

Ceylon Grain Elevators PLC

Annual Report 2015



Supersede

Our corporate philosophy is centred upon the 3H principles of building a Healthy Organisation, being an Honourable Winner and making an Honest Fortune. This business philosophy is derived from our Parent Company, Prima Limited of Singapore.

Healthy Organisation

Developing a sound, effective and efficient organisation system. Promoting team spirit and reaching out to create a "PRIMA FAMILY" identity.

Honest Fortune

Establishing trust, fairness and mutual benefits with all within our business circle. Contributing to the well-being of society.

Honourable Winner

Achieving success through fair competition. Striving towards excellence.

Our Vision

"To achieve complete poultry integration synergies, ultimately gaining export market competitiveness"

Our Mission

To tap and harness business opportunities by expanding into various vertical integration projects. This will lead to increase in Agriculture, Aquaculture and Livestock production, thus encouraging national progress through nutritious protein-rich food to the people of this Nation.

Our Corporate Goals

In line with our Chairman's directives and Prima Group corporate philosophy, we will continue to grow steadily in our primary activities with the ultimate goal of reaching the status of an integrated feed milling business.

Our future expansion plans shall be within our management capability and financial resources.

To establish "PRIMA" and "FARMERS' CHOICE" as a brand name synonymous with the very best in high quality products.

To establish high standards of good corporate governance, improve transparency and the standards of accountability to shareholders.

Brief History

Life began for Ceylon Grain Elevators PLC (CGE) way back in December 1982, when the Government of Sri Lanka and Prima Limited of Singapore inked an agreement beginning a partnership that has endured three decades of yeoman service to the poultry industry in the country.

Today, CGE is the largest operator in the poultry industry of Sri Lanka, establishing six subsidiary companies operating not only in the field of poultry, but also offering products and services in diverse fields.

CGE and the companies under its umbrella manufacture and distribute a wide range of feeds under the "PRIMA" and "FARMERS' CHOICE" brands.

They also operate poultry and hatchery breeder farms, commercial poultry and livestock farms. They also engage in the processing, packaging and retailing of poultry and other meat products, the import and sale of poultry equipment, veterinary products, produce aqua feed and provide a state-of-the-art laboratory and consultancy service to customers and farmers throughout the Island.

Ceylon Grain Elevators PLC subsidiary companies are :

- Three Acre Farms PLC
- Millennium Multibreeder Farms (Private) Limited
- Ceylon Pioneer Poultry Breeders Limited
- Ceylon Livestock and Agrobusiness Services (Private) Limited
- Ceylon Warehouse Complex (Private) Limited
- Ceylon Aquatech (Private) Limited

Ceylon Grain Elevators PLC associate company is:

- Prima Management services (Private) Limited



Supersede

As Market Leader we continue to set the pace, raise the bar and surpass expectations. We go on to supersede and introduce innovative products and processes in all our operations. And so, it has been a banner year for **Ceylon Grain Elevators**.

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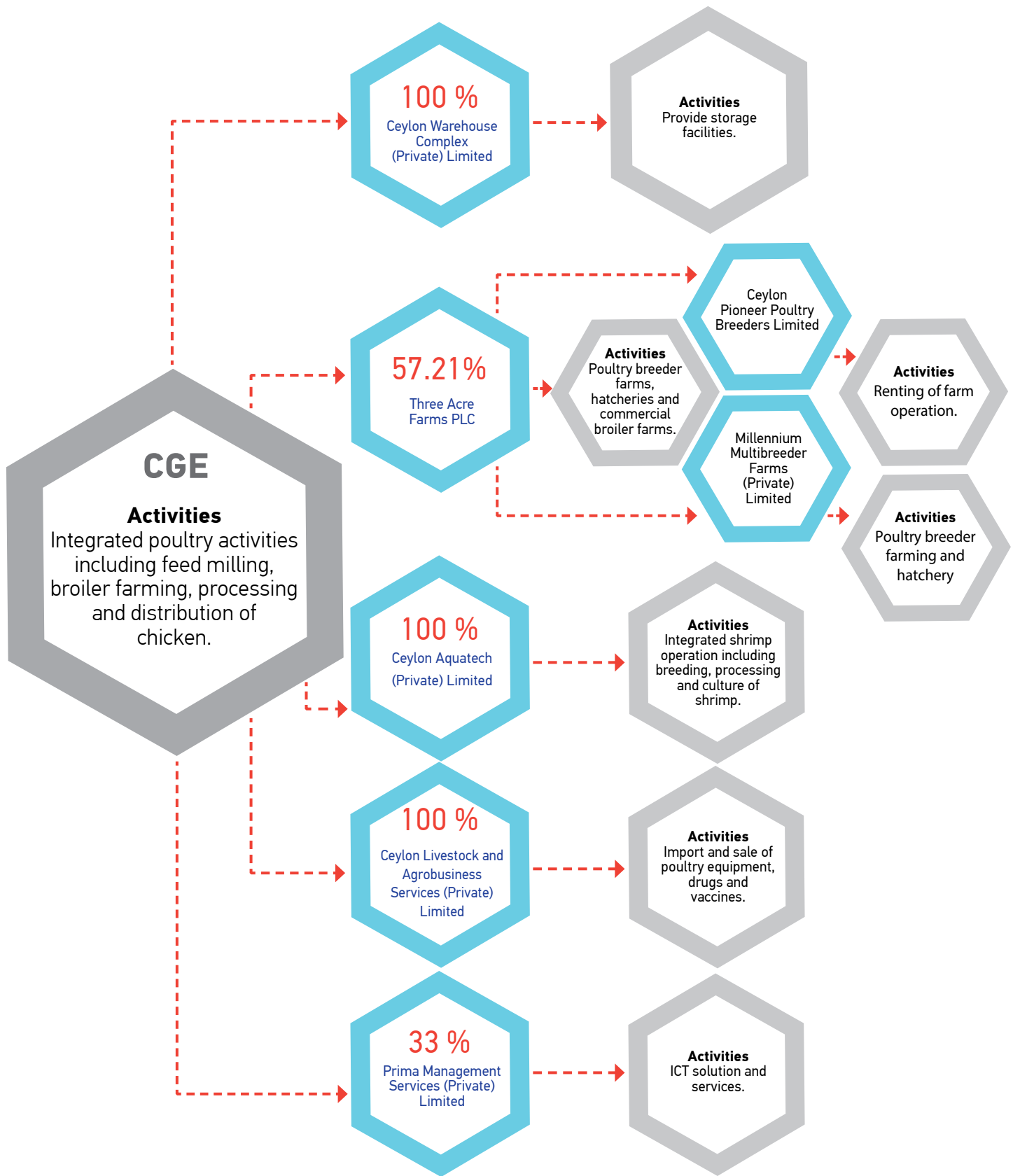
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Group Structure



Financial Highlights



12 times
increase over
the last year

Earnings per Share
Company

Rs. 10.25

2014 : Rs. (0.81)



19%
increase over
the last year

Group Revenue

Rs. 13.7 Billion

2014 : Rs. 11.5 Billion



6 times
increase over
the last year

Profit for the Year

Rs. 1.2 Billion

2014 : Rs. 0.2 Billion



44%
increase over
the last year

Economic Value Added

Rs. 3.9 Billion

2014 : Rs. 2.7 Billion



129 times
increase over
the last year

Interest Cover

44.83 times

2014 : 0.36

Market Price
as at 31 December 2015

Rs.91.60

2014 : Rs. 41.00



2.2 times
increase over
the last year

Group Assets

Rs.6.97 Billion

2014 : Rs. 6.41 Billion



9%
increase over
the last year

Market Capitalisation

Rs.5.49 Billion

2014 : Rs. 2.46 Billion



2 times
increase over
the last year

Taxes paid to the Government

Rs.2 Billion

2014 : Rs. 1.7 Billion



18%
increase over
the last year

Cash Generated from Operations

Rs.2.8 Billion

2014 : Rs. 0.1 Billion



28 times
increase over
the last year



Maize, our major component for feed production which contributes approximately half of our ingredient requirements. We pleased our local farmers through buying their products at competitive prices.

The Company with its subsidiaries achieved a landmark in its three decade history by delivering the highest aggregated comprehensive income of Rs. 1.18 Billion.

It gives me great pleasure to present before you the Annual Report and the Audited Financial Statements of Ceylon Grain Elevators PLC and its subsidiaries for the year 2015, on behalf of the Board of Directors. Let me also warmly welcome you to the 33rd Annual General Meeting of the Company. I am pleased to report that in the year under review, your company has delivered its best-ever financial results substantively demonstrating the future growth trajectory and prospects of the Company.

FINANCIAL PERFORMANCE

During the year under review the Company with its subsidiaries achieved a landmark in its three decade history by delivering the highest aggregated comprehensive income of Rs. 1.18 Billion - more than seven (7) times the result compared to the previous year; and a profit attributable to equity holders of Rs. 943 Million - an increase of over ten (10) times compared to the previous year.

This excellent performance was mainly due to: improved productivity and efficient farm management; the increase in public consumption of poultry and related products; and a decrease in raw material costs - notwithstanding the depreciation of the Rupee and an increase in interest rates.

DIVIDEND

I am pleased to announce that the Board of Directors have proposed a first and final dividend of Rs. 1.10 per share for the financial year ended 31 December 2015 subject to the approval of Shareholders at the forthcoming Annual General Meeting.

CORPORATE SOCIAL RESPONSIBILITY

During the year the Company carried out several public health awareness programmes for the benefit of rural communities. The Company also supported local schools to discover and nurture local sporting talent by sponsoring the Under - 15 Prima Champions Trophy Cricket Tournament

organised by Sri Lanka Cricket, for the 8th consecutive year.

ACKNOWLEDGEMENT

I convey my genuine appreciation to our percipient Board of Directors for their valuable support and guidance throughout the year. I extend a warm 'thank you' to our dynamic management team and all our valuable employees for their dedication, hard work and commitment. Finally - I extend my sincere gratitude to all our partners, contract-growers, agents, valued customers and shareholders for their confidence, loyalty and trust.

