, the Company decided to minimize losses and to go on the normal course and absorb the loss. This resulted in a significant loss and affected group profitability in a negative manner.

However, during the year, we overcome the initial start-up issues with the commissioning of the plant and successfully commenced the commercial operation in compliance with the BOI standards on 01st June 2015. 4,200 MT of superior quality rice was sold from our state-of-the-art rice mill at Anuradhapura under the brand name of "Ran Sahal".

Despite the negative financial results due to the drop in the Government guaranteed paddy prices, the Company was able to achieve numerous qualitative and advantageous milestones such as , the brand acceptance in the market, island wide established dealer network, improved rice conversion ratios and establishment in the rice industry as a key supplier to market with competing leading rice suppliers.

**“We expect to leverage on various process improvements introduced across all divisions in the company during the year to gain a clear advantage in terms of market positioning and profitability in the upcoming year.”**



The Company sustained its focus on increasing the local rice market to 8,000 MT and diversifying into other high margin specialty product range, export markets and other grain categories.

### **Future Prospects**

Despite the various challenges that arose during the year under review due to policy changes, we have been upbeat about group prospects. In fact, we expect to leverage on various process improvements introduced across all divisions in the company during the year to gain a clear advantage in terms of market positioning and profitability in the upcoming year.



# Management Discussion & Analysis

## Sector Analysis

# Exports

We were successful in further expanding our product portfolio - from cinnamon quills and cinnamon powder, to virgin coconut oil, coconut water, organic coconut milk, organic coconut powder and special rice varieties.

During the period under review, AgStar's exports experienced reasonable growth driven by a two-pronged strategy. The first step consisted of strategic entry into new markets while consolidating markets we forayed into during the previous year, we expanded further into the European Union (EU) by establishing a presence in Germany, Netherlands, Czech Republic and the UK. This expansion served to boost our export volumes during the period under review.

Secondly, we were successful in further expanding our product portfolio from cinnamon quills and cinnamon powder, to virgin coconut oil, coconut water, organic coconut milk, organic coconut powder and special rice varieties. We are ideally positioned to leverage on this new-found demand for coconut products.

### Future Prospects

The company will sustain its focus on exploring new and untapped markets while effecting greater penetration in existing markets. We are also following up our strategy to enter into tie-ups with supermarkets and hypermarkets in the EU and the Middle East, as we perceive these channels generating significant business going ahead. Lastly, we will continue innovating new products to meet evolving trends in global markets. Our R&D facility is currently testing Sri Lankan traditional rice, organic spices and dried vegetables and fruits, and once the trials are complete, these new products will be added to our portfolio.

During the year under review, we strengthened our presence in the industry by gaining membership of the Sri Lanka Export Development Board and Chamber of Commerce and Exports Association.



**“The company will sustain its focus on exploring new and untapped markets while effecting greater penetration in existing markets. We will continue innovating new products to meet evolving trends in global markets. ”**



# Management Discussion & Analysis

## Sector Analysis

# Property

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AgStar owns a warehousing in Ekala and a land bank in Kaduwela of 9 acres and 4.5 acres respectively. The Kaduwela land is being developed further with a view to extending the facility outside the group. Going ahead, the company has plans to develop the Ekala and Kaduwela land banks further in order to utilize the land extent and earn income from its strategic locations.





**“The company has plans to develop the Ekala and Kaduwela land banks further in order to utilize the land extent and earn income from its strategic locations. ”**



# Management Discussion & Analysis

The Group posted a turnover of Rs 2.3 Bn for the 2015/16 financial year, representing a 10% increase when compared to the figure of Rs 2.1 Bn in the previous year. The key expectation of the Group is to ensure a sustainable growth momentum for the future. Hence, emphasis on product development to introduce eco -friendly and cost effective products to satisfy customer needs is envisaged.

## Financial Review

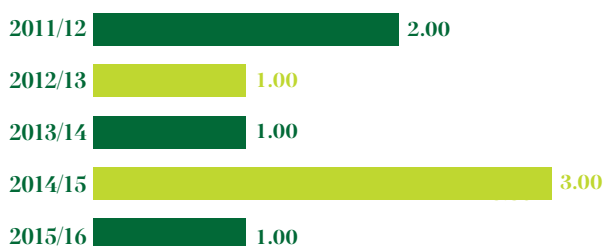
The Group posted a turnover of Rs 2.3 Bn for the 2015/16 financial year, representing a 10% increase when compared to the figure of Rs 2.1 Bn in the previous year. As usual, the fertilizer segment was the highest contributor towards the Group revenue. The Group made a loss of Rs 52.9 Mn for the year 2015/16 as against a profit of Rs 213 Mn in the year 2014/15, depicting a decrease of 125% in profits. The total asset base of the Group increased by 2.5% during 2015 and return on assets at (0.96%) showed a reduction of 124% as compared to a figure of 3.96% in the previous year.

Earnings per share reflected a decrease, namely Rs. 0.16 negative as compared to positive Rs. 0.67 in 2015. There were no new share issues during the period under review and the return on shareholders' equity was negative, (2.10%) as against positive 8.4% in the year 2014/15.

## The Interest Cover

The interest cover reduced to 1 from the figure of 3 times during the year whereas in 2014/15. This is a result of the overall reduction in the group profitability as a whole compared to the previous year.

## Interest Cover



## Shareholder information

AgStar PLC was listed on the Colombo Stock Exchange on 16/02/2012. As per the Listing Rules, the Company has submitted the unaudited interim financial statements to the Colombo Stock Exchange (CSE) within 45 days of each quarter.

## Share Prices

The share prices showed a gradual decline through the year under review ending at Rs 4.60 per share as on 31st March 2016. The highest share price recorded during the financial year was at Rs. 7.50 whereas the lowest recorded at Rs. 3.5. The table of graphs depicts the AgStar share price trends during the year under review.

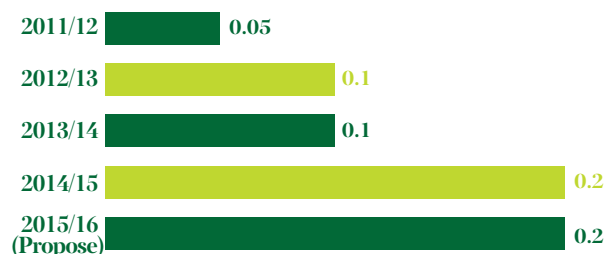
## Share Price



## Dividend

It has been proposed to maintain the dividend at the same level for the year 2015/16 as the last year which is Rs. 0.20 per share. The graph below shows the distribution of AgStar PLC's profits during the last four years.

## Dividend per Share





#### **Future Prospects**

The key expectation of the Group is to ensure a sustainable growth momentum for the future. Hence, emphasis on product development to introduce eco -friendly and cost effective products to satisfy customer needs is envisaged. At the same time market development strategies are being pursued to penetrate and enhance existing market. Further, growth strategies are being adopted to increase local and global business opportunities through mergers and acquisitions. In this process the Group will achieve the planned growth targets.

#### **Conclusion**

AgStar has re-engineered its business to keep pace with evolving regulatory and commercial changes to maintain profitability across the Group. By business development and strategic planning, the Company has created a distinct pathway for sustainable growth.

We remain confident that we can continue to specialize and dominate the industry sectors we operate within by evolving the opportunities we have created into even greater value delivery in the years ahead.

**AgStar has reengineered its business to keep pace with evolving regulatory and commercial changes to maintain profitability across the Group. By business development and strategic planning, the Company has created a distinct pathway for sustainable growth.**



# Sustainability Report

## Social Responsibility Projects

Social responsibility is ingrained in AgStar's business operations, since it collaborates closely with the farmer community. The company closely engages with farming communities on activities related to Seeds, Fertilizer, Grains, Cropcare and adds value to the strong relationships with farmers by offering valuable technical inputs such as methods for high yields and adopting best practices in farming.

Since the farming community is a key stakeholder for the company, our target is to bring 10,000 farmers and their families within our ambit under the Savijaya Movement which was launched in 2013 as a four-year project. The movement has great momentum as more and more farmers are realizing the value that Savijaya adds to their daily activities.

AgStar conducts Social responsibility projects in farming communities in six locations, namely, Anuradhapura, Polonnaruwa, Dambulla, Dehiattakandiaya, Kanthale, Ampara and in the upcountry region. The manager of each location is responsible for formulation and implementation of project activities.

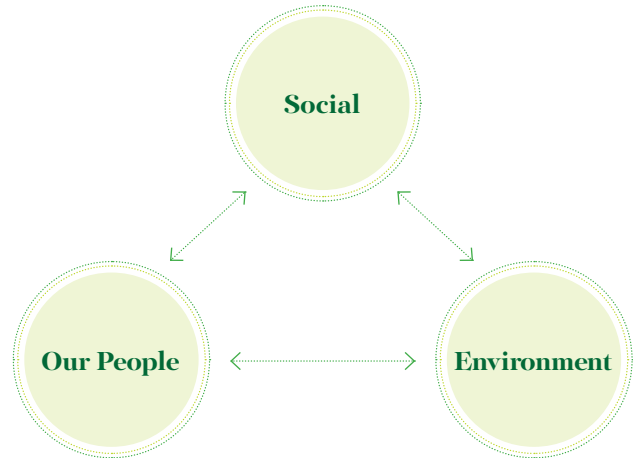


*AgStar conducts Social responsibility projects in farming communities in six locations*

Our project activities are implemented jointly with the relevant government agencies to extend knowledge and support to maximize the benefits of the initiatives.

The company has adopted the below sustainability framework that clearly indicates our stakeholders with whom we engage through socially responsible practices and environmentally-friendly practices, ensuring that farmers' well-being and prosperity is achieved.

CSR projects implemented by the company fall in the purview of the following areas:



## Education

This includes training of farmers to improve their technological efficiency such as good agriculture practices as well as developing leadership abilities by improving resource allocation and efficiency. Our interventions are also directed at their families, by training local school children and family members on ICT and language skills. The company also intends to award scholarships for needy students who want to pursue higher studies.

AgStar Seeds conducts farmer training programmes for its outgrower network which is involved in the production of seed paddy and vegetable seeds. During 2015 Yala season, about 12 training programmes were conducted to educate farmers on production of quality seed paddy. Senior officials from the Department of Agriculture and other relevant departments participated as resource personnel to train these farmers. We are in the process of purchasing seed paddy produced by those farmers to ensure they have market access and best prices. The seed paddy will be processed using the latest machinery and will be delivered to needy farmers for next season's cultivation cycle.

## Health and Sanitation

In order to nurture a healthy community, the company conducts medical clinics in remote areas, improving access to safe drinking water, particularly in Chronic Kidney Disease (CKD) affected areas, and supporting shramadana campaigns for cleaning of premises, roadways, water ways and eradication of communicable disease.



During the year under review, the AgStar CSR Project ‘Public Eye Clinic 2015’ was conducted at the AgStar Ran Sahal Premises on 19th Dec 2015. Senior managers from the Anuradhapura and Colombo Corporate Office branches took leading roles in organizing the event. There were more than 350 genuine and deserving farming community members hailing from the surrounding villages of Saliyapura, Anuradhapura, who benefited from the clinic. They were also given refreshments at the clinic.

Wickranarchichi Eye Care partnered us in conducting the clinic. Their medical professionals diagnosed vision problems and about 276 out of 350 were prescribed spectacles. The frames were selected by the individuals and all of them received spectacles under the financial support of AgStar. The total expenditure of the programme exceeded Rs. 500,000.00. AgStar staff actively participated in this initiative.



*About 350 patients queued up for the Clinic*

### Nutrition

The company is mindful about advocating the safe use of pesticides by promoting IPM practices. Other practices such as promoting home gardening for better nutrition and supporting food baskets for needy families are conducted on a regular basis.

### Environment

The company supports the farmer community by imparting knowledge on soil conservation and undertakes tree planting campaigns to conserve nature.

### Farming Commercialization

Farmer commercialization is pursued strongly by the company. Our endeavour is to elevate the level at which the farmer operates by helping and supporting him to become a commercial level farmer, through education and supporting value addition activities, while supplying them with primary agricultural products that will help them to uplift their operation.

### Social Welfare activities

Ensuring farmer well-being is yet another key pursuit of the company and it takes farmers for educational tours and helps them to celebrate key religious festivals such as new year celebrations, and holds Annual farmer days and so on, thereby weaving itself into the social fabric of these communities.

**Social responsibility is ingrained in AgStar's business operations, since it collaborates closely with the farmer community. The company closely engages with farming communities on activities related to Seeds, Fertilizer, Grains, Cropcare and adds value to the strong relationships with farmers by offering valuable technical inputs such as methods for high yields and adopting best practices in farming.**

# Sustainability Report



## People

### Our Employees

#### Equal Opportunity

The Company does not condone any form of discrimination or harassment on grounds of race, gender, ethnicity or religion. We are an equal opportunity employer that does not discriminate on any count.

The majority of our factory employees are recruited from the areas surrounding the factory and we make a pointed effort to provide employment opportunities to local communities. The growth of the Grains & Seeds business is giving rise to more vacancies in the Company and we are planning to recruit more candidates in and around the areas of Anuradhapura and Polonnaruwa.

#### Welfare

We are keen about the health & safety and welfare of our employees. AgStar is committed to be compliant with all necessary legal, industry and market requirements pertaining to employee welfare.

It is a common practice in AgStar that every 3 years the Company will go through a comprehensive salary, perks and medical benefits review at the initiative of the AgStar remuneration committee and with the involvement of a third-party salary survey institution.



*The farming community is a key stakeholder of the Company*

#### Performance Evaluations

- All AgStar employees are evaluated through the guidelines of the Performance Evaluation process and The performance appraisal ratings were incorporated by the management for the salary increment process with the aim of instilling a performance based culture.

#### Training

- In September 2015 Company organised a training programme on Marketing Communication to enhance the Sales and Marketing capabilities of the sales staff.



*The Company is closely engaged with the social fabric of the farming community*

- We also extended the opportunity for selected employees to undergo public training programmes in collaboration with reputed training institutes. The main areas covered under public programmes were Information Technology, Corporate Marketing Planning and Occupational Health & Safety.

#### **Communication**

The senior management keeps up a direct line of communication with employees across all level. We value the opinions of our employees from the bottom up and cross-functionally and welcome their suggestions on how we can improve our service standards.

For example, Corporate Marketing planning sessions were organized in each business sector with the participation of all level of sales staff.

#### **Community**

##### **Education**

The farming community is the key stakeholder of the Company; therefore our target is to link up with 10,000 farmers and their family members through CSR projects in 4 years starting from 2013.

This includes training of farmers to improve their technological efficiency. Farmers and graduates are offered classes to refresh and improve their knowledge about agricultural practices and latest trends. Also AgStar is

planning to give away seeds & expertise to rural schools to develop their own farms in order to assist students who follow agriculture studies.

Saliyapura Maha Vidyalaya had only 2 water taps for all students for drinking & other purposes, resulting in unhygienic conditions. AgStar worked closely with school authorities to install 10 more water taps for the use of students, which enhanced access to water, making it possible for the school to promote hygienic practices amongst the student community.

##### **Health and Sanitation**

The Company is planning to conduct medical clinics in remote areas, supporting improved access to safe drinking water, and many more activities which will enhance the health aspect of the community.

##### **Social Welfare activities**

The Company is closely engaged with the social fabric of the farming community and surrounding villages in proximity to its plants. As a result, AgStar carried out an alms-giving function in neighbouring villages.

##### **Total Quality**

We are fully committed to offer quality products to our customers, which is why we allocated Rs. 380 Mn as total investment for a modern rice milling plant which incorporates all the facilities to ensure a total quality culture.

**We serve  
small-scale  
farmers, home  
gardeners  
and planters**

## **Governance & Risk Management**

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Corporate Governance | Risk Management | Statement of Directors' Responsibility | Committee Reports





**Key stakeholders in our operations include small-scale farmers, home gardeners and planters for who we strive to enable sustainable avenues of business and enterprise.**



# Corporate Governance

## General Governance Policy

The concept of corporate governance covers the entire accountability framework of an organization. It encompasses aspects of both corporate and business governance and is based on the premise that good governance policy alone cannot make an organization successful. It is only by having in place good corporate governance practices, which are strategically linked to performance management that an organization is able to focus on the key drivers of the business. This concept emphasizes the dual role of the Board of Directors in ensuring conformity to good governance and strategic management for value creation.

It is the firm belief of the Board of Directors that an effective self-regulatory framework is vital to pursue stakeholder confidence in the context of increasing trends in deregulation and lack of regulations in certain areas. AgStar PLC("AgStar") has continued its commitment to maintain high standards of corporate governance in order to ensure the integrity, accountability and transparency of all transactions as well as to ensure equal importance to business performance in order to ensure value creation.

## AgStar's Adoption of Corporate Governance

Being a listed company committed to maintain ethics and professionalism in every sphere of activity, AgStar adheres to high standards of corporate governance. It defines governance as the set of processes, customs, policies, laws and institutions affecting the way in which the corporation is directed, administered and controlled. Key aspects of the corporate governance framework established by the Company are described below.

In keeping with its vision and mission and with the continued goodwill and confidence of customers very much in mind, the Company is careful not to undertake any business activity that might affect adversely the welfare of the community and the environment.

The governance principles and measures of the Company are described below:

Corporate Governance Principle	Principle No.	Level of Compliance
<b>Directors</b>		
The Board	A.1	<b>Composition</b> The Board currently comprises of nine Directors which include Seven Non-Executive Directors and two Executive Directors. Three out of Seven Non-Executive Directors are Independent. The Board has an appropriate balance of skills, experience, independence and knowledge to enable it to discharge its duties and responsibilities effectively.  <b>Frequency of Board Meetings</b> Five Board Meetings are scheduled to evaluate the performance and to discuss strategy and other matters of the company. Ad-hoc meetings are scheduled to deal with specific matters which require the attention of the Board between scheduled meetings.  The table below depicts the attendance of Directors at the Board and Committee meetings held during the year.

Corporate Governance Principle	Principle No.	Level of Compliance
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The Board

A.1

Name of Director	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Related Party Committee Meetings
Mr. N.G.R. Karunaratne	5/5	5/5	1/1	1/1
Mr. D.N.N. Lokuge	4/5			
Mr. A.P. Weerasekera	5/5	5/5	1/1	1/1
Mr. W.A.P. Perera	3/5			
Mr. D.S.K. Amarasekara	3/5			
Mr. I.C. Nanayakkara	2/5			
Mr. A.G. Weerasinghe	4/5	5/5	1/1	1/1
Mr. H.P.J. De Silva	4/5	5/5	1/1	1/1
Ms. S. Wickramasinghe	4/5			

### The Responsibilities of the Board

The Board is ultimately accountable for ensuring that, as a collective body, it has the appropriate skills, knowledge and experience to perform its role effectively.

The Board is responsible for the following:-

- formulation, implementation and monitoring of strategy
- effective systems to secure integrity of information, internal controls and risk management
- compliance with laws, regulations and ethical standards
- ensuring all stakeholder interests are considered in corporate decisions.

Directors

The Board has delegated several functions to Board Committees, while retaining final decision rights pertaining to matters under the purview of the Committees. The composition and the functions of these sub-committees are discussed in detail under the relevant sections of this Report.

### Obtaining Independent Professional advice

In discharging their duties the Directors are permitted to seek independent professional advice from external parties when necessary at the expense of the Company.

### Company Secretary

The Directors have access to the advice and services of the Company Secretary. The Company Secretary advises on the need to comply with Board Procedures, relevant statutory obligations and other applicable rules and regulations.

### Independent Judgment

All Directors employ independent judgment in all decisions pertaining to strategy, performance, resource allocation and standards of business conduct and acts free from any undue influence and bias from other parties

# Corporate Governance

Corporate Governance Principle	Principle No.	Level of Compliance
Directors		<p><b>Dedication of adequate time and effort to matters of the Board and the Company</b></p> <p>The Board members dedicate adequate time and effort to fulfill their duties as Directors of the Company and ensure that they are satisfactorily discharged.</p> <p>Newly appointed Directors who do not have previous public company experience at Board level are provided with appropriate training on their role and responsibilities. New Directors participate in a comprehensive and tailored induction program including meetings with members of the senior management. The induction program includes a full review of corporate responsibility. Subsequent training is available on an ongoing basis to meet any particular needs.</p>
Chairman & Managing Director	A.2	A clear division of responsibility is maintained between the Chairman and the Managing Director ensuring that the balance of power and authority is preserved.
Chairman's role	A.3	<p>The Chairman being responsible for the running of the Company facilitates the effective discharge of Board proceedings and ensures that:</p> <ul style="list-style-type: none"> <li>● effective participation of both Executive and Non-Executive Directors is secured</li> <li>● all Directors are encouraged to make effective contributions to proceedings</li> <li>● the views of Directors on issues under consideration are ascertained, and</li> <li>● Board is in control of the affairs of the Company and alert to its obligations to all stakeholders</li> </ul>
Financial Acumen	A.4	The members of the Board possess the necessary knowledge and competence to offer guidance on matters of finance
Board balance	A.5	<p>The Board considers the independent Directors as free of any business relationship or other circumstance and independent of management that could materially interfere with or could be reasonably perceived to materially interfere with the exercise of their, unfettered or independent judgment.</p> <p>To determine their independence, the Board reviews all Directors' interests that may give rise to a potential or perceived conflict, and any circumstances relevant to their current or ongoing independence as set out in the Rules and Regulations of the Colombo Stock Exchange.</p> <p>Mr. H P J de Silva, Mr. A G Weerasinghe and Mrs. S Wickramasinghe meet the criteria for independence specified by Rule 7.10.4 of the Listing Rules of the Colombo Stock Exchange. These Directors have submitted written declarations of their independence as required by section 7.10.2(b) of the Listing Rules.</p>



Corporate Governance Principle	Principle No.	Level of Compliance
Supply of Information	A.6	<p>The Board is provided with timely information in an appropriate manner enabling it to Discharge its duties effectively.</p> <p>In the event the information volunteered by management is not adequate the Directors make Further inquiries. The Chairman ensures all Directors are appropriately briefed on issues arising at Board meetings.</p> <p>The minutes, agenda and connected papers required for a Board Meeting are dispatched to the Directors in advance enabling them with sufficient time to review the papers and request for any additional information or clarifications on matters when necessary.</p>
Appointments to the Board	A.7	<p>The Board has not established a Nominations Committee for making recommendations on Board appointments. Hence appointments to the Board are made collectively and with the Consent of all the Directors.</p> <p>Upon the appointment of a new Director to the Board, the Company informs the Colombo Stock Exchange a brief resume of the Director which includes;</p> <ul style="list-style-type: none"> <li>● the nature of his expertise in relevant functional area,</li> <li>● other Directorships or memberships in Board sub committees,</li> <li>● Whether the Director is considered an Independent Director.</li> </ul>
Re-election	A.8	<p>In compliance with the Articles of Association of the Company, one third of the Directors Retire by rotation at every Annual General Meeting. A Director appointed during the year retires at the next Annual General Meeting of the Company and seeks re-appointment in terms of the Articles of the Company.</p>
Disclosure of Information in respect of Directors	A.9	<p>Current Directors' biographical details are set out on pages 18 to 19 of this Annual Report. These Include their main external commitments.</p>
Appraisal of the Managing Director	A.10	<p>The Annual appraisal of the Managing Director is carried out by the Board at pre agreed Performance targets.</p>
<b>Directors' Remuneration</b>		
Remuneration Procedure	B.1	<p>The Board has established a formal and transparent procedure for developing policy on Executive remuneration and for fixing the remuneration. In order to avoid potential conflicts of interest, the Board has delegated powers to the Remuneration Committee to make recommendations to the Board on remuneration policy and practice that is consistent with the Objectives of the Company.</p> <p>The Remuneration Committee consists of two Non-Executive independent Directors. The names of the members of the Committee are indicated in the Directors' Report on the state of Affairs of the Company.</p>
Level and makeup of remuneration	B.2	<p>The leve1 of remuneration for both Executive and Non-Executive Directors is sufficient to attract and retain the Directors to run the Company successfully. The Remuneration Committee compares the levels of remuneration of the Company in relation to other companies in the industry.</p> <p>The Remuneration Committee report appears on page 57 of this Report.</p>

# Corporate Governance

Corporate Governance Principle	Principle No.	Level of Compliance
Directors	B.3	The total remuneration of the Directors' disclosed in Note 10 to the Financial Statements.
<b>Relations with Shareholders</b>		
Constructive use of The Annual General Meeting	C.1	<p>The Shareholders of the Company have the opportunity to meet and question the Board at the Annual General Meeting. Each item of business to be considered at the Annual General Meeting is included with the Notice of Meeting which is sent to shareholders at least 15 Working days prior to the meeting.</p> <p>The Chairpersons of the Audit and Remuneration Committees are present at the Annual General Meeting to answer any questions raised by the shareholders.</p>
Major transactions	C.2	There were no major transactions during the year as defined by Section 185 of the Companies Act No. 01 of 2007 which materially affect the net asset base of AgStar PLC or Consolidated Group net asset base.
<b>Accountability and Audit</b>		
Financial reporting	D.1	<p>The Board ensures that the quarterly and annual Financial Statements of the Company are prepared and published in compliance with the requirements of the Companies Act No 07 of 2007, Sri Lanka Accounting Standards and the Colombo Stock Exchange.</p> <p>The Statement of Directors' Responsibility in preparation of the Financial Statements is given on page 56 of this Report.</p> <p>The declaration by the Board that the Company is a going concern is given in the Directors' Report on the state of affairs of the Company.</p>
Internal control	D.3	<p>The Audit Committee consists of two Independent Directors. The members of the Committee are indicated in the Directors' Report on the state of affairs of the Company.</p> <p>The Committee is empowered to examine and report on the following :-</p> <ul style="list-style-type: none"> <li>☉ Review the financial reporting system</li> <li>☉ Review internal control framework and identify business risks</li> <li>☉ Review the quality of external and internal audit performance</li> <li>☉ Review compliance with laws, regulations and professional standards</li> <li>☉ Recommend the appointment and fees of external auditors</li> </ul> <p>The Committee met five times during the year The Chairman/Chief Executive and Managing Director of the Company attended all meeting by invitation.</p>
Code of business Conduct and ethics	D.4	<p>The Directors have adopted and adhered to the Code of Business Conduct and Ethics for Directors.</p> <p>A set of Guidelines for ethical behaviour has also been compiled to help employees to act with Responsibility and to, make the right decisions in their daily work. This Code of Conduct explains the principles for dealings with business associates, general partners, colleagues and In the community in which we operate. Thus it supports all employees in acting ethically not only in their dealings with one another but also outside the Company.</p>

Corporate Governance Principle	Principle No.	Level of Compliance
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### Institutional and Other investors

Shareholder voting	E.1	<p>The company is committed to maintaining good communications with investors. The Chairman conducts a structured dialogue with the shareholders based on the mutual understanding of objectives and ensures that the views of the shareholders are communicated to the Board as whole.</p> <p>All shareholders are encouraged to participate at meetings of the Company, and a form of Proxy accompanies each notice providing shareholders who are unable to attend such meeting the opportunity to cast their vote.</p>
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### Disclosures pertaining to Corporate Governance Practices

CSE Rule No	Applicable Rule	Requirement	Status of Compliance	Reference to Annual Report
7.10.1	Non-Executive Directors (NEDs)	Two or at least one third of the total number of Directors should be NEDs		Corporate Governance Report
7.10.2(a)	Independent Directors	Two or one third of NEDs (whichever is higher) should be independent		Corporate Governance Report
7.10.2(b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/ non-independence in the prescribed format		Corporate Governance Report
7.10.3(a) and (b)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report		Corporate Governance Report
	Disclosure relating to Directors	The basis for determination of independence of NEDs, if criteria for independence is met		Corporate Governance Report
7.10.3( c )	Brief Resume of each Director in the Annual Report	A brief resume of each Director should be included in the Annual Report, including his/her area of expertise		Profiles of the Board of Directors
7.10.4	Criteria for defining "independence"	Requirements for fulfilling criteria		Corporate Governance Report

### Rules relating to Remuneration Committee

7.10.5(a)	Composition of Remuneration Committee	<p>The Committee shall comprise of Non-Executive Directors, a majority of whom shall be independent</p> <p>The Chairman of the Committee shall be a Non-Executive Director</p>		Corporate Governance Report, Directors' Report on the state of affairs of the company
7.10.5(b)	Disclosure of the functions of the Remuneration Committee	The Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer or equivalent role		Corporate Governance Report ,Remuneration Committee Report

# Corporate Governance

CSE Rule No	Applicable Rule	Requirement	Status of Compliance	Reference to Annual Report
7.10.5( c)	Disclosure in the Annual Report	The Report should include the names of the Remuneration Committee members, a statement of Remuneration Policy and the aggregate remuneration paid to Executive and Non-Executive Directors		Corporate Governance Report, the Directors' Report on the state of affairs of the company and the Remuneration Committee Report
<b>Rules relating to Audit Committee</b>				
7.10.6(a)	Composition of Audit Committee	The Committee shall comprise of NEDs, a majority of who shall be Independent. The Chairman of the Committee shall be a Non-Executive Director. The Chairman or a member should be a member of a recognized professional accounting body		Corporate Governance Report, the Directors' Report on the state of affairs of the Company and the Audit Committee Report
7.10.6(b)	Functions of the Audit Committee	<p>Overseeing the preparation, presentation and adequacy of the disclosures in the Financial Statements in accordance with the Sri Lanka Accounting Standards</p> <p>Overseeing compliance with financial reporting related regulations and requirements</p> <p>Overseeing the processes to ensure that internal controls and risk management are adequate</p> <p>Assessing the independence and performance of the external auditors</p> <p>Recommending to the Board the appointment, re-appointment and removal of the external auditors and approving their remuneration and terms of engagement</p>		Corporate Governance Report, Audit Committee Report
7.10.6(c)	Disclosure in the Annual Report	<p>The names of the members of the Audit Committee</p> <p>The basis of determination of their independence</p> <p>A report of the Audit Committee as setting out the manner of compliance with their functions</p>		Directors' Report on the state of affairs of the Company, Audit Committee Report



CSE Rule No	Applicable Rule	Requirement	Status of Compliance	Reference to Annual Report
9.2.2	Composition of Related Party Transaction Review Committee	The Committee should comprise a combination of non-executive directors and independent non-executive directors. The composition of the Committee may also include executive directors, at the option of the Listed Entity. One independent non-executive director shall be appointed as Chairman of the Committee.		Corporate Governance Report, the Directors' Report on the state of affairs of the Company and the Related Party Transaction Review Committee Report
9.2.1	Functions of the Related Party Transaction Review Committee	Reviewing all Related Party Transactions except for transactions set out in Rule 9.5		Corporate Governance Report, Related Party Transaction Review Committee Report
9.3.2(c)	Disclosure in the Annual Report	<p>The names of the members of the Audit Committee</p> <p>A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and has communicated the comments/observations to the Board of Directors.</p> <p>The policies and procedures adopted by the Committee for reviewing the Related Party Transactions.</p> <p>The number of times the Committee has met during the Financial Year</p> <p>A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.</p>		Directors' Report on the state of affairs of the Company, Related Party Transaction Review Committee Report

# Risk Management

No business that faces no risk can be found in the world. Irrespective of the nature and the size of the business, risk is inevitable in doing business. In broad, such risk can be identified in two folds, systematic risk and unsystematic risk. Systematic risk is the risk which cannot be diversified or avoided. On the other hand the unsystematic risk represents the risk unique to the respective business operation which in turn could be mitigated or avoided with risk management activities.

AgStar PLC and its group companies being entities that closely engage in the agricultural and related products are always open for systematic risk such as adverse weather conditions, impediment Government rules and regulations in relation with the agro industry etc. However, the risk management activities of the company which are an intrinsic part of the business processes from the beginning to the end are expected to mitigate the risk of the group. The following is the highlights of the key risks and the associated risk mitigating activities of the AgStar group.

Description of Risk	Risk Mitigation
<b>Business/ Investment Risks</b> Risk of losses and uncertainties attached to new business investments as the Group continuously looks diversifying its existing business portfolio.	<ul style="list-style-type: none"> <li>Stringent evaluation of risks associated with each new investment is carried out by in-house expertise and external resources as when required.</li> <li>Formation of strategic alliances with reputed partners to create synergies and share the investment risk.</li> <li>Address potential adverse ethical, social and environmental factors before venturing into such new projects</li> </ul>
<b>Default Risk</b> Default of subsidy component settlements by the Government of Sri Lanka (GoSL)  Delays in subsidy component settlements	<ul style="list-style-type: none"> <li>Currently the likelihood of the default risk is low. However, continuous representative efforts are being carried out in this regard.</li> <li>Constant follow-up with Government authorities to recover the subsidy component within the stipulated time period.</li> <li>Carry out necessary and appropriate representative efforts in this regard.</li> </ul>
<b>Economic Risk</b> Risk of an economic downturn negatively impacting the Group's investment and business operations.	<ul style="list-style-type: none"> <li>Closely monitors domestic and global economic activities that could have an impact on Group's business to take precautions.</li> <li>Maintain sound relationships with relevant stakeholders</li> </ul>
<b>Interest Rate Risk</b> Adverse impacts on profitability owing to changes in market interest rates as the Group borrowing are mostly to floating interest rates.	<ul style="list-style-type: none"> <li>Ensures maximizing returns on financial investments and minimizing cost borrowing</li> <li>Use of appropriate financial and hedging strategies to minimize interest rate risk.</li> <li>Negotiate for concessionary interest rates using AgStar's strength as a listed Company</li> </ul>
<b>Exchange Rate Risk</b> Adverse impact of exchange rate fluctuations on Group's cash flows, assets and liabilities, and business activities such as purchase of raw materials and capital goods.	<ul style="list-style-type: none"> <li>Exchange rate fluctuations are considered in the subsidy formula; hence a natural hedge persists to a reasonable extent</li> <li>Monitors the effects of foreign currency movements on the Group's business.</li> <li>Adopt timely and appropriate hedging activities to mitigate foreign exchange risk</li> <li>Enter into forward rate booking agreements when necessary</li> </ul>

Description of Risk	Risk Mitigation
<b>Regulatory and Complains Risk</b> Introduction of new regulation affecting the business adversely and complexity in complying with regulatory requirements	<ul style="list-style-type: none"> <li>Monitors complaints with regulatory requirements.</li> <li>Participate in representative effort against regulations that could have a negative impact on business / industry.</li> </ul>
<b>Credit Risk</b> The probability of the loss of income owing to default by the company's debtors	<ul style="list-style-type: none"> <li>Conduct in-depth analysis of debtors on their performance.</li> <li>Regular follow-up on overdue debtors to minimize potential losses.</li> </ul>
<b>Employee Risk</b> Risk arising from the inability to attract, motivate and retain skilled and experienced staff, thus impacting the business competitiveness.	<ul style="list-style-type: none"> <li>Build strong employer brand.</li> <li>Implement an effective human resource policy and a plan which is reviewed by the remuneration committee.</li> <li>Adopt an open door policy where any employee can speak to the senior management regarding their concerns.</li> </ul>
<b>Operational Risk</b> Losses resulting from fraud, human errors, inefficient processes, natural perils and loss of sensitive information.	<ul style="list-style-type: none"> <li>Conduct periodic internal audit reviews to ensure complains and the effectiveness of internal control system.</li> <li>Maintain a business continuity plan to ensure disaster preparedness.</li> </ul>
<b>Funding / Liquidity Risk</b> Difficulty in obtaining required funding for projects.	<ul style="list-style-type: none"> <li>Maintain a business continuity plan to ensure disaster preparedness.</li> <li>Use of AgStar's group strength as a listed Company to raise economical funding as and when required.</li> </ul>
<b>Lack of Government support</b> Lack of Government support to promote and encourage the private participation in the industry	<ul style="list-style-type: none"> <li>Appropriate representative efforts</li> </ul>
<b>Competitive Risk</b> Risk of losses from a decline in company's competitiveness.	<ul style="list-style-type: none"> <li>Carry out regular analysis on competitor activities and performance.</li> <li>Formulate strategies to enhance AgStar 's market share.</li> </ul>

# Statement of Director's Responsibility

The Directors are responsible, under the companies Act No 7 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss of the Company and the Group for the financial year.

In preparing financial statements the Directors are required to ensure that:

- Appropriate Accounting policies have been selected and applied consistently.
- Financial Statements have been prepared and presented in accordance with Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards(LKAS);
- The Financial Statements provide the information required by the Companies Act and Listing Rules of the Colombo Stock Exchange; and
- Reasonable and prudent judgments and estimates have been made.

The directors have taken appropriate steps to ensure that the Companies within the Group maintain adequate and accurate records which reflect the true financial position of each such company and hence the Group.

The Directors have taken reasonable measures to safeguard the assets of the Company and of the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view of preventing and detecting fraud and other irregularities.

The Directors have a reasonable expectation, that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore have continued to adopt the going concern basis in preparing the Financial Statements.

Further, the Directors have recommended a final dividend of Rs.0.2 per share, after being satisfied that the Company would satisfy the solvency test immediately after such distribution in accordance with section 56 (2) of the Companies Act No 7 of 2007, and shall obtain a certificate of solvency from the Independent Auditors in accordance with Section 57 of the Companies Act No 7 of 2007.

Messrs KPMG, Chartered Accountants, the Auditors of the Company, have examined the Financial Statements made available by the Board of Directors together with all relevant financial records, related data, and minutes of Shareholders' and Directors' meetings and expressed their opinion in their Report on page 69 of the Annual Report.

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the government that were due on behalf of the Company and the Group as at the date of the statement of financial position have been paid, or where relevant provided for, except as disclosed in note 31 to the Financial Statements covering contingent liabilities.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board



**P.R. Secretarial Services (Pvt) Limited**  
Secretaries

Colombo  
2nd June 2016



# Remuneration Committee Report

## Composition of Committee

The remuneration committee appointed by the Board of Directors consists of two independent non-executive Directors. The members of the committee during the year under review were Mr. Janaka de Silva (Chairman) and Mr. A G Weerasinghe.

## Committee Meetings

The committee met once during the year under review as per the table on page 47 of this report and the minutes of the meeting are presented to the Board.

## Attendance

The Chairman/CEO and Managing Director attend the meeting of the Remuneration Committee by invitation to discuss the performance of the senior executives and to make proposals as deemed necessary except where their own remunerations are discussed.

## Role of the Committee

The role of the Remuneration Committee is to;

- formulate remuneration policy of the company to attract and retain high calibre personnel and motivate them
- make recommendations to the Board and monitor the level and structure of remuneration for senior management
- make recommendations to the Board on the Company's framework of executive remuneration and its cost, and to determine on behalf of the Board specific remuneration packages and conditions of employment (including compensation entitlement) for Executive Directors
- make recommendations to the Board regarding the content of the Board's Annual Report to the shareholders on Directors' remuneration (including the Company's policy on Executive Director's remuneration, details of individual remuneration and other terms and conditions)

## Remunerations to Directors

The remuneration paid to Directors during the year under review is indicated in note 10 to the financial statements.



**Janaka de Silva**

Chairman - Remuneration Committee

Colombo  
2nd June 2016

# Related Party Transactions Review Committee Report

## Adoption of the Code of Best Practices on Related Party Transactions

The Board of Directors of the Company decided to adopt the Code of Best Practices on related party transactions ("the Code") issued by the Securities and Exchange Commission of Sri Lanka (SEC) and established the Related Party Transactions Review Committee at its meeting held on 30th March 2016.

## Purpose of the Committee

The purposes of the Related Party Transactions Review Committee ("the Committee") of AgStar PLC ("Company") is to conduct an appropriate review of all of the Company's related party transactions and to ensure that the Company complies with the rules set out in the Code.

The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions and to prevent directors, key management personnel or substantial shareholders taking advantage of their positions.