Wickrema Senaka Weerasooria
Non-Executive Independent Chairman

Colombo, Sri Lanka
27 April 2016

Production efficiency and cost controlling measures contributed to the Company's performance. Overall, it was a landmark year for the Company.

It is my privilege to report the best ever operating results of the Group in its history. We continue to set the pace, raise the bar and surpass expectations with the good performance. Improved consumer sentiment and spending was witnessed throughout the year with decrease in electricity tariffs, fuel prices and the increase in public sector salaries. This resulted in an increase in disposable income. Production efficiency and cost controlling measures contributed to the Company's performance. Overall, it was a landmark year for the Company.

Financial Performance

The Group posted a revenue of Rs. 13.7 Billion representing a growth of 19% when compared to Rs. 11.5 Billion during the year 2014. The Group reported a total comprehensive income of Rs.1.2 Billion, an increase of 734% after the tax charge of Rs.159 Million (2014 - Rs.35 Million). Your company experienced a stable and improved demand for its

product throughout the year driven by the increased consumer preference for chicken meat as the most affordable and healthiest meat. All these factors contributed positively.

Economic Background

During the year the GDP of the country grew by 4.8%. Contribution from the agriculture sector was 7.9% which has recorded a growth rate of 5.5% over the past year. Inflation remained at a single digit level with a slight increase in the latter part of the year. Interest rates also remained at a lower level with a slight increase during the second half of the year. Your company maintained a healthy cash flow with lower borrowings this year to earn an interest income of Rs. 27 Million.

During the second half of the year the LKR had depreciated by 9.1% against the USD resulting in an exchange loss of Rs. 25.4 Million for the Group. Going

forward, further currency depreciation will put pressure on our cost of imported raw materials.

Increase in per capita income from US \$ 3,766 to US \$ 3,837 was evidenced by the increase in purchasing power which led to an increase in the per capita consumption of chicken that was 6.6 Kgs. This was an increase of 7% against the year 2014. This momentum reflects positive signs for growth of the industry.

Government and the Industry

The Government's lack of intervention into the poultry industry was disappointing. There has been no revision to the controlled price of the end product i.e. processed chicken since year 2012 by the Consumer Affairs Authority despite a substantial increase in local raw material cost. Shortage of local raw materials and the unavailability of timely import permits have further increased production cost. There is no price control

on other meats like beef, mutton, pork or seafood. Your company through the poultry association is having continuous dialogue with the Government to revise the Maximum Retail Price of chicken.

Agriculture

Even though the prevailing weather conditions were good, the harvest of Maize and other agro products from the Maha season were not good.

The country's Maize production is estimated at 200,000 Mt whereas the industry requirement is around 400,000 Mt yearly. Your company believes this situation will undermine the cost of production of feed as Maize constitutes 50% of the feed raw material input. Only an improved local supply of Maize in the upcoming years could reduce the importation cost which again is subject to regulatory restrictions. As such in the future the supply price and the quality of Maize will determine your company's end result.

Shareholder Returns

As at 31 December 2015, your company's net assets value per share increased to Rs. 43.02 from Rs. 32.78 as at 31 December 2014. The Group's net assets value per share increased to Rs. 63.24 from Rs. 47.53. The book value of the Company and Group at the financial year end stands at Rs. 2.6 Billion and Rs. 4.5 Billion respectively. Market capitalisation of your company at the same date amounted to Rs. 5.5 Billion.

The Company achieved a reasonable return of 24% on equity and reserves for the financial year under review. Earnings per share for the year amounted to Rs. 10.25 whilst the Company's price to earnings (PE) ratio at that date was 8.9 times.

Outlook for 2016 and Beyond

The Group successfully achieved the planned net profit during the year by reaching the potentials of the Company. This was a substantial improvement from the previous year. We expect this growth momentum to continue in 2016.

Economic growth in the prevailing year reached encouraging levels in the agriculture sector. Tourist arrivals increased remarkably by 18% over the previous year. This again reflected a positive sign for the industry.

The current year's excellence in operations further uplifted the Group's profits. Thus, CGE's prolonged expansion projects will be executed catering to the increased demand with timely supply. We also welcome the relaxation of the restriction on land acquisition by companies with foreign shareholding as the Company can now expand the business to achieve our corporate goals.

Additionally, the revised budget proposal to increase VAT from 11% to 15% could lead to an increase in the cost of living and tighten the spending pattern of people. Conversely as the price of processed chicken is fixed it will also lead to compress our profit margins further as we will not be able to pass this added VAT expense to the consumer. In addition, an increase of Ports and Airports Development Levy from 5% to 7.5% and the proposed increase of Income Tax rate from 10% to 17.5% proposed in the recent budget will also have a negative impact.

In spite of this challenging environment, the Group will strive to continue to deliver a good performance.

Appreciation

In conclusion, on behalf of our Board of Directors, I take this opportunity to thank you individually for the undivided trust you have placed in Ceylon Grain Elevators PLC as our valued shareholders. I would also like to express my sincere appreciation to our dedicated employees, contract-growers and of course our valued customers for their continuing trust and commitment over the year 2015. To all our shareholders and investors I would like to assure that your company will confidently face the challenges that are ahead of us. With our dedication and determination we will steer the Company into greater heights in the coming years.

Cheng Chih Kwong, Primus

Executive Director and Chief Executive Officer

Colombo, Sri Lanka
27 April 2016

Board of Directors

Mr. Wickrema Senaka Weerasooria

Non-Executive Independent Chairman

Mr. Wickrema Senaka Weerasooria was appointed as a Non-Executive Independent Director with effect from 15 January 2015 and he was appointed as the Non-Executive Independent Chairman of the Board with effect from 25 February 2015.

Mr. Wickrema Senaka Weerasooria holds a Masters in Information Technology (University of Canberra, Australia), a Graduate Diploma in Commercial Law (Australian National University) (ANU) and a Bachelor of Science (ANU).

Currently, he is a Vice President of the FINCO Group of Companies as the Chief Executive of Genesiis Software Pvt. Ltd. and FINCO Technologies Pvt. Ltd., and a Director of Wealth Trust Securities Ltd.

He has served as a Manager / Consultant at several Australian public sector agencies including the Department of Primary Industry, Department of Education and Department of Foreign Affairs and Trade.

Mr. Cheng Chih Kwong, Primus

Executive Director and Chief Executive Officer

Mr. Cheng Chih Kwong, Primus was the Chairman and Chief Executive Officer of the Prima Group and its subsidiary companies since 1998. He has stepped down as Chairman of the Board and will continue as an Executive Director and Chief Executive officer of the Company with effect from 25 February 2015. He is a Certified Practising Accountant (CPA) - Australia and also holds a Diploma in Business Studies.

Mr. Tan Beng Chuan

Executive Director and Group General Manager

Mr. Tan Beng Chuan is the Group General Manager of Prima Group of Companies, Sri Lanka since 2004. He was appointed as a Director of the Company and its subsidiary companies in 2004. He also serves as a Director of Three Acre Farms PLC and its subsidiaries, Ceylon Agro-Industries Ltd. and Prima Machinery (Pvt) Ltd.

He holds a MBA in Management and Marketing from University of Warwick, UK and a B.Sc. Hon in Chemical Engineering from University of Surrey UK.

Mr. Tan Beng Chuan was the past President Mentor of Singapore (Sri Lanka) Club; Executive Committee member of Sri Lanka - Canada Business Council, Executive Committee member of Sri Lanka - Singapore Business Council and a Committee member of Sri Lanka - China Business Council.

Mr. Cheng Koh Chuen, Bernard

Non-Executive Director

Mr. Cheng Koh Chuen, Bernard has been a Director of the Company with effect from 1 August 2012. He also serves as an Executive Director of Prima Group.

He holds a Bachelor of Science in Business Administration and also a MBA from the University of Southern California.

Mr. Cheng Eng Loong

Non-Executive Director

Mr. Cheng Eng Loong has been a Director of the Company with effect from 1 August 2012.

He holds a Bachelor of Science degree majoring in Biochemistry and Chemistry from the National University of Singapore.

Mr. Sunil Karunanayake

Non-Executive Independent Director

Mr. Sunil Karunanayake has been a Director of the Company since 2009. He was appointed as Senior Director of the Board with effect from 25 February 2015 and was re-appointed as Non-Executive Independent Director with effect from 15 April 2015. He holds fellowship of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants (UK) and a MBA from the Post Graduate Institute of Management of the University of Sri Jayawardenapura. He has also obtained a Diploma in Commercial Arbitration from the Institute of Commercial Law and Practice.



Prima Feed is the best selling quality feed in the Sri Lankan Market. We believe, the quality is more conscious than profit margins. Our customers provide us the guarantee that "PRIMA" and "FARMERS' CHOICE" is indeed the best in the field.

Management Discussion and Analysis

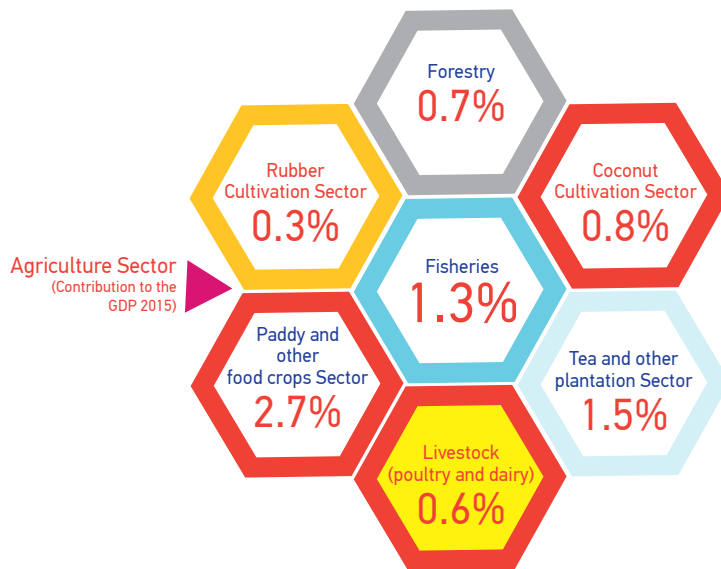
MACROECONOMIC REVIEW

Industry Outlook

Agriculture blended with human capital of the nation drives a country towards a persistent economy. This consistency along with a futuristic vision enables it to be more fulfilling in achieving economic growth over prevailing challenges. Sri Lanka, with the recent economic conditions has shown traces of growth with a rising rate of 5.5 % from the agriculture sector and contributing 7.9 % towards the National GDP for the year 2015. This sector comprises tea, rubber, coconut, paddy, forestry, fisheries and livestock etc.