## Composition of the Committee

The Committee consists of four (4) members with a combination of independent non-executive and executive directors. The members of the Committee are:

Name	Position
Mr. A. G. Weerasinghe (Committee Chairman)	Non -Executive and Independent Director
Mr. H.P.J. De Silva	Non -Executive and Independent Director
Mr. R. Karunarathne	Chairman/CEO
Mr. P. Weerasekera	Managing Director

GM-Finance, who attends to the meetings by invitation functions as the Secretary to the Committee.

## Charter of the Related Party Transaction Review Committee

The Related Party Transaction Review Committee Charter clearly sets out the purpose, membership, authority and the duties and responsibilities of the Committee. In order to discharge the duties and responsibilities effectively and efficiently the Committee has been authorized to:

- Receive regular reports from the Management, and be provided with any information it requests relating to its responsibilities.

- Establish policies and procedures that provide general pre-approvals to certain classes or types of related party transactions;
- Review and evaluates the terms and conditions, and to determine the advisability of any related party transaction;
- Determine whether the relevant Related Party Transaction is fair, and in the best interests of the Company and its shareholders as a whole;
- Recommend to the Board what action, if any, should be taken by the Board with respect to any Related Party Transaction;
- Obtain the advice and assistance from legal, technical, financial and other advisors from within or without the Company as deemed necessary by the Committee in order to carry out its duties; and
- Form and delegate authority to sub-committees consisting of one or more members where appropriate, provided that the decision of such sub-committees shall be presented to the full Committee at its next meeting.

## Responsibilities

The following key responsibilities have been set out in the Charter;

- Ensure that the company complies with the rules set out in the Code.

Subject to the exceptions given under Rule 27 of the Code, the Committee shall review in advance all proposed related party transactions.

- Regularly report to the Board on the Committee's activities.

The committee will share information with the Audit Committee of the Board of Directors as necessary and appropriate to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions.

## Meetings

The Committee shall meet on quarterly basis and the attendance at meetings is given in table on page 47 of this Annual Report.

## Review of Related Party Transactions

The Committee reviewed all related party transactions of the Company for the year 2015/16. All related party transactions

entered during the year were of a recurrent, trading nature and which is necessary for day-to-day operations of the Company.

In the opinion of the Committee, terms of these transactions were not favourable to the related parties than those generally available to the public. The details of related party transactions entered during the year are given in Note 29.1 to the financial statements on page 105 of this Annual Report.

### **Policies and Procedures**

The GM- Finance is responsible for reporting to the Committee for its review and approval/ disapproval, the information set out under Rule 30 of the Code at the minimum in respect of each related party transaction proposed to be entered into other than the exceptions given in Rule 27 of the Code.

In addition on a quarterly basis, the GM Finance is required to report to the Committee the approved related party transactions actually entered into by the Company.

### **Declaration**

The committee confirms that the company has complied with the Rules pertaining to Related Party Transactions as stipulated by the Colombo Stock Exchange.



**A.G. Weerasinghe**

Chairman - Related Party Transactions Review Committee

Colombo

2nd June 2016

# Empowering livelihoods across Sri Lanka

## Financial Statements

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Directors' Report on the State of the Affairs of the Company | Audit Committee Report | Independent Auditor's Report |  
Financial Statements | Notes to the Financial Statements | Decade at a Glance | Notice of Meeting | Form of Proxy



**We are empowering livelihoods and ensuring excellence  
in resource management and value creation across the  
island**



# Directors' Report on the State of Affairs of the Company

The details set out in the following report provide information required by the Companies Act No 07 of 2007 and the listing rules of the Colombo Stock Exchange of Sri Lanka and are guided by recommended best practices on Corporate Governance. This Report was approved by the Board of Directors by Resolution passed as of 2nd June 2016.

## General

The Directors of AgStar PLC (the Company) have pleasure in submitting their report together with the audited Financial Statements of the Company, and the audited consolidated Financial Statements of the Group for the year ended 31st March, 2016 and the Auditors' Report thereon.

## Review of Performance for the year ended 31st March, 2016

The operations of the Company and its subsidiaries for the year ended 31st March, 2016 are reviewed in the Chairman's Report and the Managing Director's review.

## Company Activities and Structure

AgStar Fertilizers (Private) Limited (Reg: No. N[PVS] 30875) was incorporated in Sri Lanka on 25th June 2002 under the Companies Act No. 17 of 1982 and was re-registered as per the Companies Act No. 07 of 2007

(Reg.:No PV 1618) On 26th December, 2007. The name of the Company was changed to AgStar Fertilizers Limited (Reg. No. PV 1618 PB) pursuant to the change of its status to a limited liability company. On 16th February, 2012 the shares of AgStar Fertilizers Limited were listed on the DiriSavi Board of the Colombo Stock Exchange and the name of the Company thus changed to AgStar Fertilizers PLC with effect from 8th May, 2012. Subsequently, the name was changed to AgStar PLC with effect from 21st July 2014.

During the year the Principal Activity of the Company was to carry out the business of importing, blending and marketing of fertilizer products.

The Company has seven subsidiary companies and their activities are given on page 75 of this Annual Report.

## Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation and presentation of the Financial Statements of the Company and the Group as to give a true and fair view of the State of Affairs of the Company and Group.

The Statement of Directors Responsibility for Financial Reporting is given on page 56.

The Financial Statements of the Company and the Group are given on pages 70 to 111.

## Accounting Policies

The Accounting Policies adopted in preparation of Financial Statements are given on pages 75 to 78. There were no material changes in the Accounting Policies of the Group during the year under review.

## Auditors

The Financial Statements for the year ended 31st March, 2016 have been audited by Messrs. KPMG (Chartered Accountants.)

A resolution for the re-appointment of Messrs. KPMG Chartered Accountants and authorizing the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The fees paid to the Auditors are disclosed in note 10 on page 90 to the Financial Statements.

The Auditors of the Company, Messrs. KPMG do not have any relationship with the Company other than that of Auditors.

## Independent Auditors' Report

The Auditors' Report on the Financial Statements is given on page 69 of this Report.

## Results and Appropriations

The profit after tax of the parent Company, AgStar PLC was Rs. 254 million (2015-Rs. 251 million), whilst the Group profit attributable to the equity holders of the parent for the year was Rs. 61 million (2015- Rs. 453 million). Results of the Company and of the Group are given in the Income Statement.

Detailed description of the Group results and appropriation is given below.

<b>Financial Results</b>	<b>31st March 2016</b>	<b>31st March 2015</b>
Operating Profit	150,423,794	443,371,455
Finance Cost	(118,072,520)	(122,147,293)
Finance Income	49,158,573	11,451,945
Profit before Tax	81,509,847	332,676,107
Tax Expense	(134,385,911)	(120,083,081)
Profit for the Year	(52,876,064)	212,593,026
Loss Attributable to Minority Shareholders	-	(5,088,420)
Profit Available to Group's Shareholders	(52,876,064)	217,681,446
Balance Brought Forward from Previous Year	1,004,424,373	841,847,146
Amount Available for Appropriation	951,548,309	1,054,440,172
Final Dividend of Rs. 0.20 per share (2015-Rs. 0.20 per share)	(65,000,000)	(65,000,000)
Balance to be Carried Forward Next Year	886,548,309	989,440,172

## Dividend

The final dividend recommended for this financial year has not been recognized as at the date of Statement of Financial Position in compliance with LKAS 10- Events after the Reporting Period.

## Property, Plant and Equipment

An analysis of the Property, Plant and Equipment of the Company and the Group is disclosed in note 14 to the Financial Statements on pages 93 to 96. The book value of property, plant and equipment as at the reporting date amounted to Rs. 1,647 million (2015-Rs. 1,453 million) and Rs. 396 million (2015-Rs. 164 million) for the Group and Company respectively.

## Stated Capital

The Stated Capital of the Company as at 31st March, 2016 was Rs. 1,204,093,678 comprising 307,526,310 ordinary voting shares and 17,473,690 non-voting shares (2015- Rs. 1,204,093,678 comprising 307,526,310 ordinary voting shares and 17,473,690 non-voting shares) a given in note 23 to the Financial Statements.

## Donations

The Company and its subsidiaries have not made any donations during the year. (2015-Nil)

## Capital Commitments

The Capital Expenditure Commitments as at 31st March, 2016 is given on page 106.

## Revenue Reserves

The reserves consist of Retained Earnings. The revenue reserves as at 31st March 2016 for the Group and Company amounted Rs. 887 million (2015-Rs. 1,004 million) and Rs. 1,188 million (2015- Rs. 998 million). Details and movements of reserves are disclosed in the Statement of Changes in Equity on page 72 to 73.

## Provision for Taxation

The provision for taxation is computed at the rates as disclosed in note 11 to the Financial Statements on page 91.

## Statutory Payments

The Directors confirm that to the best of their knowledge and belief, all statutory payments in relation to all relevant regulatory and statutory authorities have been paid or adequately provided for in the Financial Statements. A statement of compliance by the Board of Directors in relation to statutory payments is included in the Statement of Directors Responsibilities on page 56 of this Report.

## Contingent Liabilities

Contingent Liabilities outstanding as at 31st March, 2016 are given in note 31 to the Financial Statements on page 106.

## Events after the Reporting Period

The Board of AgStar PLC resolved on 6th May 2016 to capitalize the receivable balances of Rs. 140 million of AgStar Grains (Pvt) Ltd, Rs. 61 million of Mahaweli Rice

# Directors' Report on the State of Affairs of the Company

Processing Industries (Pvt) Ltd and Rs. 40 million of AgStar Exports (Pvt) Ltd to fully paid ordinary shares to strengthen the capital structure of its subsidiary companies.

## Corporate Governance and Internal Controls

The Board of Directors has acknowledged the responsibility to ensure good governance in conducting the Business activities of the Company and confirms that the Company is compliant with section 7.10 of the Listing Rules of the Colombo Stock Exchange and has also adopted the relevant Corporate Governance practices recommended by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

An Audit Committee, Remuneration Committee and the Related Party Transaction Review Committee function as Board sub committees with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows;

### Audit Committee

Mr. H.P.J. De Silva  
(Independent Non-Executive Director)

Mr. A.G. Weerasinghe  
(Independent Non – Executive Director)

### Remuneration Committee

Mr. H.P.J. De Silva  
(Independent Non-Executive Director)

Mr. A.G. Weerasinghe  
(Independent Non – Executive Director)

### Related Party Transaction Review Committee

Mr. A.G. Weerasinghe  
(Independent Non – Executive Director)

Mr. H.P.J. De Silva  
(Independent Non-Executive Director)

Mr. N.G.R. Karunaratne  
(Chief Executive Officer/ Chairman)

Mr. A.P. Weerasekera  
(Managing Director)

Company's compliance with rules on corporate governance are given in corporate governance report on pages 46 to 53. The Audit Committee Report and the Remuneration Committee Report are disclosed in page 68 and page 57 respectively.

The Board of Directors is satisfied with the effectiveness of the systems of internal controls for the year under review and up to the date of the Annual Report.

## Compliance with Rules & Regulations

The Company has complied with Tax and other regulations applicable to the Company and has submitted all the returns and the details to the relevant parties by the due dates.

## Going Concern

After considering the financial position as at 31st March 2016 and considering the future prospects of the Company and its subsidiaries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operations in foreseeable future. Therefore the Directors have adopted the assumption of going concern in preparing these Financial Statements.

## Employment Policy

The Group policy is to respect the merits of the individuals and provide career opportunities, irrespective of sex, race or religion. The Group's strength of manpower as at 31st March, 2016 was 141. (2015-139)

## Equitable treatment to Stake Holders and their interest

The Group has taken all steps to ensure the equitable treatment to all stakeholders. The Directors assure that the Group has taken necessary precautions to safe guard the interest of its stake holders.

## Environmental Protection

The Directors have ensured that every possible step has been taken to comply with the relevant environmental laws and regulations in the country. The Group has not engaged in any activity that is harmful or hazardous to the environment.

## Directors during the Year

The Directors of the Company during the financial year were as follows:

Mr. N. G. R. Karunaratne  
(Chairman/ Chief Executive Officer)

Mr. D. N. N. Lokuge  
(Deputy Chairman)

Mr. A. P. Weerasekera  
(Managing Director)

Mr. W. A. P. Perera

Mr. D. S. K. Amarasekara



Mr. I. C. Nanayakkara

Mr. A. G. Weerasinghe

Mr. H. P. J. de Silva

Mrs. S. Wickramasinghe

The detailed profiles of the Board of Directors of the Company are given on pages 18 to 19 of this Report.

### Rotation/ Re-Election of Directors

- I. Mr. I.C. Nanayakkara, Mr. W.A.P. Perera and Mr. D.N.N. Lokuge retire by rotation in accordance with Article 23 (6) of the Articles of Association of the Company and being eligible, offer themselves for re-election.
- II. Mr. N.G.R. Karunaratne who is presently 79 years of age will cease to hold office at the conclusion of the Annual General Meeting and it is proposed to move a resolution for his re-appointment for a further period of one year or up to the date of the next Annual General Meeting (whichever occurs first) and for the non-application of the age limit referred to in Section 210 of the Companies Act No. 7 of 2007.
- III. Mr. H.P.J. de Silva who is presently 72 years of age will cease to hold office at the conclusion of the Annual General Meeting and it is proposed to move a resolution for his re-appointment for a further period of one year or up to the date of the next Annual General Meeting (whichever occurs first) and for the non-application of the age limit referred to in Section 210 of the Companies Act No. 7 of 2007.

IV. Mr. A.G. Weerasinghe who is presently 74 years of age will cease to hold office at the conclusion of the Annual General Meeting and it is proposed to move a resolution for his re-appointment for a further period of one year or up to the date of the next Annual General Meeting (whichever occurs first) and for the non-application of the age limit referred to in Section 210 of the Companies Act No. 7 of 2007.

### Independent Directors

During the year the following Directors were acting as the Independent Directors of the Company;

Mr. A. G. Weerasinghe

Mr. H. P. J. de Silva

Ms. S. Wickramasinghe

### Directors Interest Register

In terms of the Companies Act No 07 of 2007 an Interest Register was maintained during the accounting period under review.

### Directors' Interest in Contracts

The Directors in terms of Section 192 of the Companies Act No 7 of 2007, have declared their interests in contracts with the Company. The Directors did not have any material interest in any contract of significance in Group's business except those disclosed in note 29 to the Financial Statements.

### Directors' Interest in Shares

Name of The Director	As At 31st March 2016		As At 31st March 2015	
	Ordinary voting shares	Non-voting shares	Ordinary voting shares	Non-voting shares
Mr. N. G. R. Karunaratne	8,229,310	Nil	8,188,310	11,648,140
Mr. D. N. N. Lokuge	3,125,000	Nil	3,125,000	Nil
Mr. A. P. Weerasekera	8,053,310	5,824,550	8,053,310	5,824,550
Mr. W. A. P. Perera	3,120,000	Nil	3,120,000	Nil
Mr. D. S. K. Amarasekara	Nil	Nil	Nil	Nil
Mr. I. C. Nanayakkara	Nil	Nil	Nil	Nil
Mr. A. G. Weerasinghe	Nil	Nil	Nil	Nil
Mr. H. P. J. de Silva	Nil	Nil	Nil	Nil
Ms. S. Wickramasinghe	Nil	Nil	Nil	Nil

# Directors' Report on the State of Affairs of the Company

## Directors Fees and Remuneration

The amount of the Directors fees and Remuneration paid during the year is given in note 10 to the Financial Statements on page 90.

## Related Party Transactions

The Directors have disclosed the transactions with Related Parties in terms of the Sri Lanka Accounting Standards which are set out in note 29 to the Financial Statements.

## Shareholders

The number of registered voting shareholders' of the Company as at 31st March, 2016 was 950.

The distribution and analysis of shareholdings were as follows:

Number of Shares (Voting)	As At 31st March,2016			As At 31st March,2015		
	No. of Share Holders	No. of Shares	% of Total	No. of Share Holders	No. of Shares	% of Total
1 - 1000	515	136,450	0.04%	469	120,729	0.04%
1001 - 10000	276	1,202,063	0.39%	228	984,342	0.32%
10001 - 100000	124	3,767,433	1.23%	115	4,177,863	1.36%
100001 - 1000000	21	7,016,502	2.28%	21	6,909,632	2.1%
1000001 - & Over	14	295,403,862	96.06%	15	295,333,744	96.04%
Total	950	307,526,310	100%	848	307,526,310	100%

## Resident / Non Resident

Number of Shares	As At 31st March,2016			As At 31st March,2015		
	No. of Share Holders	No. of Shares	% of Total	No. of Share Holders	No. of Shares	% of Total
Resident	945	307,522,060	99.99%	840	306,988,460	99.83%
Non Resident	5	4,250	0.01%	8	537,850	0.17%
Total	950	307,526,310	100%	848	307,526,310	100%

## Individual/Institution

Number of Shares	As At 31st March,2016			As At 31st March,2015		
	No. of Share Holders	No. of Shares	% of Total	No. of Share Holders	No. of Shares	% of Total
Individual	898	45,714,737	14.9%	794	45,824,158	14.9%
Institutional	52	261,811,573	85.1%	54	261,702,152	85.1%
Total	950	307,526,310	100%	848	307,526,310	100%

Number of Shares (Non-Voting)	As At 31st March,2016			As At 31st March,2015		
	No. of Share Holders	No. of Shares	% of Total	No. of Share Holders	No. of Shares	% of Total
1 - 1000	1	1,000	0.01%	1	1,000	0.01%
1000001 - & Over	2	17,472,690	99.99%	2	17,472,690	99.99%
Total	3	17,473,690	100%	3	17,473,690	100%

## LIST OF 20 MAJOR SHAREHOLDERS (VOTING)

Name & Address	Shareholding	Percentage (%)
Sierra Holdings (Pvt) Limited	97,514,400	31.71%
Lanka Orix Leasing Company PLC	60,213,500	19.58%
Browns Investments PLC	40,520,061	13.18%
Sierra Construction (Pvt) Limited	37,025,290	12.04%
P And K Investments (Pvt) Limited	20,500,000	6.67%
Mrs. W. Dona Lakshriya Dilhani Perera	10,087,200	3.28%
Mr. N. G. Rohan Karunaratne	8,229,310	2.68%
Mr. A.P. Weerasekera	8,053,310	2.62%
Free Lanka Management Company (Private) Limited	3,150,000	1.02%
Mr. D.N.N. Lokuge	3,125,000	1.02%
Mr. W.A.P. Perera	3,120,000	1.01%
Mrs. A.C.P. Irugalbandara		
Mrs. J.M.A. Irugalbandara	1,500,000	0.49%
Mr. Sarath Karunarathna	1,250,000	0.41%
Dr. T. Senthilverl	1,115,791	0.36%
Mr. M.S.S. Ghazaly	1,000,000	0.33%
Mrs. A.C.P. Irugalbandara	1,000,000	0.33%
Mrs. G.S.M. Irugalbandara	1,000,000	0.33%
Sierra Engineering & Construction (Pvt) Ltd	779,684	0.25%
Merchant Bank of Sri Lanka Ltd	418,173	0.14%
Mr. G. K. Fonseka	329,865	0.11%
<b>Total</b>	<b>299,931,584</b>	<b>97.53%</b>

## List of 20 Major Shareholders (Non-voting)

Name & Address	Shareholding	Percentage (%)
Sierra Holdings (Pvt) Ltd	11,648,140	66.66%
Mr. A.P. Weerasekera	5,824,550	33.33%
Mr. A. B. Weerasekera	1,000	0.01%

## Public Shareholding

The percentage of public shareholding as at the 31st of March 2016 was Voting- 16.17% and Non-Voting - 0.01%

## Annual Report

The Board of Directors approved the Company Financial Statements together with the reviews which forms part of the Annual Report on 27th May, 2016. The appropriate number of copies will be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standard Monitoring Board and the Registrar of Companies within the time frame.

## Annual General Meeting

The Annual General Meeting will be held on 30th June 2016 at 10:00a.m. at Excel World 338, T.B. Jaya Mawatha, Colombo 10. The notice of Annual General Meeting is given on page no 113.