The livestock sector consists mainly of the dairy and poultry sub sectors, which are considered as priority areas for growth, employment generation and increasing income of rural farmers and contributes 0.6 % towards the national GDP (2015).

The poultry industry meanwhile has expanded throughout the country and has now developed into a commercial industry. CGE has pioneered in this field over three decades, to provide the

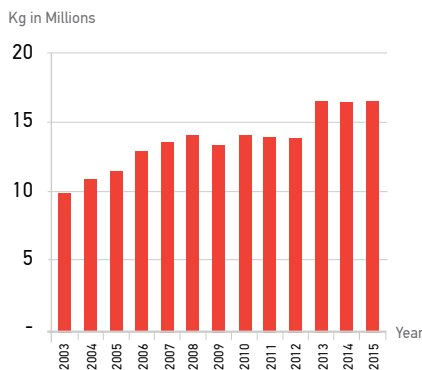


nation with high protein sources by means of ground-breaking strategies in the poultry industry. With the active participation of the private sector, the broiler sector has shown phenomenal growth. As such, CGE has proactively diversified its business strategy along with the market conditions in order to maximise stakeholder expectations.

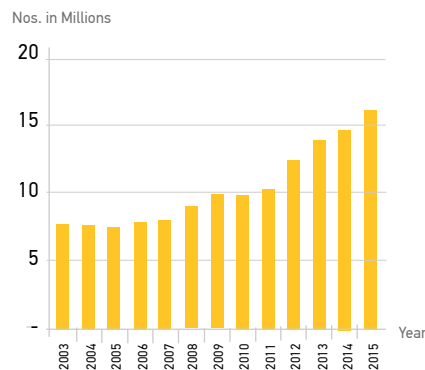
About 70% of the contribution to the livestock sub-sector in Sri Lanka is

derived from chicken meat and eggs. Chicken meat and eggs have become more economical when compared to other live stock products. These have thus become the most widely consumed protein rich meat source for the average Sri Lankan. Based on available data, chicken meat production has marginally increased by 1% whereas the egg production has increased by 10 % during the year compared to the previous year.

Total Chicken Production

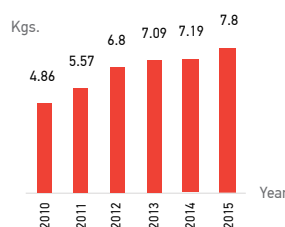


Total Egg Production

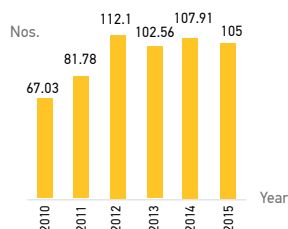


Chicken meat and eggs are available throughout the country, from small retail shops in rural areas to mega malls in the capital. The current per capita availability of chicken meat and eggs for the year 2015 is 7.8kg and 105 eggs respectively which have shown an increasing trend over the past decade.

Per Capita Availability of Chicken



Per Capita Availability of Eggs



Further, the per capita availability of chicken and eggs in Sri Lanka is anticipated to increase in tandem with the projected growth in per capita income level. This is expected to reach US\$ 4,000 by end 2016, lucratively uplifting the position of the industry along with other factors such as tourist arrivals, life style options and preferential changes of the people.

Challenging Environment

Technological Force

As part of Sri Lanka's structural economic transformation, the declining trend of employment in agriculture would in all probability continue as

other sectors of high productivity will absorb rural surplus labour. At the same time as productivity increases, agriculture is likely to become more capital intensive and technology-driven as labour shortages emerge. Poultry farming and other integrated poultry processes are progressively becoming more technologically equipped with state of the art farming facilities and with high quality production of feed producing broiler chicken and table eggs of international standards.

It is noteworthy that CGE, being one of the large scale poultry producers with the latest technologies in Sri Lanka has gained higher economies of scale in their operations as their adaptability to change in the environment is high.

Political and Economic Forces

Since the country was in the midst of fundamental political change in the year 2015, it was expected that these volatilities would affect the economic conditions as well. Specifically, the poultry business was noticeably affected owing to the major political and economic changes that took place in the country since it catered to the core consumption needs of its population.

Under the current economic conditions prevailing in the country, with a higher per capita income and with the revised public sector salaries has lead to a rise in consumer demand for goods and services which in turn have had a positive impact on the poultry business. Together with increased production and growth in the industry, CGE has distinctly outperformed its competitors and obtained the biggest market share. This is mainly due to the Company's capability of enhancing production efficiency while minimising utility costs during the year.

Dynamic Environmental Forces

Tourism

The surge in tourist arrivals in the wake of the Government's positive support for the development and advancement of infrastructure and utilities for the hospitality industry uplifted the demand for chicken meat and table eggs. The private sector intervention in the advancement of tourism was also a significant element in this rise in demand. Over the year, tourist arrivals have shown a remarkable growth of 18 % in recording 1,798,380 arrivals as against 1,527,153 in 2014.

To meet this increasing demand, along with our widespread PRIMA dealer network, the Company has made certain to enhance the supply of CGE products from small restaurants to five star hotels all across the country.

Weather Conditions

The performance of the poultry industry is moderately affected by the prevailing weather conditions. It influences the growth performance of birds such as weight, mortality and feed consumption etc. Weather conditions also affect the harvest of local raw materials such as Maize which is the main component that is used for feed production. Presently feed producers have experienced a massive deficit in the local supply, which has led them to seek imported maize in order to fulfill the market requirements.

LKR Depreciation

The prevailing monetary policy along with the free floated exchange rates has caused the Sri Lankan Rupee (LKR) to depreciate by 9.1 % against the US dollar during the year under review. It is expected to depreciate further against

foreign currencies in the forthcoming years due to the decrease in foreign direct investments and the deficits in the balance of payment. As CGE imports key raw materials at a considerable cost, the depreciated LKR would have a negative impact on the Company performance.

Global Impact

The threat of Avian Flu around the world has resulted in import restrictions on raw materials and parent stock DOCs from some of the exporting countries. This could affect the supply of chicken meat and table eggs in the industry. Apart from that, the current global demand to convert Maize into bio-fuel could also lead to a rise in the price of Maize resulting in a higher cost in feed production. This will further justify the need for a greater capacity of locally produced Maize at competitive prices in order to uplift the poultry industry in Sri Lanka.

Regulatory Intervention

The poultry market in the country is intensely competitive. With the price ceiling imposed by the government on chicken meat, producers have had to absorb the increased production cost which has resulted in thin margins that have discouraged many from commercial broiler farming. In addition, the increase in VAT has also resulted in narrowing the margins of poultry producers owing to the price ceiling. The last revision for the Maximum Retail Price (MRP) was in October 2012. The recent upward changes in the Ports and Airports Development Levy and proposed Income tax rate will also negatively affect the Company.

Along with the government policy requiring feed mills of Sri Lanka to buy

locally most of the main raw materials for feed production, feed millers are distressed to incur higher costs in feed production owing to the short supply in local raw materials.

Health and Quality

Another important factor in the livestock sector is the possibility for the outbreak of diseases which could directly impact the supply of chicken meat and table eggs. CGE has been able to control the mortality level at its optimum with better farm management. The monitoring system of poultry diseases is appropriately maintained throughout both breeder and broiler farm network of the Group.

Societal Forces

In recent times, particularly among the youth, there has been a distinct change in the need for healthy living. Consumer attitude and the perception towards a healthy lifestyle has brought about a radical change in the viewpoint of the nutritious value of chicken meat and table eggs. This being a great source of both protein and potassium has led to the demand for poultry products to rise significantly. Another factor has been the busy life style of people that has increased the demand for value added chicken related products as they are easily priced and convenient to cook and eat.

Coping with a Challenging Environment

The nature of the poultry industry being dynamic and lively has brought about a lesser flexibility in their production cycle. As it cannot cater to unexpected market conditions without proper management of potential risks and uncertainties, the senior management

of the Company has been keen in making proactive decisions in order to make sure its market positioning strategy is a success.

With a proud history for more than three decades, the Company has positioned itself in the industry as taking the lead to become the first listed company in the Colombo Stock Exchange among its competitors with a transparent and well monitored corporate governance structure. The Company has established a proper risk management process and a framework to manage risks related to operations, products, environment and business along with the proactive measurements of the potential risks which the challenging environmental forces could create.

Feed milling being one of the core business segments of the Company, sourcing quality raw materials at the right time and at the right price is crucial to the success of the whole poultry integration process. Sri Lanka's annual maize requirement is estimated around 400,000 Mt. However, the local harvest during the year has significantly decreased. As a result feed producers have experienced a severe shortfall in the local supply, which has led them to seek imported maize in order to fulfill the feed requirements. As such the Company is closely working with the government authorities to get the permits in time and strategically moving into the substitute ingredients which are locally available in order to minimise the risk of inventory shortages for timely production.

Maintaining quality is the key success factor in producing quality feed, therefore the Company has taken steps to ensure the operational efficiency of the feed mill through research and development efforts with the

Management Discussion and Analysis (Contd.)

aim of improving and maintaining its quality standards. Warehousing of raw materials is also a major assignment in feed milling. The Company has made sure the effective functioning of Silos where the raw materials are stored, by improving the facilities in order to protect the quality of raw materials while it is being held in reserve. Price fluctuations of raw materials have also become a major concern since the raw material cost is the single major component of the cost of production of feed. Therefore the Company has entered into contractual agreements with key suppliers of both local and imported materials while managing to maintain long term credible relationships with them in order to minimise the supplier concentration risk.

Production facilities of broiler and breeder farms are also enhanced in order to uplift the quality of the end product by reaching a higher level of efficiency in production. Investments are made in Environmental Controlled (EC) houses in order to enhance the productivity in growing live birds without any impact from changing weather conditions. The Company has also taken steps to improve the hatchability in breeder farms. Further, the efficiency in breeder farms are enhanced by a team of experts in breeding science whose close monitoring minimises wastage of feed and other utilities.

The Company has made provisions to optimise the production capacity of breeder farms and its hatchability by exporting the excess production of broiler Hatchable Eggs and Parent Day Old Chicks to regional countries based on market conditions. By partnering with Day Old Chick customers for other products, the Company benefits in maintaining a steady demand throughout the year.

The possibility of an outbreak of disease is also a challenge that should be closely monitored and prevented. The Company has taken action to continuously improve, upgrade and implement protective measures against the threat of all diseases. The Company also has spent a sizable amount on bio security to keep the production facilities disease free.

The production of Chicken meat has been optimal throughout the year under review. Hence the Company has focused on new market avenues such as direct selling and relationship marketing. Expansions are also made for the cold room facilities to retain excess production during glut periods. The qualities of the facilities are enhanced by upgrading the blast freezers which will protect the quality standard of the frozen Chicken while it is being stored.

Due to the existing price ceiling on chicken, any cost increase cannot be passed on to the customers resulting in narrower profit margins for the Company. Thus the Company has focused on increasing the output of value added innovative products and cost effective measures to increase the profit margin within the current constraints.

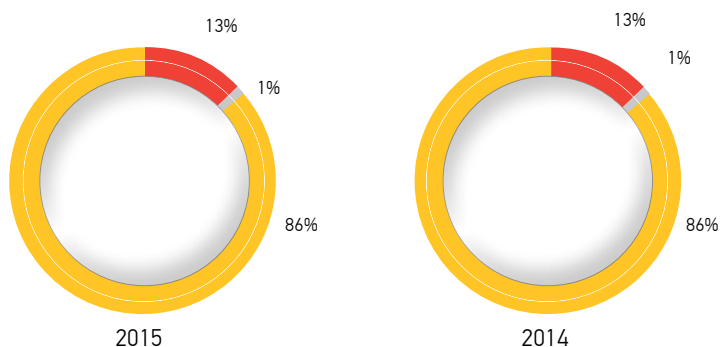
Customers of the Company are considered as the key for success in the long term given that the relationship with all its customers is maintained by being reliable and accountable. The Group has been able to preserve its credibility in its outstanding quality while maintaining brand loyalty for its products.

OPERATIONAL REVIEW

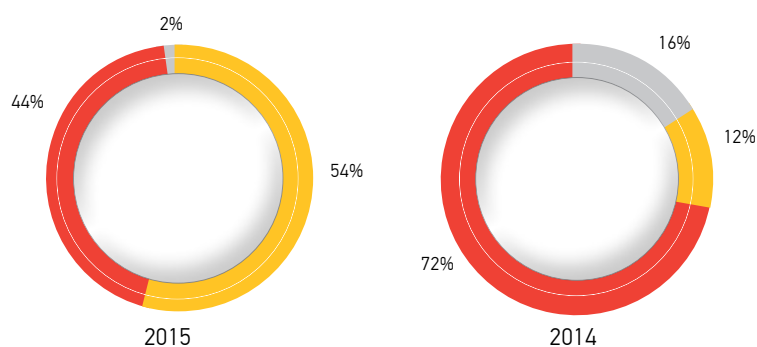
Segmental Analysis

The Group operates with three main business segments namely, Milling and Farming, Poultry Breeding and Commercial and Other segment. All three segments contribute to the performance of the Group.

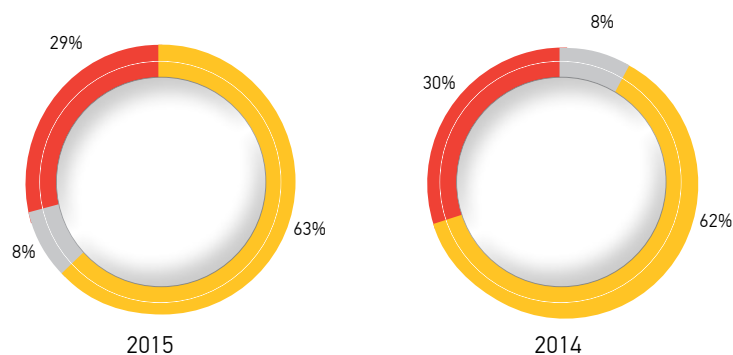
Revenue (Rs. Millions)	2015	2014
Milling and Farming	13,450.4	11,573.6
Poultry Breeding and Commercial	2,089.2	1,676.8
Other	105.3	156.2



EBIT (Rs. Millions)	2015	2014
Milling and Farming	754.4	31.4
Poultry Breeding and Commercial	617.9	193.8
Other	32.9	42.6



Assets Base (Rs. Millions)	2015	2014
Milling and Farming	4,707.8	4,570.4
Poultry Breeding and Commercial	2,140.3	2,267.4
Other	580.8	567.0



- Milling and Farming
- Poultry Breeding and Commercial
- Others

Milling and Farming

The segment of milling and farming represents the CGE Group's main business operation of milling of poultry and other animal feeds and the poultry farming operation.

Operational Review







Animal feed production is considered to be the primary element in a vertically integrated poultry production process which also influences the quality of the end product of chicken meat. The Group is always maintaining the production quality of the feeds by adhering to the operational standards of the feed mills as well as the quality of the raw materials and labour. Thus production efficiency is maintained throughout the year by following good manufacturing practices according to set industry standards. The Company was able to cater to the demand by providing an adequate supply of quality feeds to the market even though the Maize supply was subject to import restrictions by the Government.

Farming and processing of chicken also contribute to the revenue of this segment as a key income generating activity. Farming of live birds is carried out via contract- grower operation.

Financial performance

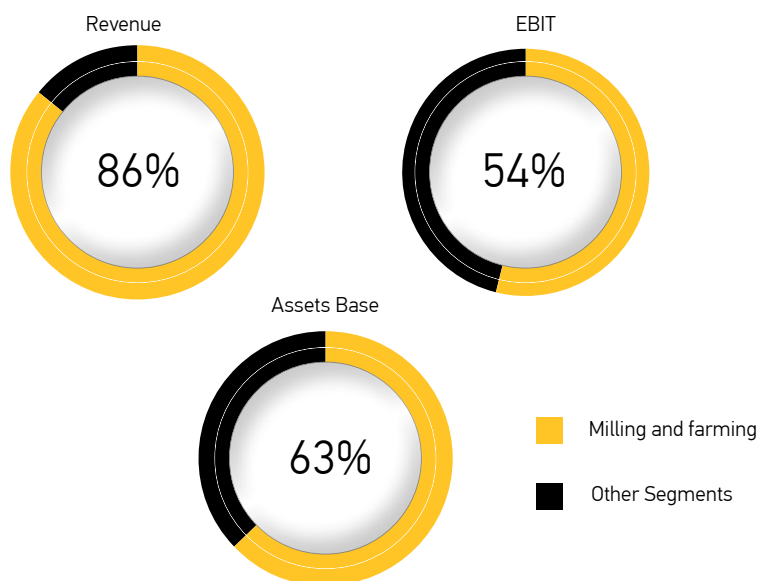
The Milling and Farming segment has recorded Rs. 13.4 Billion as an outstanding revenue compared to the previous year of Rs. 11.5 Billion witnessing a 16% increase. This was mainly attributed to the enhanced quality of feed, better relationship

Key Indicators

(Rs. Millions)	2015	2014	Change
Revenue*	13,450 	11,574	1,876
EBIT	754 	31	723
PBT	713 	(31)	744
PAT	615 	(49)	664
TA	4,708 	4,570	138
TL	2,127 	2,603	(476)

*Revenue includes inter-company sales

Contribution to the Group



with customers. Earnings Before Interest and Tax (EBIT) for the segment has significantly risen to Rs. 754 Million (Rs. 31.4 Million in 2014) confirming the enhanced efficiency of the production facilities as well as the effective functioning of cost controlling techniques implemented during the

year. 63% (Rs. 4.7 Billion) of the total assets of the Group is made up by the milling and farming segment contributing 2.9 times of its assets turnover (2.5 times in 2014) mainly on account of the higher revenue generated from this segment during the year under review.

Poultry Breeding and Commercial

The segment of Poultry Breeding and Commercial is carrying out breeding, hatching and sale of commercial layer and broiler day old chicks by operating breeder farming facilities and operating commercial broiler farming.







Operational Review

This segment primarily produces quality day old chicks by operating state of the art breeder farms with sophisticated technological facilities and commercial broiler farms which provide contract-grower farming facilities to the Group. Breeding operations have been upgraded during the year while continuous improvements have also been made in hatchery management in order to enhance the productivity by minimising wastage. Broiler farming is under continuous enhancement to minimise mortality and improve productivity.