On behalf of the Board of Directors.

  
Director

**Mr. N. G. R.  
Karunaratne**

  
Director

**Mr. A. P.  
Weerasekera**



**P.R. Secretarial Services (Pvt) Ltd**

Company Secretary

Colombo

2nd June 2016

# Audit Committee Report

## Purpose of the committee

The committee is vested with the responsibility to assist the Board of Directors in the oversight of the effectiveness of the internal control over financial reporting, including the integrity of the financial statements of the company and the group. The committee ensures the qualifications and the independence of the External auditors and monitors the performances of the internal auditors. The establishment of the compliance with the legal and regulatory requirements is also form part of the key purpose of the committee.

## Composition

The committee appointed by the Board of Directors consists of two independent non -executive Directors. The committee is headed by Mr. Janaka De Silva who is a member of the Institute of Chartered Accountants of Sri Lanka. Mr. A G Weerasinghe who represents the committee is an experienced senior banker.

The Chairman/CEO and Managing Director attend to the Committee meeting by invitation

## Meetings

There were 5 meetings of the committee during the year under review; each attendance is stated in the table on page 47 of this report.

## Financial Reporting

The committee assists the Board of Directors in fulfilling its oversight responsibility to the shareholders and other stakeholders relating to the Company's financial statements and the financial reporting process. Further, the committee holds the responsibility for reviewing the internal audit function of the company and the annual independent audit of the financial statements of the company and the group.

The recommendation of the quarterly annual financial statements to the board as well as ensuring company's compliance with the law and regulatory affairs of the company are also part and partial responsibilities of the committee. Further, the ensuring the reliability and consistency of the accounting policies and methods adopted in preparing the financial statements and their compliance with the Sri Lanka Financial Reporting Standards and the adequacy of disclosures required by other applicable laws, rules and guidelines

## External Audit

The committee has recommended to the Board of Directors that Messer's KPMG to be appointed as the auditors of the company for the year ending 31st March 2017 subject to the approval of the shareholders at the Annual General Meeting.

The Audit committee is satisfied that the independence of the external auditors has not been adversely influenced by any event or service that could result in a conflict of interest. Due consideration has been given to the level of audit and non-audit fees received by the external auditors from the company.

The Audit committee has recommended to the Board Directors on the fees payable to the auditors for the payable to the auditors for approval by the Board.



**Janaka De Silva**

Chairman – Audit Committee

Colombo.

2nd June 2016



# Independent Auditors' Report



## KPMG

(Chartered Accountants)

32A, Sir Mohamed Macan Markar Mawatha,  
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Colombo 00300,  
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## TO THE SHAREHOLDERS OF AGSTAR PLC Report on the Financial Statements

We have audited the accompanying financial statements of AgStar PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at March 31, 2016, and the statement of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 70 to 111 of the annual report.

### Board's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Emphasis of Matter

We draw attention to Note 10.2 to the financial statements on operating results of subsidiary companies. Our opinion is not qualified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

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

- The basis of opinion and scope and limitations of the audit are as stated above
- In our opinion:
  - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
  - The financial statements of the Company give a true and fair view of its financial position as at March 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

KPMG

### CHARTERED ACCOUNTANTS

Colombo

2nd June 2016

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

M.R. Mihular FCA

T.J.S. Rajakarier FCA

Ms. S.M.B. Jayasekara ACA

G.A.U. Karunaratne FCA

R.H. Rajan ACA

P.Y.S. Perera FCA

W.W.J.C. Perera FCA

W.K.D.C. Abeyratne FCA

R.M.D.B. Rajapakse FCA

C.P. Jayatilake FCA

Ms. S. Joseph FCA

S.T.D.L. Perera FCA

Ms. B.K.D.T.N. Rodrigo FCA

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

# Statement of Profit or Loss and Other Comprehensive Income

(All amounts in Sri Lankan Rupees)

For the year ended 31st March,	Note	2016	Group 2015	2016	Company 2015
Revenue	7	2,314,289,700	2,100,071,055	1,458,517,559	1,471,524,607
Cost of sales		(1,886,758,009)	(1,397,242,181)	(984,837,745)	(860,104,832)
Gross profit		427,531,691	702,828,874	473,679,814	611,419,775
Other income	8	40,565,428	36,691,016	72,119,077	63,046,756
Selling and distribution expenses		(92,684,984)	(75,926,907)	(44,892,491)	(55,529,906)
Administrative expenses		(224,988,341)	(220,221,528)	(125,501,837)	(178,126,727)
Profit from operations		150,423,794	443,371,455	375,404,563	440,809,898
Finance income		49,158,573	11,451,945	40,047,364	9,783,952
Finance costs		(118,072,520)	(122,147,293)	(39,893,336)	(90,307,842)
Net finance costs	9	(68,913,947)	(110,695,348)	154,028	(80,523,890)
Profit before tax	10	81,509,847	332,676,107	375,558,591	360,286,008
Income tax expense	11	(134,385,911)	(120,083,081)	(121,265,234)	(108,994,972)
Profit for the year		(52,876,064)	212,593,026	254,293,357	251,291,036

## Other comprehensive income

### Item that will never be reclassified to profit or loss

Revaluation of property, plant and equipment	125,830,239	283,084,477	125,830,239	-
Deferred tax impact on revaluation of property, plant and equipment	(12,612,454)	(46,460,968)	(12,612,454)	-
Actuarial gain/(loss) on defined benefit obligations	1,069,690	(1,896,019)	1,000,999	(1,896,019)
Income tax on other comprehensive income	(299,513)	381,988	(280,280)	381,988
	113,987,962	235,109,478	113,938,504	(1,514,031)

### Items that are or may be reclassified to profit or loss

Other comprehensive income, net of tax	113,987,962	235,109,478	113,938,504	(1,514,031)
<b>Total comprehensive income</b>	<b>61,111,898</b>	<b>447,702,504</b>	<b>368,231,861</b>	<b>249,777,005</b>

### Attributable to:

Equity holders of the Company	(52,876,064)	217,681,446	254,293,357	251,291,036
Non-controlling interests	-	(5,088,420)	-	-
Profit for the year	(52,876,064)	212,593,026	254,293,357	251,291,036

### Attributable to:

Equity holder of the parent	61,111,898	452,790,924	368,231,861	249,777,005
Non-controlling interests	-	(5,088,420)	-	-
<b>Total comprehensive income for the year</b>	<b>61,111,898</b>	<b>447,702,504</b>	<b>368,231,861</b>	<b>249,777,005</b>

### Earnings per share

Earnings per share - basic/ diluted (Rs)	12	(0.16)	0.67	0.78	0.77
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The notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

# Statement of Financial Position

(All amounts in Sri Lankan Rupees)

As at 31st March,	Note	2016	Group 2015	Company 2016	2015
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	1,646,548,862	1,452,828,886	395,874,485	164,670,199
Intangible assets	15	63,455,630	7,429,638	-	-
Investment property	16	86,500,000	69,000,000	-	-
Investments in subsidiaries	17	-	-	785,429,088	705,199,990
Deferred tax assets	18	99,870	256,647	-	-
<b>Total non-current assets</b>		<b>1,796,604,362</b>	<b>1,529,515,171</b>	<b>1,181,303,573</b>	<b>869,870,189</b>
<b>Current assets</b>					
Inventories	19	1,378,959,916	1,275,000,700	1,000,360,829	315,527,622
Trade and other receivables	20	1,788,821,582	2,404,782,714	1,678,422,294	2,269,895,272
Amount due from related companies	21	-	-	496,771,937	412,388,487
Cash and cash equivalents	22	549,079,721	164,069,555	435,969,842	52,893,393
<b>Total current assets</b>		<b>3,716,861,219</b>	<b>3,843,852,969</b>	<b>3,611,524,902</b>	<b>3,050,704,774</b>
<b>Total assets</b>		<b>5,513,465,581</b>	<b>5,373,368,140</b>	<b>4,792,828,475</b>	<b>3,920,574,963</b>
<b>Equity</b>					
Stated capital	23	1,204,093,678	1,204,093,678	1,204,093,678	1,204,093,678
Revaluation reserve		425,344,994	312,127,209	121,230,485	8,012,700
Retained earnings		887,318,486	1,004,424,372	1,187,945,443	997,931,367
<b>Equity attributable to the owners of the Company</b>		<b>2,516,757,158</b>	<b>2,520,645,259</b>	<b>2,513,269,606</b>	<b>2,210,037,745</b>
Non-controlling interests		-	-	-	-
<b>Total equity</b>		<b>2,516,757,158</b>	<b>2,520,645,259</b>	<b>2,513,269,606</b>	<b>2,210,037,745</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Employee benefits	24	20,800,179	18,148,728	20,682,644	18,148,728
Deferred income	25	6,349,925	-	6,349,925	-
Deferred tax liabilities	26	151,164,190	211,028,899	122,562,536	181,640,466
Long term borrowings	27	-	325,000	-	-
<b>Total non-current liabilities</b>		<b>178,314,294</b>	<b>229,502,627</b>	<b>149,595,105</b>	<b>199,789,194</b>
<b>Current liabilities</b>					
Trade and other payables	28	1,296,951,039	1,113,086,191	1,235,179,507	919,370,252
Loans and borrowings	27	1,447,454,503	1,317,734,281	821,696,142	410,487,846
Finance lease liabilities	27	325,000	1,014,795	-	1,014,795
Amount due to related companies	21	-	-	2,892,111	-
Current tax liabilities		50,202,366	151,888,586	49,811,192	146,387,552
Bank overdrafts	22	23,461,221	39,496,401	20,384,812	33,487,579
<b>Total current liabilities</b>		<b>2,818,394,129</b>	<b>2,623,220,254</b>	<b>2,129,963,764</b>	<b>1,510,748,024</b>
<b>Total liabilities</b>		<b>2,996,708,423</b>	<b>2,852,722,881</b>	<b>2,279,558,869</b>	<b>1,710,537,218</b>
<b>Total equity and liabilities</b>		<b>5,513,465,581</b>	<b>5,373,368,140</b>	<b>4,792,828,475</b>	<b>3,920,574,963</b>

The notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

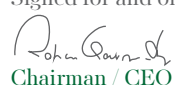
I certify that the financial statements of the Company comply with the requirements of the companies Act No. 07 of 2007.



General Manager - Finance  
(Mr. A.S. Rajith Perera)

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

Signed for and on behalf of the Board.



Chairman / CEO  
(Mr. N.G.R. Karunaratne)



Managing Director  
(Mr. A.P. Weerasekera)

2nd June 2016

Annual Report 2015/16

# Company Statement of Changes in Equity

(All amounts in Sri Lankan Rupees)

	Note	Stated capital	Revaluation reserve	Retained earnings	Total
Balance as at 31st March 2014		1,204,093,678	8,012,700	780,654,363	1,992,760,741
Profit for the year		-	-	251,291,036	251,291,036
Other comprehensive income		-	-	(1,514,031)	(1,514,031)
Total comprehensive income		-	-	249,777,005	249,777,005
Contributions and distributions					
Dividend		-	-	(32,500,000)	(32,500,000)
Total contributions and distributions		-	-	(32,500,000)	(32,500,000)
Total transaction with owners of the Company		-	-	(32,500,000)	(32,500,000)
Balance as at 31st March 2015		1,204,093,678	8,012,700	997,931,367	2,210,037,745
Profit for the year		-	-	254,293,357	254,293,357
Other comprehensive income		-	113,217,785	720,719	113,938,504
Total comprehensive income		-	-	255,014,076	368,231,861
Contributions and distributions					-
Dividend	13	-	-	(65,000,000)	(65,000,000)
Total contributions and distributions		-	-	(65,000,000)	(65,000,000)
Total transaction with owners of the Company		-	-	(65,000,000)	(65,000,000)
Balance as at 31st March 2016		1,204,093,678	121,230,485	1,187,945,443	2,513,269,606

The notes form an integral part of these financial statements.

Figures in brackets indicate deductions.



# Consolidated Statement of Changes in Equity

(All amounts in Sri Lankan Rupees)

Note	Stated Capital	Revaluation reserve	Retained earnings	Total	Non controlling interests	Total equity
Restated balance as at 31st March 2014, as previously reported	1,204,093,678	75,503,700	841,847,146	2,121,444,524	21,117,005	2,142,561,529
Profit for the year	-	-	217,681,446	217,681,446	(5,088,420)	212,593,026
Other comprehensive income	-	236,623,509	(1,514,031)	235,109,478	-	235,109,478
Total comprehensive income	-	-	216,167,415	452,790,924	(5,088,420)	447,702,504
Contributions and distributions						
Dividend	-	-	(32,500,000)	(32,500,000)	-	(32,500,000)
Total contributions and distributions	-	-	(32,500,000)	(32,500,000)	-	(32,500,000)
Changes in ownership interests						
Acquisition of non-controlling interest	-	-	(21,090,188)	(21,090,188)	(16,028,589)	(37,188,777)
Total acquisition of non-controlling interest	-	-	(21,090,188)	(21,090,188)	(16,028,589)	(37,188,777)
Balance as at 31st March 2015	1,204,093,678	312,127,209	1,004,424,373	2,520,645,260	-	2,520,645,260
Profit for the year	-	-	(52,876,064)	(52,876,064)	-	(52,876,064)
Other comprehensive income	-	113,217,785	770,177	113,987,962	-	113,987,962
Total comprehensive income	-	-	(52,105,887)	61,111,898	-	61,111,898
Contributions and distributions						
Dividend	13	-	(65,000,000)	(65,000,000)	-	(65,000,000)
Total contributions and distributions	-	-	(65,000,000)	(65,000,000)	-	(65,000,000)
Balance as at 31st March 2016	1,204,093,678	425,344,994	887,318,486	2,516,757,158	-	2,516,757,158

The notes on form an integral part of these financial statements.  
Figures in brackets indicate deductions.

# Statement of Cash Flow

(All amounts in Sri Lankan Rupees)

For the year ended 31st March,

Group

Company

2016

2015

2016

2015

## Cash flow from operating activities

Profit before tax	81,509,847	332,676,107	375,558,591	360,286,008
Adjustment for:				
Depreciation	67,692,903	54,572,590	21,484,812	32,190,189
Amortization on intangible assets	400,000	200,000	-	-
Interest income	(4,808,717)	(10,375,688)	(2,609,944)	(9,783,952)
Interest expenses	116,837,390	85,852,519	39,893,336	54,358,731
Change in fair value of investment property	(14,103,372)	-	-	-
Gain on disposal of property plant and equipment	(7,739,631)	(25,468,991)	(7,739,631)	(25,468,991)
Amortisation of deferred income	(2,676,308)	-	(2,676,308)	-
Dividend income	-	-	(52,695,000)	(28,754,999)
Subsidy write off	13,446,880	40,569,877	13,446,880	40,569,877
Impairment of other receivables	9,684,282	-	-	-
Impairment / (reversal) of trade receivables	14,399,861	5,131,918	1,133,540	(819,484)
Inventories write off / adjustments to NRV	74,361,646	-	-	-
Provision for retirement gratuity	4,375,274	3,794,609	4,296,298	379,460
Creditors not payable written back	(7,133,878)	-	-	-
Operating profit before working capital changes	346,246,177	486,952,941	390,092,574	426,371,988

## Changes in:

(Increase) decrease in inventories	(160,888,847)	(786,791,442)	(684,833,207)	(226,759,484)
(Increase) decrease in trade and other receivables	58,799,710	64,779,048	43,484,880	(54,910,580)
(Increase) decrease in subsidy receivable	543,340,678	459,044,813	543,340,678	459,044,813
(Increase) decrease amounts due from related companies	-	-	(84,383,450)	(165,922,736)
Increase / (decrease) trade and other payables	182,518,775	24,469,305	315,809,255	96,147,442
Increase / (decrease) amounts due to related companies	-	-	2,892,111	(606,007)
Cash generated from operating activities	970,016,493	248,454,665	526,402,841	533,365,436

Interest expense paid	(116,837,390)	(85,852,519)	(39,893,336)	(54,358,731)
Income tax paid	(308,689,673)	(7,456,150)	(289,812,258)	-
Employee benefit paid	(761,383)	(170,100)	(761,383)	(170,100)
Net cash flow from / (used in) operating activities	543,728,047	154,975,896	195,935,864	478,836,605

## Cash flows from investing activities

Interest income received	4,808,717	10,375,688	2,609,944	9,783,952
Investment in subsidiaries	(80,121,848)	-	(80,229,098)	(33,000,000)
Acquisition of non-controlling interests	-	(25,000,000)	-	(25,000,000)
Dividend income received	-	-	52,695,000	28,754,999
Proceeds from disposal of property, plant and equipment	11,135,350	4,742,560	11,135,350	4,073,524
Acquisition of intangible assets	-	(1,000,000)	-	-
Acquisition of property, plant and equipment	(121,755,781)	(17,326,814)	(117,788,742)	(10,403,511)
Addition to work in progress	(17,657,938)	(70,693,005)	(13,372,604)	(18,394,311)
Additions to investment property	(3,396,628)	-	-	-
Net cash used in investing activities	(206,988,128)	(98,901,571)	(144,950,150)	(44,185,347)

## Cash flows from financing activities

Proceeds from short term borrowings	4,838,977,586	3,663,186,158	2,601,976,257	2,093,109,988
Repayment of short term borrowings	(4,708,657,364)	(3,663,987,606)	(2,190,767,960)	(2,526,434,717)
Repayment of finance lease liabilities	(1,014,795)	(5,185,382)	(1,014,795)	(4,297,010)
Dividend paid	(65,000,000)	(32,500,000)	(65,000,000)	(32,500,000)
Net cash from / (used in) financing activities	64,305,427	(38,486,830)	345,193,502	(470,121,739)

Net cash increase / (decrease) in cash and cash equivalents	401,045,346	17,587,495	396,179,216	(35,470,481)
Cash and cash equivalents at the beginning of the year	124,573,154	106,985,659	19,405,814	54,876,295
Cash and cash equivalents at 31st March (Note 22)	525,618,500	124,573,154	415,585,030	19,405,814

The notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

# Notes to the Financial Statements

## 1. Corporate information

### 1.1. Reporting entity

AgStar PLC, (“the Company”) is a public limited liability company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange. The Company’s registered office and the principal place of business is located at No. 9, Bawa Place, Colombo 8.

The consolidated financial statements of the Company as at, and for the ended 31st March 2016 comprise the financial statements of Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

The principal activities of the Company and the other entities consolidated with it are as follows:

**AgStar PLC** – Carry on business of importing, blending and marketing of fertilizer products.

**AgStar Cropcare (Pvt) Ltd** – Carry on business of importing formulating and marketing of chemicals, fertilizers and specialty products.

**AgStar Seeds (Pvt) Ltd** – Carry on business of producing, trading and marketing of seeds and planting materials.

**AgStar Grains (Pvt) Ltd** – Carrying on the business of procurement, processing and marketing of rice and other grains.

**Mahaweli Rice Processing Industries (Pvt) Ltd** – Carrying on the business of procurement, processing and marketing of rice.

**AgStar Properties (Pvt) Ltd** – Set up for property development and construction of warehousing and storage facilities.

**AgStar Export (Pvt) Ltd** – Carrying on business of exporting agricultural based products.

**Prith Seeds (Pvt) Ltd** – Carry on business of producing, trading and marketing of seeds and planting materials.

## 2. Basis of preparation

### 2.1. Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (herein referred to as SLFRSs/ LKASs) effective from 1st January 2012, laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

### 2.2. Responsibility for financial statements

The Board of Directors of the Company is responsible for the preparation and fair presentation of these financial statements

### 2.3. Approval of financial statements by Directors

The financial statements of the Group and the Company for the year ended 31st March 2016 were authorised for issue by the Board of Directors on the 2nd June 2016.

### 2.4. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except that land and investment property are measured at fair value and the retirement benefit obligations are measured at the present value of the defined benefit obligation as explained in the respective Notes to the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair Values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows,

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

# Notes to the Financial Statements

Level 2: inputs other than quoted prices included in 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 asset or liability that are not based on observable market data (unobservable inputs)

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

## 2.5. Functional currency

The financial statements are presented in Sri Lankan Rupees, which is the Group's functional currency.