Financial Performance

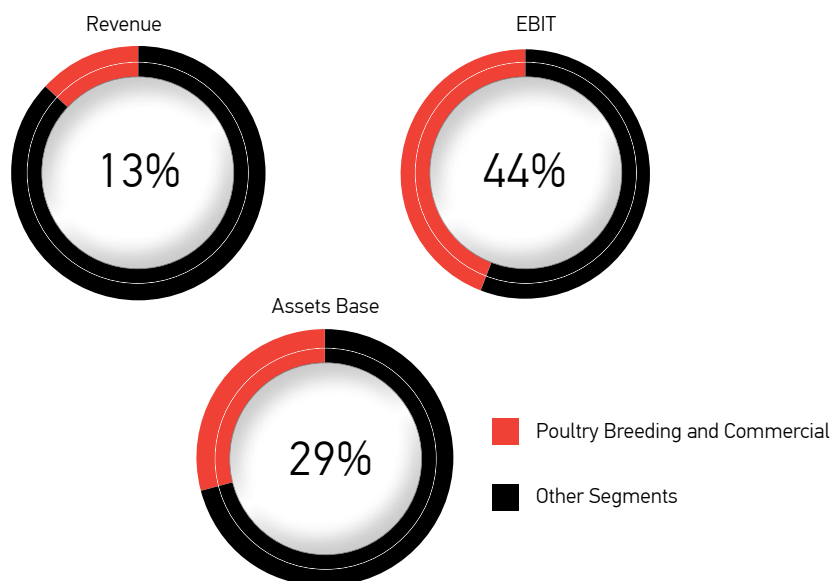
In year 2015, the segment recorded a revenue of Rs. 2.08 Billion (Rs. 1.67 Billion in 2014) resulting in a remarkable increase of 25% providing an excellent performance in supplying quality day old chicks. Better farm management and usage of quality control techniques also contributed to this increase in revenue. EBIT for the year recorded as Rs. 618 Million contributing 44% of the Group EBIT showing a significant

Key Indicators

(Rs. Millions)	2015	2014	Change
Revenue*	2,089 	1,677	412
EBIT	618 	194	424
PBT	603 	174	429
PAT	551 	165	386
TA	2,140 	2,267	(127)
TL	506 	1,172	(666)

*Revenue includes inter-company sales

Contribution to the Group



increase compared to that of the previous year (Rs. 194 Million). The Asset base of the segment amounted to Rs. 2.14 Billion consuming 29% of the Groups' Total Assets. Poultry breeding and commercial segment has recorded

1.0 times of assets turnover (0.74 times in 2014) on account of the marginal decrease in the total assets of the segment along with the momentous rise in the revenue generated during the year 2015.

Others

The Group is also operating other revenue generating activities such as renting storage space, supply of poultry equipment, drugs and vaccines.

Operational Review

Silo and warehouse complex basically provides storage facilities to the Group and to outside customers. Raw material for the feed mills are mainly stored in the silos. With the aim of maintaining the quality of the raw materials while it is stored, improvements have been made to the warehouses during the year under review. The segment also includes importation and sale of poultry equipment, drugs and vaccines.

Financial Performance

Revenue generated from this segment during the year under review was Rs. 105 Million (Rs. 156 Million in 2014) witnessing a marginal decrease of 33% or Rs. 51 Million and a declined EBIT of Rs. 33 Million consequently. The revenue and the EBIT generated from the segment stood at a marginal level of 1% and 2% of the Group total respectively. The Asset base of the segment amounted to Rs. 581 Million (Rs. 567 Million in 2014) resulting in a marginal increase which was around 8% of the Total Assets of the Group.

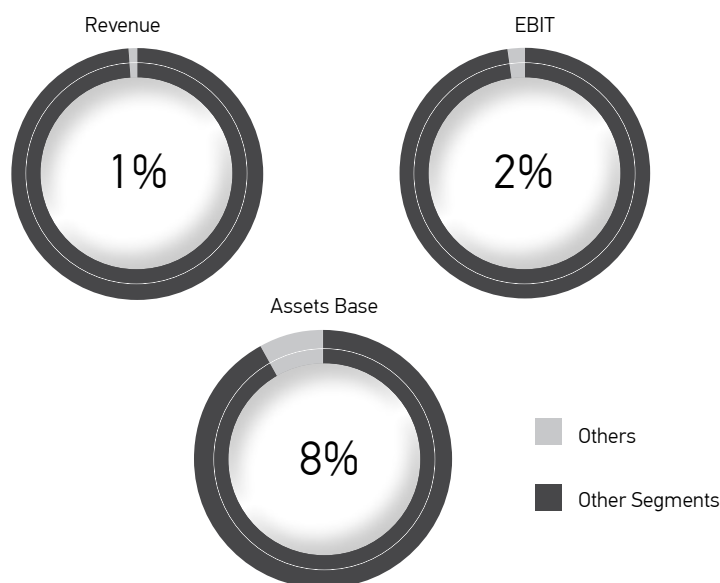
Besides the financial performance of the segment, the positive synergy derived to the Group by the segment is significant when achieving the economies of scale as a whole.

Key Indicators

(Rs. Million)	2015	2014	Change
Revenue*	105 ↓	156	(51)
EBIT	33 ↓	43	(10)
PBT	33 ↓	42	(9)
PAT	25 ↓	35	(10)
TA	581 ↑	567	14
TL	154 ↓	161	(7)

*Revenue includes inter-company sales

Contribution to the Group



FINANCIAL REVIEW

Financial Performance

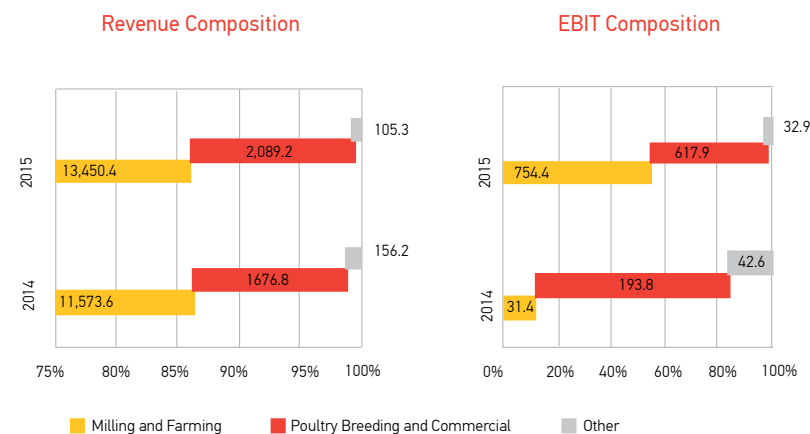
The year 2015 was a year with a remarkable financial performance with a significant growth in Group revenue and the profits of the Company mainly due to the steady demand for the end products, cost effective measures taken by the Company and the positive influence from the environmental forces.

Revenue of the Group stamped a 19% growth which amounted to Rs. 13.7 Billion (Rs. 11.5 Billion in 2014). The Group revenue is a composition of three main business segments such as Milling and farming, Poultry breeding and commercial farming and others such as the sale of poultry equipment and providing storage facilities. The main income generating business segment of the Group is Feed Milling and broiler farming business which amounts to 86% of the total revenue whilst poultry breeding and commercial segment amounted to 13% of the revenue along with 1% contribution from other businesses.

Accordingly, the gross profit margin of the Group improved to 13% as against 5.8% in the previous year reflecting the improved margins due to the improved demand and efficiency in capacity utilisation and the proper usage of cost controlling measures which resulted in a reduction in utility costs and further strengthened the profit margin of the Group.

The total operating expenses rose to Rs. 463 Million (Rs. 422 Million in 2014) due to the increase in the sales and distribution costs of the Company as a result of improved revenue & expansion of the distribution network.

While the Group is affected by the LKR depreciation creating a foreign



exchange loss of Rs. 25.5 Million in year 2015 (Rs.12.7 Million in 2014), fewer borrowings resulted in a significant drop in the interest expense of the Group which amounted to Rs. 30.4 Million (Rs. 68.9 Million in 2014). Ultimately resulting in a significant drop in the net finance cost of the Group by 31% in the year under review which amounted to Rs. 55.9 Million (Rs. 81.6 Million in 2014).

Eventually the Group reported a total comprehensive income of Rs.1,178.1 Million, which was an increase of Rs.1,036.9 Million, (Rs.141.2 Million in 2014). These commendable results were derived by the Group's operational efficiency, positive market conditions and procurement of imported key raw materials at competitive prices despite the 9.1% depreciation of LKR against the USD. Further, the bottom line was strengthened by the lower borrowing costs and interest income.

Financial Stability

The Group confirmed its position in the industry by maintaining a strong asset base with the aim of maximising shareholders' wealth. Also the increased operating cash flow established the liquidity position of the Group by strengthening relationships

with the Group's customer and supplier base.

Asset base

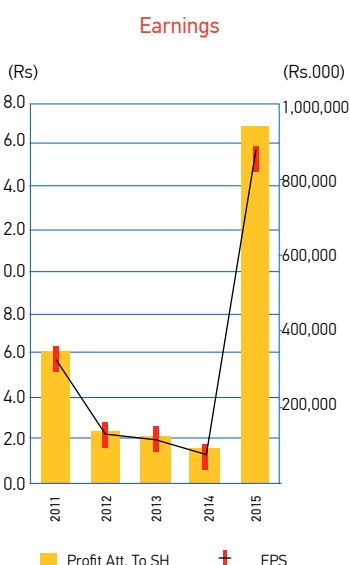
The Group's total asset base amounted to Rs. 6.9 Billion (Rs. 6.4 Billion in 2014) that was mainly due to an increase of Rs. 696 Million in total current assets which helped to maintain a sturdy current ratio of 1.7 times (1.1 times in 2014). Capital expenditure on property plant and equipment amounted to Rs.100 Million (Rs. 58.6 Million in 2014) for the most part on machinery and expansion projects along with the investment plans of the Group.

Accordingly, total assets per share increased to Rs. 116.3 in the year under review (Rs. 106.9 in 2014) establishing the financial solidity of the Group. Correspondingly, there was a 33% increase in the value of net assets per share to Rs.63.2 (Rs. 47.5 in 2014) which further strengthened the Group's goal of shareholder value maximization.