## 2.6. Use of estimates and judgments

The preparation of financial statements of the Group and the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported values of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making a judgment about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, is provided below:

### 2.6.1 Fair value of non-financial assets

The fair value measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ☉ In the principal market for the asset or liability
- Or
- ☉ In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### 2.6.2 Impairment of non-financial assets

At each reporting date the management assesses, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the management estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

### 2.6.3 Useful lives of depreciable assets

Management reviews its estimation of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in



these estimates relate to technical obsolescence that may change the useful life of certain property, plant and equipment.

#### **2.6.4 Business combinations**

Management uses valuation techniques in determining the fair values of the various elements of a business combination.

#### **2.6.5 Defined benefit obligation**

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expense.

#### **2.7. Going concern**

The Directors have made an assessment of the Group's ability to continue as a going concern, and being satisfied that it has the resources to continue in business for the foreseeable future confirm that they do not intend either to liquidate or to cease operations of any business unit of the Group other than those disclosed in the notes to the financial statements.

### **3 Summary of significant accounting policies**

The accounting policies set out below have been applied consistently for all periods presented in the financial statements by the Group and the Company.

#### **3.1. Basis of consolidation**

##### **3.1.1. Business combinations and goodwill**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date, as excess of aggregate fair value of the consideration transferred; the recognised amount of any non-controlling interests in the acquiree. If the business combination is achieved in stages, the fair value of the pre-existing interest in the acquiree; and the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed measured at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the income statement.

The goodwill arising on acquisition of subsidiaries is presented as an intangible asset.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity acquired exceed the cost of the acquisition of the entity, the surplus, which is a gain on bargain purchase is recognised immediately in the consolidated income statement.

Where goodwill has been allocated to a cash-generating unit 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 cash generating unit retained.

##### **3.1.2. Subsidiaries**

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the

# Notes to the Financial Statements

investee. The Group controls an investee if, and only if, the Group has:

- ☉ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- ☉ Exposure, or rights, to variable returns from its involvement with the investee
- ☉ The ability to use its power over the investee to affect its returns

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee which includes; The contractual arrangement with the other vote holders of the investee, Rights arising from other contractual arrangements and The Group's voting rights and potential voting rights over the investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Entities that are subsidiaries of another entity which is a subsidiary of the Company are also treated as subsidiaries of the Company.

The financial statements of subsidiaries are included in the consolidated financial statements from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

## 3.1.3. Loss of control

On the loss of control, the Group immediately derecognises the assets including goodwill and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss. If the

Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

## 3.1.4. Reporting date

All the Group's subsidiaries, has same reporting period as the parent company, which is 31st March 2016.

## 3.1.5. Intra-group transactions

Pricing policies of all intra-group sales are identical to those adopted for normal trading transactions, which are at market prices.

## 3.1.6. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated 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.

## 3.2 Foreign currencies

### 3.2.1. Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the reporting currency at the exchange rate that prevailed at the date the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of available for sale equity investments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign currency gains and losses are reported on a net basis in the income statement.

### 3.3 Financial instruments

Financial assets and financial liabilities are recognised when a Group company becomes a party to the contractual provisions of the instrument.

The classification of financial instruments at initial recognition is dependent on their purpose and characteristics and the management's intention in acquiring them.

Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities other than financial instruments recognised as fair value through profit and loss, are added to or deducted from the fair value of the financial instruments. Transaction costs, which are insignificant are expensed immediately to the income statement.

#### 3.3.1. Non-derivative financial assets

##### 3.3.1.1 Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets including assets designated at fair value through profit or loss are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets at initial recognition.

##### 3.3.1.1.1 Financial assets at fair value through profit or loss

A financial asset is recognised at fair value through profit or loss, if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are classified as held for trading if they are

acquired for the purpose of trading in the near term. Financial assets at fair value through profit or loss are measured at fair value, and any changes therein, are recognised in the income statement.

Attributable transaction costs of fair value through profit or loss financial assets are recognised in the income statement when incurred.

##### 3.3.1.1.2 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs, if the transaction costs are significant. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest rate method (EIR) less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables.

##### 3.3.1.1.3 Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities until maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs if the transaction costs are significant. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

During the financial year the Group has not designated any financial assets as held-to-maturity investments.

##### 3.3.1.1.4 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the previous categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and any changes therein, other than impairment losses and foreign currency differences on available for sale debt instruments, are recognised

# Notes to the Financial Statements

in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised the gain or loss accumulated in equity is reclassified to the income statement.

The Group designates listed and unlisted equity investments that are not held for trading purposes as available-for-sale financial instruments. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold or redeemed in response to needs for liquidity or in response to changes in market conditions.

Dividend income on available for sale quoted and unquoted equity investments are recognised in the income statement.

## 3.3.1.2 Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if, there is objective evidence as a result of one or more events that has occurred after the initial recognition of the financial asset (an incurred 'loss event') and the estimated future cash flows of the investment have been affected.

### 3.3.1.2.1 Loans & Receivables

The objective evidence of impairment could include significant financial difficulty of the issuer or counter party, breach of contract such as default in interest or principal payments, or it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

The Group considers impairment of trade receivables at both a specific significant individual debtor level and collectively. Any Group company which has any individually significant debtors assesses them for specific impairment. All individually insignificant debtors that are not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together based on similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred and adjusted for the management's judgment. The

carrying amount of the trade receivables is reduced through the use of the bad debt provision account and the amount of the loss is recognised in the income statement. If there is no realistic prospect of future recovery of a debt, the amount is written off.

An impairment loss in respect of other financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement to the extent that the carrying amount of the financial asset at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

### 3.3.1.2.2 Available for sale

For equity instruments classified as available for sale financial assets a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

Impairment losses of an available-for-sale security investment are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to the income statement as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to the income statement is the difference between the acquisition costs, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in the income statement. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

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



### 3.3.1.3 De-recognition of financial assets

*The Group derecognises a financial asset when;*

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

On de-recognition of a financial asset, the difference between the carrying amount of the asset or the carrying amount allocated to the portion of the asset transferred and the sum of the consideration received together with receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

### 3.3.2 Non-derivative financial liabilities

#### 3.3.2.1 Initial recognition and measurement

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

#### 3.3.2.1.1 Financial liabilities at fair value through profit or loss

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

Gains or losses on liabilities held for trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

#### 3.3.2.1.2 Other financial Liabilities

All financial liabilities other than those at fair value through profit and loss are classified as other financial liabilities

All other financial liabilities are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

#### 3.3.2.2 De-recognition of financial assets and liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

### 3.3.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 3.3.5 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

### 3.4. Property, plant & equipment

#### 3.4.1 Recognition and measurement

Items of property, plant and equipment other than land and buildings, are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to the working condition for its intended use, and borrowing costs if the

# Notes to the Financial Statements

recognition criteria are met. This also includes cost of dismantling and removing the items and restoring them in the site on which they are located.

All items of property, plant and equipment are recognised initially at cost.

The Group recognises land owned by it in the statement of financial position at their re-valued amount. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period. If the fair values of land does not change other than by an insignificant amount at each reporting period the Group will revalue such land every 5 years.

Any revaluation increase arising on the revaluation of such land is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation of land is recognised in the income statement to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of the same land.

Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

## 3.4.2 Significant components of property plant & equipment

When parts of an item of property, plant and equipment have different useful lives than the underlying asset, they are identified and accounted separately as major components of property, plant and equipment and depreciated separately based on their useful life.

## 3.4.3 Subsequent cost

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing a part of an item, when it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured

reliably. The carrying amounts of the parts that are replaced are derecognised from the cost of the asset. The cost of day-to-day servicing of property, plant and equipment are recognised in the income statement as and when incurred.

## 3.4.4 Depreciation

Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in the income statement on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale or on the date that the asset is disposed. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

Buildings	10-20 years
Plant and Machinery	10-15 years
Motor Vehicles	5 years
Furniture and Fittings	10 years
Computer hardware/software	3 years
Office equipment	5-10 years
Leasehold motor vehicles	4 years
Pallets	5 years
Building fittings	4 years

## 3.5 Investment properties

### 3.5.1 Recognition and measurement

Properties held to earn rental income and properties held for capital appreciation has been classified as Investment property.

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. 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 statement of profit or loss in the year in which they arise. Fair values are evaluated at frequent intervals by an accredited external, independent valuer.

Investment properties are de-recognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on de-recognition or disposal are recognised in the Income Statement in the year of de-recognition or disposal. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted using Group accounting policy for property, plant and equipment.

### 3.6 Leases

#### 3.6.1 Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased assets under property, plant and equipment, is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

#### 3.6.2 Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership

over the assets are classified as operating leases. Payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

### 3.7 Intangible assets

#### 3.7.1 Initial Recognition and measurement

The Group recognises intangible assets if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Separately acquired intangible assets are measured on initial recognition at cost. The cost of such separately acquired intangible assets include the purchase price, import duties, non-refundable purchase taxes and any directly attributable cost of preparing the asset for its intended use.

The cost of intangible assets acquired in a business combination is the fair value of the asset at the date of acquisition.

The cost of an internally generated intangible asset arising from the development phase of an internal project which is capitalised includes all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by the Management. Other development expenditure and expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding is expensed in the income statement as and when incurred.

#### 3.7.2 Subsequent costs

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

#### 3.7.3 Subsequent measurement

After initial recognition an intangible asset is stated at its costs less any accumulated amortisation and any accumulated impairment losses.

The useful economic life of an intangible asset is assessed to be either finite or indefinite.

# Notes to the Financial Statements

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

## 3.7.4 Intangible assets recognised by the Group

### 3.7.4.1 Brand distribution agency

The Company acquired GSN SEMENCES, a French breeder, producer, maintainer and seller of vegetable seeds, an entity belonging to the French cooperative group VIVADOIR, based in the region of Gascony, south-west of France and the Company, the Company was granted the right inter alia of the exclusivity of the brand GSN on the whole of Sri Lankan market, the exclusivity for promoting and marketing the products of GSN in Sri Lanka through its distributor network and for the right of co-branding (GSN to be able to write Seram Agro name on label and to include its logo)

### 3.4.7.2 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The policy on measurement of goodwill at initial recognition is given in note 14.

### 3.7.5 Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment,

and an impairment loss on such an investment is allocated to the carrying amount of the equity accounted investee.

## 3.7.6 De-recognition

Intangible assets are de-recognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of intangible assets are measured as difference between the net disposal proceeds and the carrying amount of the asset.

## 3.7.7 Amortization

Amortization is recognized in the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful life of each intangible asset is as follows:

Brand distribution agency	10 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## 3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a weighted average cost. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of factory overheads

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses based on normal operating capacity.

## 3.9 Impairment – Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of such assets are estimated.

The recoverable amount of goodwill is estimated at each reporting date, or as and when an indication of impairment is identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses recognised in respect of cash-generating units on acquisition of subsidiaries are allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

### 3.9.1 Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the risks specific to the asset or cash-generating unit.

### 3.9.2 Reversal of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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. Reversals of impairment losses are recognised in the income statement.

## 3.10 Liabilities and provisions

Liabilities classified as current liabilities in the statement of financial position are those which fall due for payment on demand of the creditor or within one year of the reporting date. Non-current liabilities are those balances that become repayable after one year from the reporting date.

All known liabilities have been accounted for in preparing the financial statements

## 3.11 Employee benefits

### 3.11.1 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service rendered by the employee, and the obligation can be measured reliably.

### 3.11.2 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed employee benefit contribution into a separate entity and will have no further legal or constructive obligations to pay any additional amounts. Obligations for contributions to a defined contribution plan are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees.

The Group contributes a sum not less than 12% of the gross emoluments of employees as provident fund benefits and 3% as trust fund benefits.

#### 3.11.2.1 Employee provident fund and Employee trust fund

The Group contributes a sum not less than 12% of the gross emoluments of employees employed in Sri Lanka as provident fund benefits and 3% as trust fund benefits.

### 3.11.3 Defined benefit plan - retiring gratuity

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 defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the liability.



# Notes to the Financial Statements

Provision has been made in the financial statements for retiring gratuities from the first year of service for all employees.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service.

The liability is not externally funded.

The Group recognises all actuarial gains and losses arising from defined benefit plans immediately in the other comprehensive income as they occur.

## 3.12 Provisions

A provision is recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

## 3.13 Revenue

Group revenue represents sales to customers outside the Group and excludes value added tax.

### 3.13.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The Group also assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

### 3.13.2 Sale of goods

Revenue from the sale of goods is recognised on accrual basis when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

### 3.13.3 Use by others of entity assets

#### 3.13.3.1 Interest income

Interest income is recognised as it accrues in the income statement.

#### 3.13.3.2 Dividend income

Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established, which is generally when the dividend is declared.

#### 3.13.3.3 Rental income

Rental income arising from renting of property, plant and equipment and investment properties is recognised as revenue on a straight-line basis over the term of the lease.

## 3.14 Expenditure

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

## 3.15 Finance Income /(Expenses)

Finance income comprises interest income on funds invested, net changes in fair value of financial assets classified as fair value through profit or loss, and gains on the disposal of interest generating investments whether classified under fair value through profit or loss or available-for-sale financial assets

Finance expenses comprise interest expense on borrowings and leases, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest method.

## 3.16 Income tax expense

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

#### 3.16.1 Current Tax

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

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

#### 3.16.2 Deferred taxation

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

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

#### 3.16.3 Economic service charge

As per the provisions of the Economic Service Charge Act No 13 of 2006, economic service charge is payable on the liable turnover at specified rates. Economic service charge is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable as per the relevant provisions in the Act.

#### 3.17 Movement of reserves

Movements of reserves are disclosed in the statement of changes in equity.

#### 3.18 Cash flow

The cash flow statement is reported based on the "indirect method".

#### 3.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the 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.

### 4 New and amended standards issued but not effective as at the reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing these financial statements. The Group is currently in the process of evaluating the potential effect of adoption of these standards and amendments on its financial statements. Such impact has not been quantified as at the balance sheet date. The Group will be adopting these standards when they become effective.

**SLFRS 9** – Financial Instruments – effective for annual periods beginning on or after 1st of January 2018

**SLFRS 14** – Regulatory Deferral Accounts – effective for annual periods beginning on or after 1st of January 2016

**SLFRS 15** – Revenue from Contracts with Customers – effective for annual periods beginning on or after 1st of January 2018

**Amendment to LKAS 16 and LKAS 41** – Agriculture; Bearer Biological Plants – effective for annual periods beginning on or after 1st of January 2016

**Amendments to SLFRS 10, SLFRS 12 and LKAS 28** – Investment Entities: Applying the Consolidation Exception – effective for annual periods beginning on or after 1st of January 2016

**Amendments to LKAS 27** – Equity Method in Separate Financial Statements – effective for annual periods beginning on or after 1st of January 2016

# Notes to the Financial Statements

**Amendments to SLFRS 10 and LKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** - effective for annual periods beginning on or after 1st of January 2016.

**Amendments to SLFRS 11 – Accounting for Acquisitions of Interests in Joint Operations** - effective for annual periods beginning on or after 1st of January 2016.

## **5 Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### **5.1 Defined benefit plan – retirement benefit obligations**

The define benefit plan is valued by a professionally qualified external actuary using the projected unit credit method using the standard rate of inflation, an appropriate discount rate and anticipation of future salary increases.

(All amounts in Sri Lankan Rupees)

## 6 Segment information

Management has determined the operating segments based on the reports reviewed by the Executive Board that are used to make strategic decisions.

- Trading - Items which are directly imported and sold without further processing are categorised under this.
- Processing - This segment includes the items which are further processed at the Company before sold.

For the year ended 31st March,	2016			2015		
	Trading	Processing	Total	Trading	Processing	Total
Total external segment revenue	338,372,777	1,975,916,923	2,314,289,700	293,810,444	1,806,260,611	2,100,071,055
Cost of sales	(189,189,455)	(1,697,568,554)	(1,886,758,009)	(227,166,498)	(1,170,075,683)	(1,397,242,181)
Gross profit	149,183,322	278,348,369	427,531,691	66,643,946	636,184,928	702,828,874
Unallocated expenses						
Other income			40,565,428			36,691,016
Selling and distribution expenses			(92,684,984)			(75,926,907)
Administrative expenses			(224,988,341)			(220,221,528)
Operating profit			150,423,794			443,371,455
Net finance costs			(68,913,947)			(110,695,348)
Profit before tax			81,509,847			332,676,107
Income tax expense			(134,385,911)			(120,083,081)
Profit for the year			(52,876,064)			212,593,026

Since the information on expenses, profit before tax, total assets and liabilities for each reportable segment are not provided to the Executive Board on regular basis, the segmented assets and liabilities are not provided.

For the year ended 31st March,	Group		Company	
	2016	2015	2016	2015
<b>7 Revenue</b>				
Sale of goods	2,314,289,700	2,100,071,055	1,458,517,559	1,471,524,607
	2,314,289,700	2,100,071,055	1,458,517,559	1,471,524,607

Revenue of the Company consist of local sales of fertilizers, which have been disclosed net of taxes and the revenue Group includes sale of seeds, cropcare products, rice and cinnamon additionally.

For the year ended 31st March,	Note	Group		Company	
		2016	2015	2016	2015
<b>8 Other income</b>					
Dividend income	8.1	-	-	52,695,000	28,754,999
Change in fair value of investment property		14,103,372	-	-	-
Gain on disposal of property plant and equipment		7,739,631	25,468,991	7,739,631	25,468,991
Amortization of deferred income		2,676,308	-	2,676,308	-
Creditors not payable written back		7,113,178	-	-	-
Sundry income		8,932,939	11,222,025	9,008,138	8,822,766
Total of other income		40,565,428	36,691,016	72,119,077	63,046,756

### 8.1 Dividend income

- Unquoted	-	-	52,695,000	28,754,999
Net dividend income	-	-	52,695,000	28,754,999

# Notes to the Financial Statements

(All amounts in Sri Lankan Rupees)

	Group		Company	
For the year ended 31st March,	2016	2015	2016	2015

## 9 Net finance costs

Finance income				
Interest income on investment	4,808,717	10,375,688	2,609,944	9,783,952
Gain on translation of foreign currency	44,349,856	1,076,257	37,437,420	-
<b>Total finance income</b>	<b>49,158,573</b>	<b>11,451,945</b>	<b>40,047,364</b>	<b>9,783,952</b>
Finance costs				
Interest expense on term loans	114,897,179	85,238,452	38,657,716	52,985,613
Interest expense on finance lease obligation	104,454	614,067	35,010	335,491
Interest expense on bank overdraft	1,835,757	-	1,200,610	1,037,627
Loss on translation of foreign currency	1,235,130	36,294,774	-	35,949,111
<b>Total finance costs</b>	<b>118,072,520</b>	<b>122,147,293</b>	<b>39,893,336</b>	<b>90,307,842</b>
<b>Net finance costs recognised in profit or loss</b>	<b>(68,913,947)</b>	<b>(110,695,348)</b>	<b>154,028</b>	<b>(80,523,890)</b>

		Group		Company	
For the year ended 31st March,	Note	2016	2015	2016	2015

## 10 Profit before tax

Stated after charging all expenses including the following :

Directors' emoluments		21,194,000	19,635,862	21,194,000	19,635,862
Auditors' remuneration - Statutory audit		855,000	660,000	330,000	300,000
Employee benefits	10.1	117,586,332	96,441,257	63,794,899	90,420,874
Depreciation and amortisation		68,092,903	54,572,590	21,484,812	32,190,189
Lease and contingent rent		2,305,000	2,270,000	-	-
Inventories write off/adjustment to NRV		74,361,646	-	-	-
Subsidy write off		13,446,880	40,569,877	13,446,880	40,569,877
Impairment of other receivables		9,684,282	-	-	-
Impairment loss (gain) on trade receivables		14,399,861	5,131,918	1,133,540	(819,484)

### 10.1 Employee benefit expenses

Salaries, wages and other related cost		103,470,867	83,730,384	49,758,410	78,259,364
Contributions to defined contribution plans		9,740,191	8,916,264	9,740,191	8,366,901
Provision for retirement benefit obligations		4,375,274	3,794,609	4,296,298	3,794,609
<b>Total of employee benefit expenses</b>		<b>117,586,332</b>	<b>96,441,257</b>	<b>63,794,899</b>	<b>90,420,874</b>

### 10.2 Operating results of subsidiary companies

AgStar Grains (Pvt) Limited, Mahaweli Rice Processing Industries (Pvt) Limited and AgStar Exports (Pvt) Limited recorded losses during the year under review resulting deficit/ minimal net assets at the reporting date. The management have taken steps to restructure the business operations and return to profitability in the ensuing financial year.