Shareholders' Funds

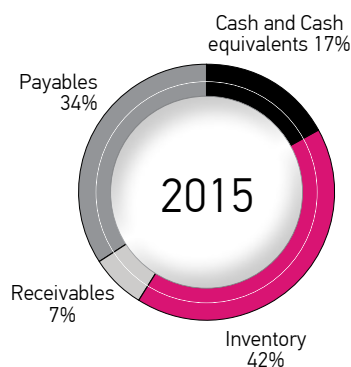
Shareholder funds of the Group increased by 33% or Rs. 943 Million in the year under review to Rs. 3.7 Billion (Rs. 2.8 Billion in 2014) with a noteworthy highest ever return in group operation.

As the Company is primarily focusing on enhancing the shareholder value through a sustainable growth strategy, the focus on capital efficiency and long term growth in profitability has been prioritised. The basic earnings per share (EPS) for the Company has stamped a significant increase to Rs. 10.3 compared to last year's Rs. (0.8). This was mainly due to the significant increase in the profitability backed by the Group's long term vision towards becoming the prominent player in the industry.

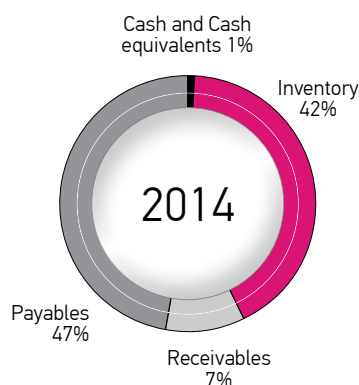


Working Capital and Liquidity

With the persuasive financial performance during the year under review, the Group also has strengthened the working capital cycle by enhancing the net current assets. Prudent management of working capital continued to be a key focus area and receives attention on a priority basis. Inventory together with the biological assets of the Group amounted to Rs. 2.77 Billion (Rs. 2.64 Billion in 2014) showing a marginal increase of 5% during the year 2015.



Cash position of the Group has been strengthened mainly due to the positive net cash flow generated from operating activities which amounted to Rs. 2.8 Billion (Rs. 0.1 Billion in 2014) resulting in a favourable balance of cash and cash equivalents at the end of the reporting period. However financing and investing activities caused the cash and cash equivalents to decrease by Rs. 1.6 Billion during the year. Outflow on account of capital expenditure during the year amounted to Rs. 100 Million whereas the outflow on account of net borrowings amounted to Rs. 1.1 Billion. The Group possesses the necessary banking facilities to support its operations as well as the treasury function of the Group which enables the effective utilisation of funds among business operations.



TOWARDS THE FUTURE

Together with the positive global and local economic growth expectations and the significant increase in the economic growth rate of the agriculture sector to 6.9% in the third quarter of 2015 and the improved disposable income awakening the expectations of the livestock industry players.

Prospects for chicken and other poultry related products for the forthcoming years are the motivating factors which drive the possibility of expanding the market potentials with novel products and services. Also with the expansion of the tourism industry and the change in consumer mind sets will become prominent in planning beyond to take on whatever opportunities that arise in the market.

Further, management is of the view that the enabling tool of success of the Company is enhancing the key performance indicators so as to further improve areas such as the quality of the products, food safety, cost management, adaptation to novel technology, transparency in governance and social responsibility.

In planning beyond backed by the outstanding financial stability of the Group, capacity expansion of the farms with new land acquisitions are scheduled for the ensuing year which will further consolidate our position in the market. Promotional campaigns along with the projected marketing strategy will further position our brand name in the consumer mind sets while enabling us to enrich society with our nutritious products. The Management is confident in achieving future objectives while enhancing shareholder wealth over the coming years, by successfully facing environmental challenges with its experience and the strategic approach.

Sustainability Report

Our Philosophy on Sustainability

We will strive to perform our business activities in accordance with the highest standards of corporate best practices which optimise the transparency in the operations of Ceylon Grain Elevators PLC (CGE). Being an up surging player in feed and poultry industry in Sri Lanka, CGE has built and operated a mutually beneficial business in the process with an effective stakeholder relationship management, we have been able to maintain a consistent and strong customer base as well as quality suppliers for various inputs to the Company operations. Plus, CGE is committed to transparency and an open communication on its environmental and social practices in addition to its economic and financial performance. As a prominent employer by providing safe, secure and a compelling working environment, employee relations within the Group has also become smooth and beneficial to the Company performance. We believe that good mutual relationships between the communities of which we are a part of while improving their quality of life will further enhance our brand positioning.

Sustainability Aspects

Achieving organisation wide sustainability framework requires a sophisticated mechanism to create long term stakeholder value by embracing opportunities and managing risks derived from economic, environmental and social developments and their potential implications and impacts on the business operations of the Company. Stakeholder identification, engagement and effective communication is essential in attaining sustainability. Main aspects of sustainability have also been identified in line with different stakeholder groups as such economic, environmental, society, human resource and product responsibility.

Our corporate governance procedures, risk management, transparency and accountability have enabled us to outperform in the industry by continually improving our services and ourselves by emphasising the importance of sustainability on its all aspects. As such CGE has established itself as a responsible company that always stays committed to its core values while ensuring the goodness of the products.

Economic Sustainability

"The business of staying in business"

While good financial and broader economic performance might mean that companies survive in the short-term, it does not necessarily secure a long-term economic future, nor does it guarantee positive environmental or social outcomes. Thus, we believe that effective management of our environment and the social relations will help us become economically sustainable with the effectiveness of the management systems, risk profile, intellectual property or future potential as a way to measure and value corporate performance. It is important to manage these factors to remain in business and for managing sustainability as a whole.

The business of staying in the business is also a difficult business that requires effective monitoring of all the aspects of sustainability along with the corporate performance.

Environmental Sustainability

"Because the Earth is what we all have in common"

Our commitment to safeguard the environment through our production process has enabled us to develop a sustainable business model for the diversified range of activities we undertake. Environment preservation has taken the priority as it is the common factor for the success as well as for

the well-being of the rest of the world. Thus, we have taken great measures to increase our environmental sensitivity by effectively monitoring our impact and influence to the environment in and around our business.

- **Water preservation**

We have improved the processes that we employ to measure water usage and wastewater discharge, bringing those more in line with our sustainability framework.

CGE plays an integral role in water resource management, primarily through its water and air treatment and efforts to recycle wastewater using custom designed water treatment plants to ensure that the waste water disposed by the Company will not pollute the environment. Re-using wastewater reduces the amount of fresh water needed as well as the amount of wastewater entering sewers or septic systems of the surrounded area.

- **Waste management and energy conservation**

We have adopted a standardised procedure to dispose waste from our poultry farms and manufacturing plants by ensuring a pollution free operational process and conform to all aspects of the Central Environmental Authority (CEA) License. In addition CGE has adopted other independent standardised protocols to protect the environment by minimising the impact from our side. Conversely, poultry waste itself could be used as a productive input to farmers as a natural source of fertilising. Hence at our farms, waste is recycled and distributed to our farmers.

As an energy conservation step forward, periodic energy audits are carried out to identify areas where waste can be reduced and efficiencies enhanced. Thereby some transformations in the operations are to be implemented in the ensuing years. As such replacement



of incandescent lighting with LED technology and maximum usage of natural lightning and etc. It is estimated to gain a huge energy saving plus a reduction in our operational cost.

Corporate Social Responsibility (CSR)

"Society - the place where we all belong"

We always strive to maintain society friendly manufacturing, production and marketing activities. As well, the friendly culture with the customers and the other stakeholders has enabled us building long term relationships with the community. Responsible community involvement is considered as a key to sustain in the society that we all are a part of. We believe that our responsibility is to uplift the lives of the stakeholders who assist us in various activities and the community who live in the vicinity of the farms. In view of that, we have undertaken various religious activities, to brighten the spiritual aspect of the lives, public health awareness events and other community development projects to maintain a sustainable relationship with the surroundings.

CGE has helped local schools to discover and nurture local sporting talents. In this context, the Company sponsored the Under 15 Prima Champions Trophy Cricket Tournament organised by Sri Lanka Cricket for the 8th consecutive year.

In response to the growing and often urgent need to groom youngsters with an eye to pursuing eventual careers most suited to their skill sets and interests, we have provided internship opportunities for young interns from the Veterinary Council of Sri Lanka and from leading universities specially related to agriculture and livestock.

Employee Relations
"The step to our success"

We believe that people make the difference between a good organisation and an excellent one. The aspirations, competencies and commitment of our people are at the heart of all our

achievements. What we offer our employees is the opportunity to enhance their potential, perform and achieve their career ambitions. Furthermore, the multi-nationalisation of our businesses provides opportunities to some members of our talented team to gain international exposure. Apart from that, outstanding employees are identified through an annual performance evaluation system and get recognised for career progression and the succession planning for them. We also firmly believe that sustainability could only be achieved by a positively motivated workforce with the right skill set and attitude. Therefore we spend a considerable time to train and equip our workforce in all sectors. This in turn, has brought great benefits to the Company.

Health and safety of the farms and factories is ensured with standardised procedures and proper equipment at convenient places. And also employees are regularly trained on safe practices and the proper handling of hazardous materials.

Our work environment facilitates followings which confirm the job satisfaction for all our employees:

- Recognition and rewards for performance
- Orientation and training programmes for new employees
- Learning, development and empowerment
- Creativity and innovation
- Sharing of managerial experience, exposure and expertise
- Personal, professional and career growth
- Safe and friendly working environment and many more

Product responsibility
"Ensuring the Goodness of all that we serve"

As we serve up the healthiest and most affordable protein rich dietary source to the society, the trust that we have gained from our customers is highly treasured. Manufacturing good

quality products, distributing them and ensuring that the products are safe for the consumer and for the environment are the key attributes in maintaining the accountability for the products that we serve to our valued customers.

Pioneering in Quality Products

CGE is one of the market leading companies in the poultry industry in Sri Lanka. Over the past decades, we have stamped a benchmark in the industry for consistent taste, quality, safety and for hygiene. Market segments are identified and the products are kept available everywhere at all levels of society.

To ensure that we follow good manufacturing practices and also to guarantee the production of the quality products, we have obtained the necessary international accreditations such as ISO 9001 - 2008 and HACCP certification and also conforming to the international safety and manufacturing standards such as the Animal Feeds Act. Apart from that, regular quality audits and checkups by qualified professionals are carried out throughout the year in order to further validate the goodness of our products. As such we have won the confidence of our valued customers that our products are constantly conforming to the national food security standards.



Our continuous efforts in building our brands has facilitated its market leadership position in a highly competitive environment. Also our urge to serve the nation with the best products available in the market has made us win the hearts and trust of consumers. We continues to improve and diversify our product range to meet the evolving needs of the modern consumer. Taken as a whole, we are becoming a leading partner in building a healthier nation by collectively contributing to country's nutritional needs while serving it at our maximum potentials.



We hold the valuable sole franchise for "INDIAN RIVER" parent stock breed and franchise in Sri Lanka for "HY-LYNE" breeds of commercial layers. Thus, we provide the highest quality internationally branded chicks to our valued customers.

Corporate Governance Review

"Being committed to accountable, responsible and transparent governance."

Corporate Governance

Corporate governance is a mechanism which serves to promote corporate fairness, transparency and accountability by incorporating modern ethical business practices with a view of providing strategic direction, achieving corporate objectives, ensuring accountable corporate behavior while safeguarding the business by effective risk management strategies.

We believe that a well established corporate structure, process and diligent practice of corporate governance is vital to stand through competitor rivalry, inspire shareholder confidence and their reliance on us.

Our Approach

Ceylon Grain Elevators PLC (CGE) perceives effective corporate governance as an uncompromising pursuit that provides the platform to enhance company value in a responsible manner; not a set of rules that suppresses growth. Responsible corporate behavior and transparency dictate our pursuit in creating value.

Over the years, CGE has won and kept the trust of its shareholders, customers, employees and stakeholders by keeping to a well set order of principles and practices. These entail integrity, fairness, transparency and responsibility at all times. Keeping to its proud history the governance structure embodies our core values and corporate social responsibilities that they are in keeping with the best practices of good corporate governance as laid out by the Institute of Chartered Accountants of Sri Lanka, (CA Sri Lanka) the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange (CSE).

The Code of Conduct

There is a well structured Code of Conduct that functions at CGE. This maintains the standard for sustainability, accountability and transparency across its entire operations. This Code is set out as follows:

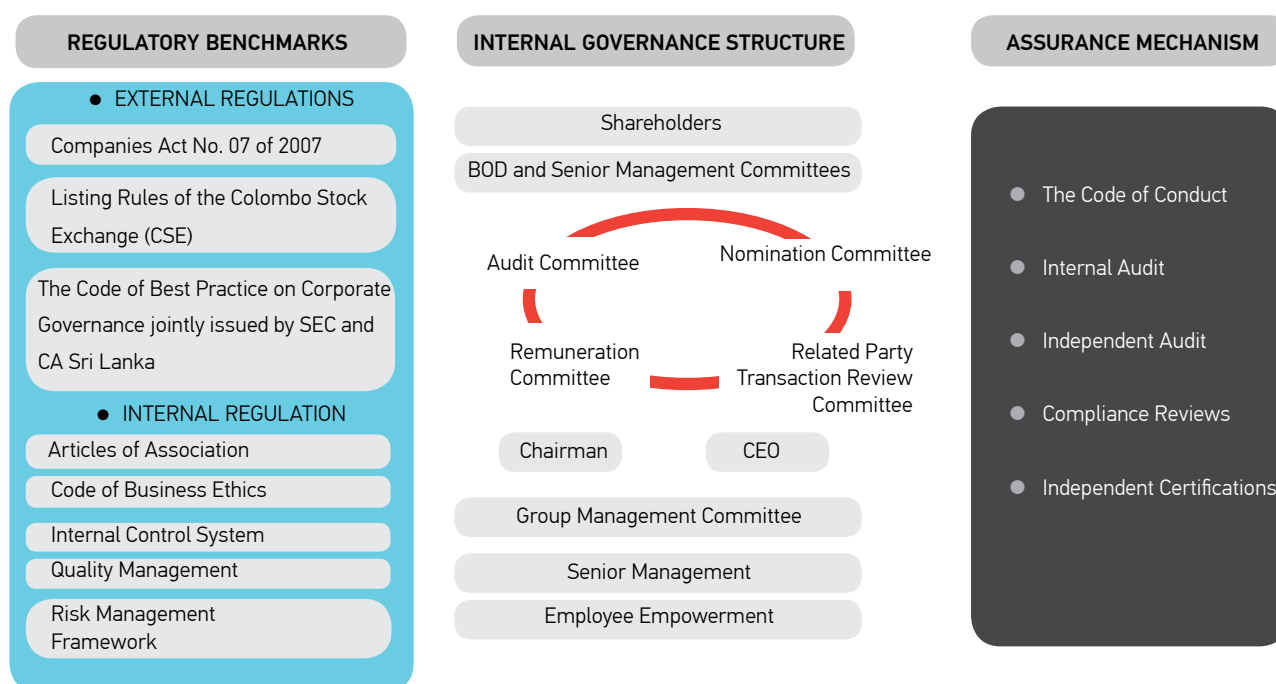
- Always act in the best interests of the Company, ensuring transparency in all matters

- Conduct business in an ethical manner in keeping with international industry standards
- Continuous professional development along with the Company and individual compliance with all rules and regulations
- Trust, professionalism and integrity in all partnerships and transactions

Policy into Practice

The overall responsibility for good governance, transparency, stewardship and the accountability towards stakeholders is borne by the Board of Directors. Hence, the practicality of these relies on their ability to facilitate fulfillment of such responsibilities. The Board has in place a governance framework consisting of a governance structure and a process to execute its policies and monitor effectiveness. The framework includes the regulatory benchmarks, structure of the key stakeholder groups facilitated by an assurance mechanism which will ensure that good governance practices are properly adhered.

Figure 1: governance framework.



Internal Governance Structure

There is a well ordered structure as the Internal governance structure of the Company which is made up of the Board of Directors and consists of the Executive Director and Chief Executive Officer (CEO), Executive Director, Executive Director and Group General Manager, two (2) Non-Executive Directors and two (2) Non-Executive Independent Directors who have a proper understanding of the business.

This internal governance structure is so designed that the executive authority is entrusted and designated through the committee structure. This stipulates that the CEO and the managers who function for each section are accountable and responsible for the day to day operations including the functioning of the business units of the Group. These responsibilities and accountabilities for each such sector are set in place and agreed upon in advance. This ensures that there is a seamless continuous flow of operations.

The Management Committee is a vital part of the Company's management structure and is headed by the CEO. He is empowered to act on behalf of the Company. The members of this Management Committee are: The Group General Manager, the General Manager, the Board of Directors, the Audit Committee and the Senior Management Committee. These positions and committees are complemented by strong internal governance procedures and systems. These are set in motion by the Group business plan. Such mechanisms within the governance structure ensure proper implementation and execution of the Group's corporate governance framework.

Governance Culture

Effective governance is always followed

by a high level of commitment across the organisation and it is essential creating a culture which enables good governance right through the organisational processes which requires the awareness of all levels. Hence we expect all our employees to preserve the corporate values, the code of conduct as well as the business ethics in achieving the objectives individually and as a whole. The sustainability of the governance principles is facilitated by aligning the CGE's performance driven culture with business value creation along with the continuous efforts of improving the governance framework and processes.

The Board of Directors

Board Responsibilities

In carrying out its responsibilities, the Board promotes a culture of openness, steadiness and consistency in decision making which enhances the transparency and accountability of the company's core functions.

CGE Board of Directors are responsible for the following:

- Managing the Group efficiently and profitably on behalf of the shareholders
- Ensuring that the Group accomplishes its goals
- Meeting regularly to establish and maintain the Company's direction and position
- Providing guidance and direction to ensure that the Group is adequately resourced and effectively controlled
- Reviewing the Group's operating and financial performance
- Ensuring compliance with laws, regulations and ethical standards
- Ensuring stakeholder interests are considered in corporate decisions

There are also a number of other duties the Board of Directors are responsible for. These include the supervision of corporate governance issues. In the current year the Board has sought professional advice on matters that needed specialised expertise such as litigation matters from the Company's lawyers. The provision for the Company's Director's to retire by rotation has also been recommended by the Board many times.

The Board collectively and the Directors individually act in accordance with the laws of the Country. Meanwhile the Board takes collective responsibility for the management, direction and performance of the Group.

Board's Principal Roles and Functions

- Providing Strategic Direction

The Board of Directors is collectively responsible to establish the Group's general directions, corporate policies, overall strategic objectives and corporate plans which are communicated to the Management Committee. They also lay out a schedule of issues and directions which could only be approved by the Board as monitoring controls.

Additionally, Board approval is required on all matters relevant to overall strategy, annual budget, business plans, management information, reported financial statements, dividends, investments and business acquisitions. The Board is also responsible for continually reviewing and monitoring of the performance of the Group against the set objectives while directing the Management Committee on specific action points.

- **Communication with Shareholders**

CGE communicates with its shareholders on a number of issues as it believes in transparency. The Board is responsible for reporting statutory and relevant information to shareholders regularly and in a timely and accurate manner. In order to ensure transparency at all times, the Board has laid down very definite policies in relation to keeping accurate records of accounts together with the preparation of financial statements to represent a balanced view of the Group. The Board also takes measures to report statutory and all relevant information with full disclosure of all major transactions to shareholders in a timely and accurate manner. Meanwhile, the Group welcomes shareholders' independent advice on matters of investment and divestment. Quarterly and Annually results are prepared and presented in accordance with Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Colombo Stock Exchange policies and the Securities and Exchange Commission regulations.