Further, the Board of Directors resolved on 6th May 2016 to convert its accounts receivable balances to ordinary shares to further strengthen its subsidiary companies' financial position. This is further explained in the events occurring after reporting date Note 32 to the financial statements.



(All amounts in Sri Lankan Rupees)

For the year ended 31st March,	Note	Group 2016	Group 2015	Company 2016	Company 2015
<b>11 Income tax expense</b>					
<b>Current tax expense</b>					
Taxation on profit for the year	11.1	172,600,040	155,391,081	164,517,006	146,387,552
(Over)/under provision in respect of previous year		28,548,413	(973,067)	28,718,892	(1,269,507)
Withholding tax on dividend paid by subsidiaries		5,855,000	-	-	-
		207,003,453	154,418,014	193,235,898	145,118,045
<b>Deferred tax expense</b>					
Origination/(reversal) of temporary differences		(72,617,542)	(34,334,933)	(71,970,664)	(36,123,073)
<b>Income tax expense</b>		<b>134,385,911</b>	<b>120,083,081</b>	<b>121,265,234</b>	<b>108,994,972</b>

For the year ended 31st March,	Group 2016	Group 2015	Company 2016	Company 2015
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**11.1 Reconciliation between current tax expense and the accounting profit**

Profit before income tax expense	81,509,847	332,676,107	375,558,591	360,286,008
Consolidation adjustment	66,896,345	38,346,926	-	-
<b>Adjusted profit before tax</b>	<b>148,406,192</b>	<b>371,023,033</b>	<b>375,558,591</b>	<b>360,286,008</b>
Non-business income	(82,317,153)	(30,838,212)	(65,720,883)	(58,387,942)
Aggregate allowable expense	(141,968,059)	(100,060,414)	(31,727,139)	(32,975,295)
Aggregate disallowable expense	91,616,652	51,281,558	54,256,333	31,625,796
Subsidy received	568,938,955	499,614,690	568,938,955	499,614,690
Tax exempt profit	(30,831,155)	(591,739)	-	-
Tax loss of subsidiaries for the year	375,938,071	41,775,064	-	-
Statutory income/ (loss) from business	929,783,503	832,203,980	901,305,857	800,163,257
Non-business income liable to tax	2,927,865	4,163,952	2,633,740	4,163,952
Tax loss claimed during the year	(316,378,859)	(281,514,523)	(316,378,859)	(281,514,523)
<b>Taxable income</b>	<b>616,332,509</b>	<b>554,853,409</b>	<b>587,560,738</b>	<b>522,812,686</b>
Income tax @ 10%	26,937	32,127	-	-
Income tax @ 28%	172,573,103	155,358,954	164,517,006	146,387,552
<b>Tax on profit for the year</b>	<b>172,600,040</b>	<b>155,391,081</b>	<b>164,517,006</b>	<b>146,387,552</b>

**Tax loss reconciliation:**

Tax loss brought forward	1,372,983,288	1,595,221,294	1,266,587,312	1,548,101,835
Adjustments to tax loss brought forward	(56,557,742)	-	(55,551,661)	-
Loss incurred during the year	99,117,184	59,276,518	-	-
Loss utilised during the year	(316,378,859)	(281,514,523)	(316,378,859)	(281,514,523)
<b>Tax loss carried forward</b>	<b>1,099,163,871</b>	<b>1,372,983,288</b>	<b>894,656,792</b>	<b>1,266,587,312</b>

# Notes to the Financial Statements

- 11.2** The income tax provision of AgStar PLC., its subsidiaries which are resident in Sri Lanka have been calculated on their adjusted profits at 28% in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto (other than in respect of companies set out in notes 11.3 and 11.4 below).

Tax status of companies in the Group which are;

- ☉ Enjoying income tax exemptions/concessionary tax rates are given in note 11.3 and 11.4

## 11.3 Companies exempt from income tax /liable to tax at Concessionary rates

Companies exempt from tax

Company	Statute	Period
AgStar Properties (Pvt) Ltd	Section 17(A) of the Inland Revenue Act No.10 of 2006	7 years ending 2018/2019
AgStar Seeds (Pvt) Ltd	Section 16 (2) of the Inland Revenue Act No 10 of 2006	5 years ended 2015/2016
AgStar Grains (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	6 years ending 2023/2024

## 11.4 Companies liable to tax at concessionary rates

Company	Statute	Period
AgStar Exports (Pvt) Ltd	12% under section 50 of Inland Revenue Act No. 10	Indefinite
AgStar Properties (Pvt) Ltd	10% for coconut sale	

## 12 Earnings/(deficit) per share (Basic/Diluted)

Basic earnings/(deficit) per share is calculated, based on the net profit/(loss) attributable to owners of the parent and weighted average number of ordinary shares in issue during the year. Basic earnings/(deficit) for an ordinary share is as follows.

(All amounts in Sri Lankan Rupees)	Group		Company	
For the year ended 31st March,	2016	2015	2016	2015
Profit attributable to equity holders of the Company (Rs.)	(52,876,064)	217,681,446	254,293,357	251,291,036
Weighted average number of ordinary shares at 31st March	325,000,000	325,000,000	325,000,000	325,000,000
Earnings per share (Rs.)	(0.16)	0.67	0.78	0.77

There were no potentially dilutive ordinary shares at any time during the year, hence diluted earnings per share is equal to the basic earnings per share.

For the year ended 31st March,	2016	2015
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## 13 Dividend per share

Final ordinary dividend recommended - Rs. 0.20 per share (2014/2015 - 0.20 per share)	65,000,000	65,000,000
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The Directors have recommended a final dividend payment of Rs. 0.20 per share for the year ended 31st March 2016 to be approved at the annual general meeting.

In compliance with Sri Lanka Accounting Standard (LKAS-10) the final dividend recommended is not recognised as a liability in the financial statements as at 31st March 2016.

(All amounts in Sri Lankan Rupees)

#### 14 Property, plant and equipment -

##### Company

Cost / valuation	Land	Building	Plant and machinery	Motor vehicles	Furniture and fittings	Factory equipments	Pallets	Office and computer equipments	Capital work in progress	Total
<b>Freehold</b>										
Balance as at 1st April 2015	39,569,976	44,906,755	94,825,640	46,335,117	14,271,110	4,407,785	2,722,402	22,859,463	18,394,311	288,292,559
Additions during the year	63,444,264	47,944,095	909,350	-	845,296	-	-	4,645,735	13,372,604	131,161,344
Transfers	-	30,631,178	1,135,737	-	-	-	-	-	(31,766,915)	-
Surplus on revaluation	80,785,760	45,044,479	-	-	-	-	-	-	-	125,830,239
Adjustments on revaluation	-	(18,397,500)	-	-	-	-	-	-	-	(18,397,500)
Disposals	-	-	-	(31,923,038)	-	-	-	(252,990)	-	(32,176,028)
<b>Balance as at 31st March 2016</b>	<b>183,800,000</b>	<b>150,129,007</b>	<b>96,870,727</b>	<b>14,412,079</b>	<b>15,116,406</b>	<b>4,407,785</b>	<b>2,722,402</b>	<b>27,252,208</b>	<b>-</b>	<b>494,710,614</b>
<b>Leasehold</b>										
Balance as at 1st April 2015	-	-	-	9,550,000	-	-	-	-	-	9,550,000
<b>Balance as at 31st March 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,550,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,550,000</b>
<b>183,800,000</b>	<b>150,129,007</b>	<b>96,870,727</b>	<b>23,962,079</b>	<b>15,116,406</b>	<b>4,407,785</b>	<b>2,722,402</b>	<b>27,252,208</b>	<b>-</b>	<b>-</b>	<b>504,260,614</b>
<b>Accumulated Depreciation</b>										
<b>Freehold</b>										
Balance as at 1st April 2015	-	13,903,869	42,629,652	33,387,917	10,904,516	2,563,843	2,251,770	17,980,792	-	123,622,359
Charge for the year	-	4,493,631	9,618,815	4,059,214	773,286	279,517	269,128	1,991,221	-	21,484,812
Adjustments on revaluation	-	(18,397,500)	-	-	-	-	-	-	-	(18,397,500)
Disposals	-	-	-	(27,717,120)	-	-	-	(156,422)	-	(27,873,542)
<b>Balance as at 31st March 2016</b>	<b>-</b>	<b>-</b>	<b>52,248,467</b>	<b>9,730,011</b>	<b>11,677,802</b>	<b>2,843,360</b>	<b>2,520,898</b>	<b>19,815,591</b>	<b>-</b>	<b>98,836,129</b>
<b>Leasehold</b>										
Balance as at 1st April 2015	-	-	-	9,550,000	-	-	-	-	-	9,550,000
Charge for the year	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31st March 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,550,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,550,000</b>
<b>Net carrying amount as at</b>										
<b>31st March 2016</b>	<b>183,800,000</b>	<b>150,129,007</b>	<b>44,622,260</b>	<b>4,682,068</b>	<b>3,438,604</b>	<b>1,564,425</b>	<b>201,504</b>	<b>7,436,617</b>	<b>-</b>	<b>395,874,485</b>
<b>Net carrying amount as at</b>										
<b>31st March 2015</b>	<b>39,569,976</b>	<b>31,002,886</b>	<b>52,195,988</b>	<b>12,947,199</b>	<b>3,366,594</b>	<b>1,843,942</b>	<b>470,632</b>	<b>4,878,671</b>	<b>-</b>	<b>164,670,199</b>

# Notes to the Financial Statements

(All amounts in Sri Lankan Rupees)

	Land	Building	Plant and machinery
<b>14 Property, plant and equipment - Group</b>			
Cost / valuation			
Freehold			
Balance as at 1st April 2015	590,732,976	381,303,739	167,806,500
Additions	63,444,264	51,140,693	1,029,300
Transfers	-	199,077,070	190,499,929
Surplus on revaluation	80,785,760	45,044,479	-
Adjustment on revaluation	-	(18,397,500)	-
Acquisition of subsidiary	-	-	500,000
Disposals	-	(28,593)	-
	734,963,000	658,139,888	359,835,729
Leasehold			
Balance as at 1st April 2015	-	-	-
Additions	-	-	-
	-	-	-
Balance as at 31st March 2016 gross carrying amount	734,963,000	658,139,888	359,835,729
Accumulated depreciation			
Freehold			
Balance as at 1st April 2015	-	35,640,688	53,937,559
Charge for the year	-	25,763,253	32,789,916
Adjustment on revaluation	-	(18,397,500)	-
Disposals	-	-	-
	-	43,006,441	86,727,475
Leasehold			
Balance as at 1st April 2015	-	-	-
Charge for the year	-	-	-
	-	-	-
Balance as at 31st March 2015 gross carrying amount	590,732,976	345,663,051	113,868,941
Balance as at 31st March 2016 gross carrying amount	734,963,000	615,133,447	273,108,254

	Motor vehicles	Furniture and fittings	Factory equipments	Pallets	Office and computer equipments	Capital work in progress	Total
	46,760,117	15,688,488	4,749,979	2,894,302	25,834,665	373,534,985	1,609,305,751
	-	1,416,621	-	-	4,725,003	17,657,838	139,413,719
	-	506,945	-	67,891	636,288	(390,788,123)	-
	-	-	-	-	-	-	125,830,239
	-	-	-	-	-	-	(18,397,500)
	-	-	-	-	-	-	500,000
	(31,923,038)	-	-	-	(252,990)	-	(32,204,621)
	14,837,079	17,612,054	4,749,979	2,962,193	30,942,966	404,700	1,824,447,588
	12,855,000	-	-	-	-	-	12,855,000
	-	-	-	-	-	-	-
	12,855,000	-	-	-	-	-	12,855,000
	27,692,079	17,612,054	4,749,979	2,962,193	30,942,966	404,700	1,837,302,588
	33,459,175	11,146,432	2,897,024	2,265,271	19,041,278	-	158,387,427
	4,144,447	1,009,245	288,531	342,898	2,691,802	-	67,030,092
	-	-	-	-	-	-	(18,397,500)
	(27,717,120)	-	-	-	(156,422)	-	(27,873,542)
	9,886,502	12,155,677	3,185,555	2,608,169	21,576,658	-	179,146,477
	10,944,438	-	-	-	-	-	10,944,438
	662,811	-	-	-	-	-	662,811
	11,607,249	-	-	-	-	-	11,607,249
	15,211,504	4,542,056	1,852,955	629,031	6,793,387	373,534,985	1,452,828,886
	6,198,328	5,456,377	1,564,424	354,024	9,366,308	404,700	1,646,548,862



# Notes to the Financial Statements

(All amounts in Sri Lankan Rupees)

## 14.1 Information on the land and buildings of the Company

Location	Revalued Date	Extent (Perches)	Building (Square feet)	Cost or revaluation of land	Cost or revaluation of buildings	Total value	Accumulated depreciation	Net book value	Net book value as a % of revalued amount
Borella	31st March 2016	16.32	5,563	81,300,000	41,700,000	123,000,000	-	123,000,000	100%
Bawa Place, Colombo 8									
Anuradhapura	31st March 2016	579.22	20,774	63,800,000	57,800,000	121,600,000	-	121,600,000	100%
Puliyankulamamukalana									
Dambulla	31st March 2016	63.75	9,812	9,400,000	28,600,000	38,000,000	-	38,000,000	100%
Ihalakatupotha Watta, Pannampitiya Village, Lenadora									
Polonnaruwa	31st March 2016	174.00	7,970	29,300,000	21,200,000	50,500,000	-	50,500,000	100%
Ambalamkele									
Ekala	31st March 2015	1,311.00	141,790	555,642,000	260,358,000	816,000,000	20,292,611	795,707,389	98%
No. 93, Minuwangoda Road, Ekala									

The above land and buildings have been valued by an Independent valuer Mr. Sarath G. Fernando, a member of the Institute of Valuers of Sri Lanka in determining the fair value as at 31st March 2016. The Valuer considered the market evidences and trends in determining the fair value of the property. The building constructed on the land has been measured initially at its cost. After initial recognition, the Company adopts fair value model for Property, Plant and Equipment as per the Sri Lanka Accounting Standard LKAS 16.

Also this represents the property owned by AgStar Properties (Pvt) Ltd, a fully owned subsidiary of the Company having a land extent of 08A.3R.19P bearing Assessment No.93, Minuwangoda road, Ekala. which has been valued by an Independent valuer Mr. Sarath G. Fernando, a member of the Institute of Valuers of Sri Lanka in determining the fair value as at 31st March 2015. The Valuer considered the market evidences and trends in determining the fair value of the property. The building constructed on the land has been measured initially at its cost. After initial recognition, the Company adopts fair value model for Property, Plant and Equipment as per the Sri Lanka Accounting Standard LKAS 16.

(All amounts in Sri Lankan Rupees)

	Group		Company	
As at 31st March,	2016	2015	2016	2015

## 15 Intangible assets

### 15.1 Trade mark

Balance at the beginning of the year	1,800,000	-	-	-
Additions during the year	-	2,000,000	-	-
Amortisation	(400,000)	(200,000)	-	-
Balance as at end of the year	1,400,000	1,800,000	-	-

### 15.2 Goodwill on acquisition

Balance at the beginning of the year	5,629,638	5,629,638	-	-
Additions during the year	56,425,992	-	-	-
Impairment during the year	-	-	-	-
Balance as at end of the year	62,055,630	5,629,638	-	-
Net carrying amount as at 31st March	63,455,630	7,429,638	-	-

- 15.1 During the year ended 31st March 2015, AgStar Seeds (Pvt) Ltd acquired GSN SEMENCES, a French breeder, producer, maintainer and seller of vegetable seeds, an entity belonging to the French cooperative group VIVADOIR, based in the region of Gascony, south - west of France and the Company was granted the right inter alia of the Company was granted the right inter alia of the exclusivity of the brand GSN on the whole of Sri Lankan market, the exclusivity for promoting and marketing the products of GSN in Sri Lanka through its distributor network and for the right if co- branding (GSN) to be able to be able to write Seram Agro name on label and to include its logo.

### 15.2 Goodwill on acquisition

On 8th May 2015 the Company has acquired 100% stated capital of Prith Seeds (Pvt) Limited. The value of the assets acquired and goodwill arose on the acquisition are disclosed as follows.

Total consideration	80,229,098
Total identifiable assets and liabilities assumed are as follows.	
Property, plant and equipment	500,000
Inventories	17,432,015
Trade and other receivables	13,777,279
Liability assumed at business acquisition	(107,250)
Trade and other payables	(7,798,938)
<b>Total assets and liabilities</b>	<b>23,803,106</b>
Goodwill	56,425,992
<b>Total</b>	<b>80,229,098</b>

The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering five year periods. The key assumptions used are given below;

**Business growth** – Based on the long term average growth rate for each business unit.

The weighted average growth rate used is consistent with the forecast included in industry reports.

**Inflation** – Based on current inflation rate.

**Discount rate** – Risk free rate adjusted for the specific risk relating to the industry.

**Margin** – Based on past performance and budgeted expectations.

# Notes to the Financial Statements

(All amounts in Sri Lankan Rupees)

As at 31st March,	2016	Group 2015	2016	Company 2015
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## 16 Investment properties

Balance at the beginning of the year	69,000,000	-	-	-
Transfer from property, plant and equipment	-	69,000,000	-	-
Additions during the year	3,396,628			
Revaluation gain	14,103,372			
Balance as at 31st March	86,500,000	69,000,000	-	-

- 16.1** Investment property was appraised in accordance with LKAS 40 and 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuer. The market value has been used as the fair value. In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also valuer has made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

## 16.2 Valuation details of investment property

Location	Extent	Extent	Method	Fair Value
Korathota - Land	Sarath G.Fernando (Incorporated Valuer)	04A.2R.27.90P	Market Value	86,500,000

As at 31st March,	Company holding		No of shares		Cost as at 31st March	
	2016	2015	2016	2015	2016	2015

## 17 Investments in subsidiaries

AgStar Cropcare (Pvt) Ltd.	100%	100%	5,000,000	5,000,000	37,999,990	37,999,990
AgStar Seeds (Pvt) Ltd.	100%	100%	5,000,000	5,000,000	500,000	500,000
AgStar Properties (Pvt) Ltd.	100%	100%	35,000,000	35,000,000	350,000,000	350,000,000
AgStar Grains (Pvt) Ltd.	100%	100%	20,000,000	20,000,000	200,000,000	200,000,000
Mahaweli Rice Processing Industries (Pvt) Ltd.	100%	100%	13,450,000	13,450,000	111,700,000	111,700,000
AgStar Exports (Pvt) Ltd.	100%	100%	500,000	500,000	5,000,000	5,000,000
Prith Seeds (Pvt) Ltd.	100%	-	10,000	-	80,229,098	-
			78,960,000	78,950,000	785,429,088	705,199,990

As at 31st March,	2016	Group 2015	2016	Company 2015
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## 18 Deferred tax assets

### 18.1 Movement in deferred tax assets

Balance at the beginning of the year	256,646	219,842	-	-
Origination of temporary differences	(156,776)	36,804	-	-
Balance as at 31st March	99,870	256,646	-	-

(All amounts in Sri Lankan Rupees)

As at 31st March,	Group		Company	
	2016	2015	2016	2015
<b>18.2 Composition of deferred tax assets</b>				
Deferred tax attributable to:				
Property, plant and equipment	25,686	24,753	-	-
General provision for bad debts	125,556	231,893	-	-
Net deferred tax assets	99,870	256,646	-	-

As at 31st March,	Group		Company	
	2016	2015	2016	2015

## 19 Inventories

Reconciliation of inventories				
Raw materials and consumables	1,037,830,648	909,372,760	760,054,814	64,965,622
Finished goods	103,268,436	119,015,745	6,800,473	6,495,870
Goods in transit	237,860,832	246,612,195	233,505,542	244,066,130
	1,378,959,916	1,275,000,700	1,000,360,829	315,527,622

As at 31st March,	Note	Group		Company	
		2016	2015	2016	2015

## 20 Trade and other receivables

Trade receivables		577,003,468	469,707,915	335,843,300	322,788,970
Tax receivables	20.1	7,117,778	29,354,626	925,196	24,440,837
Other receivables		9,684,282	33,329,488	-	-
Deposits and prepayments		69,693,964	166,066,888	168,702,071	191,586,058
Subsidy receivable	20.2	1,246,225,106	1,803,012,664	1,246,225,106	1,803,012,664
Staff loan and advances		28,041,292	28,171,298	27,964,716	28,171,298
Sub Total		1,937,765,890	2,529,642,879	1,779,660,389	2,369,999,827
Provision for impairment of trade receivables	20.3	(139,260,026)	(124,860,165)	(101,238,095)	(100,104,555)
Provision for impairment of other receivables		(9,684,282)	-	-	-
Total of trade and other receivables		1,788,821,582	2,404,782,714	1,678,422,294	2,269,895,272

### 20.1 Tax receivables

Withholding tax recoverable		175,829	2,717,147	175,829	220,568
Economic service charge recoverable		3,527,106	9,218,558	749,367	7,161,418
Value added tax recoverable		3,189,322	17,418,921	-	17,058,851
National building tax recoverable		225,521	-	-	-
Total tax receivables		7,117,778	29,354,626	925,196	24,440,837

### 20.2 Subsidy receivable

Balance at the beginning of the year				1,803,012,664	2,302,627,354
Additions during the year				1,327,889,124	1,643,090,413
Receipt during the year				(1,871,229,802)	(2,102,135,226)
Write off during the year				(13,446,880)	(40,569,877)
Balance as at end of the year				1,246,225,106	1,803,012,664

# Notes to the Financial Statements

(All amounts in Sri Lankan Rupees)

As at 31st March,

Group  
2016

Company  
2016

## 20.3 Provision for impairment of trade receivables

Balance as at 1st April 2014	119,728,247	100,924,039
Reversal of impairment during the year	5,131,918	(819,484)
Balance as at 1st April 2015	124,860,165	100,104,555
Provision made during the year	14,399,861	1,133,540
Balance as at 31st March 2016	139,260,026	101,238,095

As at 31st March,	Group 2016	2015	Company 2016	2015
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## 21 Related party receivables and payables

### 21.1 Amount due from related companies

AgStar Cropcare (Pvt) Ltd.	-	-	-	10,521,796
AgStar Seeds (Pvt) Ltd.	-	-	7,487,616	658,800
AgStar Properties (Pvt) Ltd.	-	-	99,834,659	45,876,190
AgStar Grains (Pvt) Ltd.	-	-	179,342,004	172,279,603
Mahaweli Rice Processing Industries (Pvt) Ltd.	-	-	61,106,241	48,058,819
AgStar Exports (Pvt) Ltd.	-	-	141,490,526	134,993,279
Prith Seeds (Pvt) Ltd.	-	-	7,510,891	-
	-	-	496,771,937	412,388,487

### 21.2 Amounts due to related companies

AgStar Cropcare (Pvt) Ltd.	-	-	(2,892,111)	-
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As at 31st March,	Note	Group 2016	2015	Company 2016	2015
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## 22 Cash and cash equivalents

Short term deposits	22.1	18,940,909	17,743,461	18,940,909	17,743,461
Cash in hand		-	3,877,762	-	-
Cash at Bank		530,138,812	142,448,332	417,028,933	35,149,932
Cash and cash equivalents in the statements of financial position		549,079,721	164,069,555	435,969,842	52,893,393
Bank overdraft for cash management purpose		(23,461,221)	(39,496,401)	(20,384,812)	(33,487,579)
Cash and cash equivalents for the purpose of cash flow statements		525,618,500	124,573,154	415,585,030	19,405,814

### 22.1 Short term deposits

Fixed deposits - Hatton National Bank PLC		18,940,909	17,743,461	18,940,909	17,743,461
		18,940,909	17,743,461	18,940,909	17,743,461



(All amounts in Sri Lankan Rupees)

Security details on bank over draft facilities

Bank	Currency	Facility Value	Facility Period	Nature of assets pledged
Commercial Bank of Ceylon PLC	LKR	25m	1 Year	General Terms & Conditions
Hatton National Bank PLC	LKR	25m	1 Year	Letter of Set - Off Rs. 18.94 Mn FD
MCB Bank	LKR	25m	1 Year	Paripasu mortgage bond

(All amounts in Sri Lankan Rupees)

As at 31st March,	Note	Group 2016	2015	Company 2016	2015
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## 23 Stated Capital

Issue and fully paid

325,000,000 Ordinary shares	1,204,093,678	1,204,093,678	1,204,093,678	1,204,093,678
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The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at a meeting of the Company.

As at 31st March,	Group 2016	2015	Company 2016	2015
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## 24 Employee benefits

### 24.1 Movement in net defined benefit obligation

Balance at the beginning of the year	18,148,728	12,628,200	18,148,728	12,628,200
Liability assumed at business acquisition	107,250	-	-	-
Included in profit or loss				
Current service cost	2,639,348	2,531,789	2,572,169	2,531,789
Interest cost	1,735,926	1,262,820	1,724,129	1,262,820
	22,631,252	16,422,809	22,445,026	16,422,809
Include in other comprehensive income				
Actuarial loss/(gain)	(1,069,690)	1,896,019	(1,000,999)	1,896,019
	21,561,562	18,318,828	21,444,027	18,318,828
Benefit paid	(761,383)	(170,100)	(761,383)	(170,100)
Balance at 31st March	20,800,179	18,148,728	20,682,644	18,148,728

The provision for retirement benefit obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries. Messrs. Actuarial & Management Consultant (Pvt) Ltd, as at 31st March 2016. The actuarial present value of the promised retirement benefit as at 31st March 2016 amounted to Rs. 20,800,179/-. The liability is not externally funded.

	Group 2016	2015	Company 2016	2015
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### 24.2 Defined benefit obligation

Actuarial assumptions				
Discount rate	11%	9.50%	11%	9.50%
Future salary growth	10%	10%	10%	10%
Retirement age	55 years	55 years	55 years	55 years

# Notes to the Financial Statements

(All amounts in Sri Lankan Rupees)

## 24.3 Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible changes at the reporting date in the key assumptions employed with all other variables held constant in the employment benefit liability measurement. The sensitivity of the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the employment benefit obligation for the year.

Group/Company	31/03/2016	
	1% increase	1% decrease
Discount rate (1% movement)	19,841,309	21,607,486
Future salary growth (1% movement)	21,533,780	19,895,625

As at 31st March,	Group		Company	
	2016	2015	2016	2015

## 25 Deferred income

Balance at the beginning of the year	-	-	-	-
Additions during the year	9,026,233	-	9,026,233	-
Recognised to the income statement	(2,676,308)	-	(2,676,308)	-
Balance as at end of the year	6,349,925	-	6,349,925	-

Deferred income represents the gain on disposal of motor vehicles to staff for loan consideration. The deferred income is amortised to profit or loss over the period when the corresponding loan due from staff is charged to profit or loss as an employee benefit.

As at 31st March,	Group		Company	
	2016	2015	2016	2015

## 26 Deferred tax liabilities

### 26.1 Movement in deferred tax liabilities

Balance at the beginning of the year	211,028,899	199,248,047	181,640,466	218,145,527
Origination/(reversal) of temporary differences	(72,776,676)	(34,298,128)	(71,970,664)	(36,123,073)
Recognised in statement of profit or loss	-	-	-	-
Adjustment on revaluation	12,612,454	46,460,968	12,612,454	-
Recognised in other comprehensive income	299,513	(381,988)	280,280	(381,988)
Balance at the end of the year	151,164,190	211,028,899	122,562,536	181,640,466

### 26.2 Composition of deferred tax

Property plant and equipment	(45,656,379)	(15,695,196)	(17,021,814)	(13,870,251)
Subsidy receivable	(348,943,030)	(508,245,938)	(348,943,030)	(508,245,937)
Revaluation reserve	(12,612,454)	(49,577,018)	(12,612,454)	(3,116,050)
	(407,211,863)	(573,518,152)	(378,577,298)	(525,232,238)
Retirement benefit obligation	5,543,770	5,081,644	5,510,861	5,081,644
Tax losses carried forward	250,503,903	357,407,609	250,503,902	338,510,128
	256,047,673	362,489,253	256,014,763	343,591,772
	(151,164,190)	(211,028,899)	(122,562,536)	(181,640,466)

(All amounts in Sri Lankan Rupees)

As at 31st March,	Note	Group 2016	Group 2015	Company 2016	Company 2015
<b>27 Loans and borrowings</b>					
Non-current liabilities					
Term loan	27.1	-	-	-	-
Finance lease obligation		-	325,000	-	-
		-	325,000	-	-
Current liabilities					
Term loans	27.1	1,447,454,503	1,317,734,281	821,696,142	410,487,846
Finance lease obligations		325,000	1,014,795	-	1,014,795
		1,447,779,503	1,318,749,076	821,696,142	411,502,641

#### 27.1 Terms and repayment schedule

The terms and conditions of outstanding loans as follows.

	Currency	Nominal interest rate	Year of maturity	31st March 2016 Face value	31st March 2016 Carrying amount	31st March 2015 Face value	31st March 2015 Carrying amount
Secured bank							
loan	LKR	AWPLR+2%		1,447,454,503	1,447,454,503	1,317,734,281	1,317,734,281
			-	1,447,454,503	1,447,454,503	1,317,734,281	1,317,734,281

As at 31st March,	Note	Group 2016	Group 2015	Company 2016	Company 2015
<b>27.2 Loan movement during the year</b>					
Balance at the beginning of the year		1,317,134,281	1,318,535,742	410,487,845	843,812,574
Obtained during the year		4,838,977,586	3,663,186,158	2,601,976,257	2,093,109,988
Repayment during the year		(4,708,657,364)	(3,664,587,619)	(2,190,767,960)	(2,526,434,717)
Balance at the end of the year		1,447,454,503	1,317,134,281	821,696,142	410,487,845

As at 31st March,	Note	Group 2016	Group 2015	Company 2016	Company 2015
<b>28 Trade and other payables</b>					
Trade payables		1,055,433,381	824,243,485	1,018,959,123	771,558,817
Other payables		241,262,642	288,407,333	216,060,384	147,626,435
Import demand loan		-	250,373	-	-
Advance received		255,016	185,000	160,000	185,000
Total of trade and other payables		1,296,951,039	1,113,086,191	1,235,179,507	919,370,252

# Notes to the Financial Statements

## 29 Related party disclosures

### (a) Identification of related parties

The Company has a related party relationship with its subsidiaries, Affiliate Companies and with its Directors.

### (b) Transactions with key management personnel

Key management personnel comprise all the members of the Board of Directors of the Company having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

### (c) Loans to directors

No loans have been granted to the directors of the Company.

### (d) Key management personnel compensation

Following compensation were paid to key management personnel:

	Group Rs.	Company Rs.
Short term employee benefit	21,194,000	21,194,000
Post employment benefit	-	-

### (e) Related party transactions

The following transactions were carried out with related parties during the year ended 31st March 2016.

## 29.1 Transactions with subsidiaries

Company	Relationship	Nature of transaction	Transactions during the year	Balance due to/ (from) as at 31/3/2016	Balance due to/ (from) as at 31/3/2015
AgStar Cropcare (Pvt) Ltd	Subsidiaries	Funds transfers (net)	(37,850,000)		
		Dividend income	8,550,000		
		Fertilizer Sales	17,067,588		
		Cropcare Sales	(812,354)		
		Payments for expenses	3,451,440		
		Set off against customer deposits	(13,954,265)		
		Salaries and allowances	10,133,684	(2,892,111)	10,521,796
AgStar Exports (Pvt) Ltd	Subsidiaries	Funds transfers (net)	4,500,000		
		Expenses incurred by parent	1,996,309		
		Sales	940	141,492,405	134,993,277
AgStar Grains (Pvt) Ltd	Subsidiaries	Funds transfers (net)	1,772,200		
		Inter-company transaction	(5,876,229)		
		Expenses incurred by parent	11,166,429	179,342,004	172,279,604
AgStar Properties (Pvt) Ltd	Subsidiaries	Funds transfers (net)	6,970,050		
		Dividend income	40,950,000		
		Expenses incurred by parent	7,728,419		
		Rent expense -Ekala building	(6,240,000)	99,834,659	45,876,190
AgStar Seeds (Pvt) Ltd	Subsidiaries	Funds transfers (net)	(9,928,950)		
		Expenses incurred by parent	13,346,355		
		Dividend income	1,980,000		
		Inter-company transaction	1,431,411	7,487,616	658,800
Mahaweli Rice Processing Industries (Pvt) Ltd	Subsidiaries	Funds transfers (net)	(1,367,200)		
		Expenses incurred by parent	9,062,708		
		Inter-company transaction	5,351,914	61,106,241	48,058,819
Prith Seeds (Pvt) Ltd	Subsidiaries	Funds transfers (net)	52,300,000		
		Dividend income	1,215,000		
		Expenses incurred by parent	2,910,891	7,510,891	-



# Notes to the Financial Statements

## 30 Commitments

### Capital Commitments

There were no material capital commitments outstanding as at the statement of financial position date.

### Financial Commitments

Documentary credits effected for foreign purchases as at 31st March 2016 Rs. 146,980,018 (2015 - Rs. 259,080,441)

## 31 Contingent liabilities

### 31.1 Corporate guarantee issued by AgStar PLC

Name of the Company	Type of the facility	Name of the bank	Amount (Rs.)
AgStar Seeds ( Pvt) Ltd	LC/IDL	Commercial	48,000,000
	Overdraft	Commercial	19,000,000
	Short term loan facility	Commercial	60,000,000
	LC/IDL	HNB	25,000,000
	Term Loan (Series of Loan)	BOC	60,000,000
AgStar Cropcare ( Pvt) Ltd	LC/IDL	Commercial	60,000,000
	Overdraft	Commercial	19,000,000
	LC/IDL	HNB	50,000,000
AgStar Grains ( Pvt) Ltd	Short Term Loan	Commercial	10,000,000
	Short Term Loan	Commercial	150,000,000
	Short Term Loan	DFCC	200,000,000
	Short Term Loan	BOC	500,000,000
Mahaweli Rice Processing Industries (Pvt) Ltd	Short Term Loan	BOC	200,000,000
Lanka Phosphate Limited	Local supplies	Commercial	11,000,000
United Motors Lanka PLC	Service and maintenance	Commercial	100,000

## 32 Events occurring after the reporting date

- ☉ The Board of Directors of the Company resolved on 6th May 2016 to recommend a first and final ordinary dividend of Rs. 0.20 per share for the year 2015/16 to be approved at the Annual General Meeting.
- ☉ The Board of Directors of the Company resolved on 3rd May 2016 to increased the share capital of the subsidiaries to strengthen the capital structure of AgStar Grains (Pvt) Limited, Mahaweli Rice Processing Industries (Pvt) Limited and AgStar Exports (Pvt) Limited by Rs.140 Mn, Rs.61 Mn and Rs.40Mn respectively.

## 33 Comparative information

The comparative information has been restated according to the current year classification wherever necessary.

## 34 Financial instruments

- (a) The following tables shows the carrying amounts and fair values of financial assets and financial liabilities, together with the carrying amounts in the statement of financial position, are as follows.

### 34.1 Accounting classification and fair values of financial instruments

(All amounts in Sri Lankan Rupees)

Company	Note	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
As at 31st March 2015					
Financial assets not measured at fair value					
Trade and other receivables	20	1,678,422,294	-	1,678,422,294	1,678,422,294
Amounts due from related companies	21	496,771,937	-	496,771,937	496,771,937
Cash and cash equivalents	22	435,969,842	-	435,969,842	435,969,842
		2,611,164,073	-	2,611,164,073	2,611,164,073
Financial liabilities not measured at fair value					
Trade and other payables	28	-	1,235,179,507	1,235,179,507	1,235,179,507
Loans and borrowings	27	-	821,696,142	821,696,142	821,696,142
Amounts due to related companies	21	-	2,892,111	2,892,111	2,892,111
Bank overdraft	22	-	20,384,812	20,384,812	20,384,812
		-	2,080,152,572	2,080,152,572	2,080,152,572
As at 31st March 2014					
Financial assets not measured at fair value					
Trade and other receivables	20	2,269,895,272	-	2,269,895,272	2,269,895,272
Amounts due from related companies	21	412,388,487	-	412,388,487	412,388,487
Cash and cash equivalents	22	52,893,393	-	52,893,393	52,893,393
		2,735,177,152	-	2,735,177,152	2,735,177,152
Financial liabilities not measured at fair value					
Trade and other payables	28	-	919,370,252	919,370,252	919,370,252
Finance lease liabilities	27	-	1,014,795	1,014,795	1,014,795
Loans and borrowings	27	-	410,487,845	410,487,845	410,487,845
Bank overdraft	22	-	33,487,579	33,487,579	33,487,579
		-	1,364,360,471	1,364,360,471	1,364,360,471

# Notes to the Financial Statements

## 34 Financial instruments (Contd.)

- (a) Fair values of financial assets and financial liabilities, together with the carrying amounts in the statement of financial position, are as follows.

### 34.2 Accounting classification and fair values of financial instruments

(All amounts in Sri Lankan Rupees)

Group	Note	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
As at 31st March 2015					
Financial assets not measured at fair value					
Trade and other receivables	20	1,788,821,582	-	1,788,821,582	1,788,821,582
Cash and cash equivalents	22	549,079,721	-	549,079,721	549,079,721
		2,337,901,303	-	2,337,901,303	2,337,901,303
Financial liabilities not measured at fair value					
Trade and other payables	28	-	1,296,951,039	1,296,951,039	1,296,951,039
Loans and borrowings	27	-	1,447,454,503	1,447,454,503	1,447,454,503
Finance lease liabilities	27	-	325,000	325,000	325,000
Bank overdraft	22	-	23,461,221	23,461,221	23,461,221
			2,768,191,763	2,768,191,763	2,768,191,763
As at 31st March 2014					
Financial assets not measured at fair value					
Trade and other receivables	20	2,404,782,714	-	2,404,782,714	2,404,782,714
Cash and cash equivalents	22	164,069,555	-	164,069,555	164,069,555
		2,568,852,269	-	2,568,852,269	2,568,852,269
Financial liabilities not measured at fair value					
Trade and other payables	28	-	1,113,086,191	1,113,086,191	1,113,086,191
Finance lease liabilities	27	-	1,317,734,281	1,317,734,281	1,317,734,281
Loans and borrowings	27	-	1,014,795	1,014,795	1,014,795
Bank overdraft	22	-	39,496,401	39,496,401	39,496,401
			2,471,656,679	2,471,656,679	2,471,656,679

## 35 Financial risk management objectives and policies

The use of financial instruments has an inherent risk due to changes in a myriad variables that reflect market conditions. Unmanaged risks can lead to undesirable outcomes where the Group is unable to achieve its financial objectives and falls short of budgeted targets. The financial risk management strategy of the Group endeavours to minimise the risks associated with the use of financial instruments by establishing a number of policies and guidelines that are followed throughout the Group. The Group periodically reviews and updates these policies to ensure that they are kept relevant in today's fast changing market conditions.

In this part of the report we would be covering the financial impact that would arise from market risk, credit risk and liquidity risk, the most important elements of the financial risk that the Group is subject to.

### 35.1 Market risk

The market risk occurs due to the actual cashflow originating from a financial instrument being different to the expected cashflow. This anomaly could occur due to the impact of external factors such as fluctuations in market interest rates and exchange rates. Market risk could possibly result in the revenues and expenses of the Group being adversely affected thereby impacting the profit attributable to the shareholders. In order to identify, manage and minimise the market risk the Group has put into practice a number of policies and procedures.

#### 35.1.1 Currency risk

The currency risk arises when a financial transaction is denominated in a currency other than that of the reporting currency of an entity. Transaction exposure arises where there are contracted cashflows (receivables and payables) whose values are subject to unanticipated changes in exchange rates due to the contract being denominated in a foreign currency.

The Group transacts mainly in United States Dollar (USD) other than the functional reporting currency. Therefore the Group is exposed to currency risk on revenue generation, expenses and borrowings. The finance division monitors foreign exchange markets on a continuous basis and advises on appropriate risk mitigating strategies.

Significant movement in exchange rates during the year ended 31st March 2016.

	Highest Level		Lowest Level		Spread	Year end rate
	Rate	Date	Rate	Date		
USD/LKR	147.23	Mar-16	135.21	Jun-15	12.02	147.23

#### 35.1.2 Interest rate risk

Changes in market interest rates result in the fluctuation of present values of future cash flows derived from financial instruments thereby giving rise to interest rate risk.

These financial instruments are subject to interest rate risk depending on the volatility of market interest rates. Liabilities with variable interest rates such as AWPLR linked borrowings would expose the Group to cashflow risk as the amount of interest paid would change depending on market interest rates. Investments with fixed interest rates would expose the Group to variations in fair values in the process of marking to market of portfolios. It is important for the Group to maintain these variations within acceptable limits to ensure the predictability and consistency of reported results.

Appropriate interest rate risk management strategies are used by the finance division to manage the interest rate risk. Close monitoring of market trends is carried out to improve the accuracy of such decisions.

The finance division continuously monitors the interest rate environment to advise Strategic Business Units (SBUs) on the most suitable strategy with regard to borrowings. The Group's borrowings are usually negotiated during troughs in the interest rate cycle in order to extend the favourable impact to future reporting periods.

# Notes to the Financial Statements

## 35.1.2 Interest rate risk (Contd.)

Significant movement in interest rates during the year ended 31st March 2016.

	Highest Level		Lowest Level		Spread	Year end rate
	Rate	Date	Rate	Date		
LKR Interest rate *	9.90%	Mar-2016	6.28%	Jun-15	3.62%	9.90%

\*One year Government Treasury bill rate

## 35.1.3 Equity price risk

The Group has adopted that its investment in subsidiaries companies are recorded at cost as per LKAS 27 standards and therefore scoped out from LKAS 32 and 39 - Financial Instruments.

## 35.2 Liquidity risk

Liquidity refers to the availability of cash or assets which can be converted to cash in a short period of time in order to meet future liabilities of a business. An entity would require sufficient funds for a number of purposes such as operational requirements, debt servicing and investments. Additionally, a shortage of liquidity would have a negative impact on stakeholder confidence in a business entity. The Group has ensured that it maintains sufficient liquidity reserves to meet all its funding requirements by closely monitoring and forecasting future funding needs and securing funding sources for both regular and emergency requirements.

Management of working capital by shortening the working capital cycle is given a high priority by the Group. The finance head do constantly monitor the adequacy of working capital of the SBUs and take corrective action when necessary. Special attention has been given to cash inflows and outflows both at a consolidate and SBU levels. The maturity profile of the Group's investments is monitored and adjusted to meet expected future cash outflows in the short, medium and long terms.

Funding requirements of the sectors and consolidated levels are evaluated at regular intervals by analysing business expansion strategies. The Group has adopted a conservative investment strategy in order to preserve the scarce capital. At opportune moments funds are mobilised by accessing capital markets and the Group ensures that future interest expenses are minimised on borrowings by negotiating attractive interest rates with the respective lenders.

Refer Note 27 and 28 for the Group's non-derivative financial liabilities which fall into less than 1 year maturity group based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the relevant notes are the contractual undiscounted cash flows.

## 35.3 Credit risk

Credit risk refers to the risk borne by the Group owing to the risk of a counter party defaulting on its contractual obligations in relation to a financial instrument or customer contract. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments. The maximum credit risk of the Group and the Company is limited to the carrying value of these financial assets as at the reporting date. Refer Note 17 for further disclosure on credit risk.

The finance division manages the risk arising from investments made in financial institutions in accordance with the policy direction provided by the Board. The transactions are carried out only with a limited number of institutions all of which have stable credit ratings from internationally recognised rating providers.



### 35.3.1 Trade receivables

Trade receivables consist of recoverables from a large number of customers spread across diverse industries, segments and geographical areas.

The majority of the Group's trade receivables are due for settlement within 30, 45, 60 or 90 days except subsidy receivables. The credit policy for each segment of business varies due to the diversity of operations in the Group. The credit policies that best suit their respective business environment are developed for each sector and the responsibility for this rests with the head of finance their respective business environment are developed for each sector and the responsibility for this rests with the head of finance and the senior management teams.

The credit policies of Group companies are prepared subsequent to analysing credit profiles of customers. In this regard factors such as the credit history, legal status, market share, geographical locations of operations, and industry information are considered. Reference from bankers or credit information databases are obtained when it is considered necessary. Each Group Company has identified credit limits for their customers. In the event a customer defaults, legal proceedings are carried to recover the outstandings.

Group is confident that the receivables will be recovered in immediate future.

Trade receivable settlement profile - Group

	2016 Rs.	2015 Rs.
Current ( Within the credit period)	196,453,685	218,079,384
More than 1 days but less than 30 Days	44,427,699	26,972,616
More than 31 days but less than 60 Days	76,873,421	18,228,728
More than 61 days but less than 90 Days	25,551,797	8,647,005
More than 91days but less than 180 Days	26,513,300	9,580,340
More than 181days but less than 270 Days	8,949,427	7,884,420
More than 271 days but less than 365 Days	8,228,622	955,466
More than 365 Days	190,005,517	179,359,957
<b>Total gross trade receivables</b>	<b>577,003,468</b>	<b>469,707,915</b>
Impairment provision for trade receivables	(139,260,026)	(124,860,165)
<b>Total Net trade receivables</b>	<b>437,743,442</b>	<b>344,847,750</b>

### 35.3.2 Cash and cash equivalents

The Group held cash and cash equivalents of Rs.525,618,500/- at 31st March 2016 (2015 – Rs. 124,573,154/-). The cash and cash equivalents are held with bank, which are rated above AA- based on (Fitch Ratings) ratings.

# Decade at a Glance

31st March	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Rs.'000											
<b>OPERATING RESULTS</b>											
Group Revenue	2,314,290	2,100,071	1,725,717	1,757,847	1,805,149	2,918,609	2,337,500	1,582,805	1,585,743	1,318,346	806,335
Net Finance Expense	(68,914)	(110,695)	(230,675)	(100,275)	(54,396)	(37,836)	(33,858)	(52,225)	(35,473)	(23,156)	(11,719)
Profit Before Tax	81,510	332,676	58,399	287,031	289,452	287,607	215,625	92,340	80,239	24,203	33,980
Tax Expense	(134,386)	(119,701)	(29,001)	(69,482)	(79,211)	(54,636)	(86,431)	(32,931)	(29,959)	(8,224)	(25,927)
Profit After Tax	(52,876)	212,975	29,398	217,549	210,241	232,971	129,194	59,409	50,280	15,979	8,053
<b>Attributable To:</b>											
Equity Holders of the parent	(52,876)	218,063	42,878	217,552	210,241	232,971	129,194	59,409	50,280	15,979	8,053
Non Controlling Interest	-	(5,088)	(13,480)	(2,9)	-	-	-	-	-	-	-
	(52,876)	212,975	29,398	217,549	210,241	232,971	129,194	59,409	50,280	15,979	8,053
<b>FINANCIAL POSITION</b>											
Stated Capital	1,204,094	1,204,094	1,204,094	1,204,094	1,204,094	204,094	204,094	114,766	113,266	110,266	58,645
Reserves	1,312,663	1,297,654	875,680	868,234	619,219	409,364	148,953	120,563	72,486	790	20,522
	2,516,757	2,501,748	2,079,774	2,072,328	1,823,313	613,458	353,047	235,329	185,752	111,056	79,167
Non Controlling Interest	-	-	21,117	34,597	-	-	-	-	-	-	-
Net Assets	2,516,757	2,501,748	2,100,891	2,106,925	1,823,313	613,458	353,047	235,329	185,752	111,056	79,167
Non Current Liabilities	178,314	248,400	288,566	276,105	206,130	142,757	94,321	11,475	8,767	9,852	7,621
	2,695,071	2,750,148	2,389,457	2,383,030	2,029,443	756,215	447,368	246,804	194,519	120,908	86,788
<b>Represented By:</b>											
Property Plant & Equipment (PPE)	1,617,249	1,452,829	1,212,319	948,891	228,424	131,956	77,078	56,410	62,128	47,968	23,622
Non Current Assets ( Excluding PPE)	179,356	76,686	5,849	5,696	96	145	703	842	-	-	-
Current Assets	3,716,861	3,843,853	3,351,805	3,445,393	3,922,160	1,892,915	1,293,160	767,322	810,016	851,144	854,642
Current Liabilities	(2,818,394)	(2,623,220)	(2,180,516)	(2,016,950)	(2,121,237)	(1,268,801)	(923,572)	(577,770)	(677,625)	(778,205)	(791,476)
Net Current Assets	898,467	1,220,633	1,171,289	1,428,443	1,800,923	624,114	369,588	189,552	132,391	72,939	63,166
	3,593,539	2,750,148	2,389,457	2,383,030	2,029,443	756,215	447,369	246,804	194,519	120,907	86,788
<b>KEY INDICATORS</b>											
Annual Revenue growth (%)	10.20	21.69	(1.83)	(2.62)	(38.15)	24.86	47.68	(0.19)	20.28	63.50	24.02
Basic earning per share (Rs.)	(0.16)	0.67	0.13	0.67	0.74	1.16	6.46	2.97	4.50	1.45	1.69
Net Profit to net revenue (%)	(2.28)	10.14	1.70	12.38	11.65	7.98	5.53	3.75	3.17	1.21	1.00
Dividend per share (Rs.)	0.20	0.20	0.10	0.10	0.05	0.10	0.57	0.99	-	-	0.87
Return on Equity (%)	(2.10)	8.51	1.40	10.33	11.53	37.98	36.59	25.25	27.07	14.39	10.17
Net Assets per share (Rs.)	7.74	7.70	6.40	6.38	5.61	3.07	17.65	20.51	16.40	10.07	13.50
Gearing ratio (Times)	-	-	0.64	0.34	0.54	0.50	0.15	2.18	3.25	6.46	8.74
Current ratio(Times)	1.32	1.47	1.54	1.71	1.85	1.49	1.40	1.33	1.20	1.09	1.08

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 14th Annual General Meeting of AGSTAR PLC (the Company) will be held on 30th June 2016 at 10.00 am at The Park Premier Banquet Hall, Excel World, 338, T.B. Jaya Mawatha, Colombo 10.

## AGENDA

1. To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31st March 2016 and the Report of the Auditors thereon.
2. To declare a Dividend as recommended by the Directors
3. To re-elect Mr. I.C. Nanayakkara who retire by rotation in accordance with Article 23 (6) of the Articles of Association of the Company and being eligible, offer themselves for re-election.
4. To re-elect Mr. W.A.P. Perera who retire by rotation in accordance with Article 23 (6) of the Articles of Association of the Company and being eligible, offer themselves for re-election.
5. To re-elect Mr. D.N.N. Lokuge who retire by rotation in accordance with Article 23 (6) of the Articles of Association of the Company and being eligible, offer themselves for re-election.
6. To consider and if thought fit to pass the following as an ordinary resolution to re-elect Mr. N.G.R. Karunaratne as a Director of the Company:

“IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. N.G.R. Karunaratne, who is presently 79 (seventy nine) years of age and that he be re-appointed as a Director of the Company for a further period of one year or until the conclusion of the next Annual General Meeting whichever occurs first”

7. To consider and if thought fit to pass the following as an ordinary resolution to re-elect Mr. A.G. Weerasinghe as a Director of the Company:

“IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. A.G. Weerasinghe, who is presently 74 (seventy four) years of age and that he be re-appointed as a Director of the Company for a further period of one year or until the conclusion of the next Annual General Meeting whichever occurs first”

8. To consider and if thought fit to pass the following as an ordinary resolution to re-elect Mr. H.P.J. de Silva as a Director of the Company:

“IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. H.P.J. de Silva, who is presently 72 (seventy two) years of age and that he be re-appointed as a Director of the Company for a further period of one year or until the conclusion of the next Annual General Meeting whichever occurs first”

9. To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration
10. To transact any other business of due which due notice has been given

By order of the Board of Directors of  
AgStar PLC



**P.R. Secretarial Services (Private) Limited**  
Secretaries

At Colombo, this 2nd June 2016

## Note:

- ⦿ A Member entitled to attend and vote at the meeting, is entitled to appoint a Proxy to attend and vote instead of him/her.
- ⦿ A Proxy need not be a Member of the Company.
- ⦿ A Member wishing to vote by Proxy at the meeting may use the Form of Proxy form enclosed.
- ⦿ Any member or Proxy holder attending the meeting is kindly requested to bring this report.
- ⦿ The completed Form of Proxy should also be deposited at the Registered Office of the Company, No. 09, Bawa Place, Colombo 08 not less than forty eight (48) hours before the time appointed for holding of the meeting.
- ⦿ For security reasons, Members, Proxy holders are kindly advised to bring along with them their National Identity Card or similar for of acceptance identity when attending the meeting.

# Notes

# Form of Proxy

I/We.....of.....

being a Member/Members\* of the above named Company, hereby appoint (1).....

of.....failing him/her.

- |                              |                |                              |                   |
|------------------------------|----------------|------------------------------|-------------------|
| (2) Mr. N. G. R. Karunaratne | or failing him | (6) Mr. D. S. K. Amarasekara | or failing him    |
| (3) Mr. D. N. N. Lokuge      | or failing him | (7) Mr. I. C. Nanayakkara    | or failing him    |
| (4) Mr. A. P. Weerasekera    | or failing him | (8) Mr.A.G. Weerasinghe      | or failing him    |
| (5) Mr. W. A. P. Perera      | or failing him | (9) Mr. H. P.J. de Silva     | or failing him or |
| (10) Ms. S. Wickramasinghe   |                |                              |                   |

as my/our\* Proxy to represent me/us\* and vote and speak for me/us\* on my/our\* behalf at the 14th Annual General Meeting of the Company to be held on 30th June 2016 at 10.00 am at The Park Premier Banquet Hall, Excel World, 338, T.B. Jaya Mawatha, Colombo 10.

and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

I/WE INDICATE MY/OUR VOTE ON THE RESOLUTIONS BELOW AS FOLLOWS:

	For	Against
1. To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31st March 2016 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a Dividend as recommended by the Directors	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. I.C. Nanayakkara who retire by rotation in accordance with Article 23 (6) of the Articles of Association of the Company and being eligible, offer themselves for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. W.A.P. Perera who retire by rotation in accordance with Article 23 (6) of the Articles of Association of the Company and being eligible, offer themselves for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. D.N.N. Lokuge who retire by rotation in accordance with Article 23 (6) of the Articles of Association of the Company and being eligible, offer themselves for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
6. To consider and if thought fit to pass the following as an ordinary resolution-To re-elect Mr. N.G.R. Karunaratne as a Director of the Company: "IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. N.G.R. Karunaratne, who is presently 79 (seventy Nine) years of age and that he be re-appointed as a Director of the Company for a further period of one year or until the conclusion of the next Annual General Meeting whichever occurs first"	<input type="checkbox"/>	<input type="checkbox"/>
7. To consider and if thought fit to pass the following as an ordinary resolution-To re-elect Mr. A.G. Weerasinghe as a Director of the Company: "IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. A.G. Weerasinghe, who is presently 74 (seventy Four) years of age and that he be re-appointed as a Director of the Company for a further period of one year or until the conclusion of the next Annual General Meeting whichever occurs first"	<input type="checkbox"/>	<input type="checkbox"/>
8. To consider and if thought fit to pass the following as an ordinary resolution-To re-elect Mr. H.P.J. de Silva as a Director of the Company: "IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. H.P.J de Silva, who is presently 72 (seventy two) years of age and that he be re-appointed as a Director of the Company for a further period of one year or until the conclusion of the next Annual General Meeting whichever occurs first"	<input type="checkbox"/>	<input type="checkbox"/>
9. To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>

Signed this .....day of.....2016.

.....  
Signature of shareholder



# Form of Proxy

## Instructions as to completion

1. Kindly perfect the Form of Proxy by filing in legibly your full name, National Identity Card/ Passport/ Company Registration Number, your address and your instructions as to voting and by signing in the space provided and filing in the date of signature. Please ensure that all details are legible.
2. Please mark "X" in appropriate cages, to indicate your instructions as to voting on each resolution. If no indication is given, the Proxy holder in his/her discretion will vote as he/her thinks fit.
3. To be valid, the completed Form of Proxy must be deposited at the Registered Office of the Company, No. 09, Bawa Place, Colombo 08 not less than 48 hours before the time appointed for the holding of the meeting.
4. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy, please insert the relevant details (1) overleaf and initial against this entry.
5. In the case of a Company/Corporation, the Proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by Articles of Association/ Act of Incorporation.
6. In the case of a Proxy signed by an Attorney, a certified copy of the Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

# Corporate Information

## The Company

AgStar PLC

## Legal Form

A Public Quoted incorporated in Sri Lanka

## Company Registration No.

PV1618 PB/PQ

## Date of Incorporation

25th June 2002

## Registered Office

AgStar PLC

No.9, Bawa Place, Colombo 8

Tel: +94 11 4812424, +94 11 7708040-3

Fax: +94 11 4810706

E-mail: [info@agstaragri.com](mailto:info@agstaragri.com)

Website: [www.agstaragri.com](http://www.agstaragri.com)

## Directors

Mr N G R Karunaratne - Chairman/ Chief Executive Officer

Mr D N N Lokuge - Deputy Chairman/ Non-Executive Director

Mr A P Weerasekara - Managing Director

Mr D S K Amarasekera - Non-Executive Director

Mr I C Nanayakkara - Non-Executive Director

Mr W A P Perera - Non-Executive Director

Mr A G Weerasinghe - Independent Non-Executive Director

Mr H P J de Silva - Independent Non-Executive Director

Ms S Wickramasinghe - Independent Non-Executive Director

## Audit Committee

Mr H P J de Silva

Mr A G Weerasinghe

## Remuneration Committee

Mr H P J de Silva

Mr A G Weerasinghe

## Related Party Transaction Review Committee

Mr A G Weerasinghe

Mr H P J de Silva

Mr N G R Karunaratne

Mr A P Weerasekera

## Subsidiaries

AgStar Seeds (Private) Limited

AgStar Cropcare (Private) Limited

AgStar Grains (Private) Limited

AgStar Properties (Private) Limited

Mahaweli Rice Processing Industries (Private) Limited

AgStar Exports (Private) Limited

Prith Seeds (Pvt) Limited

## Secretaries

P R Secretarial Services (Pvt) Limited

No.59, Gregory's Road, Colombo 7

## Registrars

SSP Corporate Services (Private) Limited

No.101, Inner Flower Road, Colombo 3

## Auditors

KPMG

P O Box 186

Colombo 03

## Bankers

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

Sampath Bank PLC

Peoples' Bank

National Development Bank PLC

Bank of Ceylon

Seylan Bank PLC

DFCC Vardhana Bank PLC

MCB Bank Ltd

Public Bank

## Legal Consultants

Nithya Partners

No.97A, Galle Road, Colombo 3

Paul Ratnayake Associates

No.59, Gregory's Road, Colombo 7

Sudath Perera Associates

No.5, 9th Lane, Nawala Road, Nawala

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