- **Overseeing Risk Management**

Another important duty is overseeing risk management. The Board is responsible to regularly evaluate the risk factors of the Group and current control systems and regularly make policy recommendations on risk factors and the improvement of controls. The formulation of the risk management process overseen by the Board ensures that an effective system is implemented to identify, evaluate and manage significant risks encountered by the Group in protecting its assets and processes. This risk management process is regularly reviewed by the Board on the basis of guidelines set by relevant regulatory bodies. The Management

Committee is responsible for the detail, design and operation of the system of internal controls with regard to the risk management. However, the Board maintains overall responsibility to manage risks within the Group. CGE has also in place a well established control framework consisting of clear structures and accountabilities, well understood policies, procedures with budgeting and review processes. Each business segment of the Group has a formal management structure with clear responsibilities operating within clearly defined policies which cover the areas of product safety, financial matters, health and safety, the environment, human resources, operation matters, purchasing and engineering.

- **Compliance**

The Board is also responsible to ensure that the Group always operates within the laws, regulations and standards as laid down by the various regulatory bodies in the country. The Board is also constantly updated with the information with regard to compliance and directs the Management Committee regarding any action that needs to be taken.

- **Appointments to Board Committees**

The Board of Directors is further responsible to appoint members to various Board Committees and ensure that they act in accordance with the terms of reference as set out by the Board. The Board of Directors in turn appoints Directors to the Audit, Remuneration, Nomination and Related Party Transactions Review Committees along with Directors and Key Senior Management personnel to the Management Committee. Each such Committee would act within its own set of terms of reference. An expanded review of each such Committee's functions are described further in this report.

Board Composition

The Board consisted of six (6) members during the year 2015, with two (2) Executive Directors, two (2) Non-Executive Directors and two (2) Non-Executive Independent Directors. This composition complies with the Listing Rules of the Colombo Stock Exchange, which requires a minimum of two or one third of the Board be Independent Directors.

The Group policy is to maintain a healthy balance between Executive, Non-Executive and Non-Executive Independent Directors in order that value addition is provided to all stakeholders with the Executive Directors bringing in deep knowledge of the business and the Non-Executive Independent Directors bringing in experience, objectivity and independent oversight.

Board Evaluations

The Board periodically appraises its own and its sub committees' performance in order to ensure that their responsibilities are properly carried out in fairness to the Company and to the stakeholders. For the year under consideration an assessment was made with regard to the Board composition and they reached the conclusion that the current knowledge and expertise of the current Board matches the strategic demands of the Group. A brief profile of individual members of the Board is carried on page 10 in this report.

Appraisal of Chief Executive Officer

At the end of each fiscal year, the Remuneration Committee assesses the performance of the Chief Executive Officer on the basis of pre-agreed goals at the commencement of the fiscal year, set in consultation with the Board, covering the following broad aspects;

- Creating and adding shareholder value

- Developing Human Capital
- Building sustainable external relationship
- Enhancing the stakeholder value
- Ensuring integrity and good governance in the Group.

Board Skills

Board diversity is an emerging factor to be considered when formulating the balance of a Board which enables them to make collective decisions more effectively with a wide exposure to the fields of finance, administration, management, law, economics, marketing, taxation and human resources. All directors possess the skills, knowledge and expertise along with a high sense of integrity and judgment. In addition, the Board has ensured the availability within it of those with financial acumen and knowledge to offer guidance on matters of finance.

CGE is ever mindful of the need to maintain an appropriate mix of skills and expertise in the Board and timely review of its composition is performed by ensuring the skill representation is matched with the current and future needs of the Group. Furthermore, individual Directors are encouraged to seek expert opinion and or professional advice on matters where they may not have full knowledge or expertise in order to strengthen the decision making. This is generally coordinated through the Board Secretary.

Continuous Training and Development

The Group is dedicated to empowering every member of its team with opportunities to enhance their individual skills, knowledge and expertise. This facility is extended to the Board of Directors as well. Such development programmes available to Board members begin with a comprehensive induction programme that ensures new

Board members garner the required knowledge to integrate well and perform efficiently. This programme which is conducted over a period of various months, includes presentations from key members of Senior Management and also visits to the various operating businesses of the Group. If a Director seek a deeper understanding on a particular area, further follow-up meetings are arranged to make available the required knowledge to the Board member.

Changes to the Board

Board Tenure

Directors are appointed and recommended for re-election until their prescribed company retirement age.

Retirement

At all Annual General Meetings one third of the Directors retire by rotation on the basis prescribed in the Articles of Association of the Company and are eligible for re-election. Directors who retire are those who have been longest in office since their appointment or re-election. In addition any new director who has been appointed to the Board during the year is required to stand for re-election at the next Annual General Meeting.

Re-elections

The re-election of Directors ensures that the shareholders have an opportunity to reassess the composition of the Board. The names of the Directors submitted for re-election are provided to the shareholders in advance to enable them to make an informed decision concerning their election.

Names of retiring Directors eligible for re-election this year are given in the Notice of the Annual General Meeting of the Company.

Timely Supply of Information

All members of the Board are continually updated and supplied with timely, accurate and comprehensive information to enable them to perform their duties successfully. This therefore enables Board Members to engage in a healthy debate and a process of optimised decision making towards the betterment of the Company. Directors are provided access to:

- Board minutes and reports which are circulated before board meetings
- Clarification on any matter contained in the minutes
- The advice of experts and professionals if required
- Advices and services provided by the Company Secretary
- Information wherever necessary to carry out duties and responsibilities more effectively and efficiently
- Information updates from management on topical matters, formulation of new regulations and best practices as relevant to the Group's business

The Chairman of the Board

The Non-Executive Independent Chairman of the Board Mr. Wickrema Senaka Weerasooria, is entrusted with a number of responsibilities including providing leadership to the Board, ensuring Board effectiveness in its myriad roles, chairing board meetings and steering it in the proper direction, taking responsibility for the board's composition, facilitating the effective contribution of Non-Executive Directors and also ensuring that there is positive relationship between the Executive and Non-Executive Directors. Mr. Wickrema Senaka Weerasooria was appointed as the Non-Executive Independent Chairman of the Board with the aim of enhancing the company's internal governance structure while maintaining the balance of power on the Board.

Board Meetings

In accordance with Company principles and practices the Board met four (4) times over the past year to review the overall strategic development of the Group. The Chairman is responsible to provide leadership to the Board and the conducting of business at meetings and also to facilitate the effective contribution of all members. He is also responsible to facilitate the effective contribution of all members and to implement strategies and ensure that the Board operates effectively in keeping with the interests of the shareholders.

The Company Secretaries, SSP Corporate Services, are in turn responsible on behalf of the Chairman to ensure that all Board meetings are conducted in a proper manner and that all Directors receive the necessary information prior to meetings so that the Board could review the Key Performance Indicators (KPIs).

In addition the Company Secretaries also guide the Board in order that good governance practices are considered and implemented. Meanwhile, the Board is brought up to date on the latest financial position of the Company by the Group General Manager.

Board Minutes

The Board minutes are prepared by the Company Secretary. In the event of a matter not being unanimously adopted at a Board meeting, the concerns expressed at such situations are recorded in the minutes of the meetings. Minutes of the Board meetings are circulated to all Directors and adopted at a subsequent Board meeting.

Board Committees

Some functions of the Board have been delegated to Board Committees which are responsible to monitor, review and enhance the accountability in certain

areas. These committees serve as an effective oversight mechanism over several activities of the company while safeguarding the good governance practices of the Group.

The five Board Sub Committees are as follows:

- I. Management Committee
- II. Remuneration Committee
- III. Audit Committee
- IV. Nomination Committee
- V. Related Party Transaction Review Committee

The above committees carry out their duties and responsibilities in accordance with the terms of reference as set out by the Board. The proceedings of their meetings are regularly communicated to the Board.

Figure 2 : Composition of the Board and Board Committees and attendance at Meetings for 2015

Name of the Directors	Capacity during the year 2015	No. of Shares held	Board			Other Board Committees			
			Position	No. of meetings held	No. of meetings attended	Audit Committee	Nomination Committee	Remuneration Committee	Related Party Transaction Review Committee
Mr. Wickrema Senaka Weerasooria	Non-Executive Independent Chairman	2,800	Chairman	4	4	Member	Chairman	Chairman	Chairman
Mr. Cheng Chih Kwong, Primus	Executive Director and Chief Executive Officer	397	Member	4	4	-	Member	-	-
Mr. Tan Beng Chuan	Executive Director and Group General Manager	-	Member	4	4	-	-	-	Member
Mr. Cheng Koh Chuen, Bernard	Non-Executive Director	-	Member	4	4	-	-	-	-
Mr. Cheng Eng Loong	Non-Executive Director	-	Member	4	4	-	-	-	-
Mr. Sunil Karunanayake	Non-Executive Independent Director	-	Member	4	4	Chairman	Member	Member	Member

The Group Management Committee

Members are selected by the Board. The Management Committee is responsible for the following:

- Implementing Group strategy
- Monitoring business performance
- Approve budgets and capital expenditure recommendations to the Board
- Ensure efficient management to the Group

The Management Committee has also been vested with the authority to implement Board decisions. This authority is exercised within the policy framework as stipulated by the Board.

The Management Committee meets once a month to discuss and evaluate various topics including segmental performance of the Group, business development plans, financial and operating budgets and forecasts, capital expenditure proposals, management issues and Key Performance Indicators (KPI's). The Board constantly reviews, reports from the Management Committee and also from executives and sectional heads of key risk areas and makes decisions pertaining to the segmental performance. The Management Committee has the right to run the business of the Group as they fit to meet the demand of the customers of the Group and the strategic and financial targets that have been set by the Board in addition to the required corporate guidelines. Such a deregulated structure is necessary to ensure that fast decisions are made and implemented, speedy innovation at a rate as demanded by the customer while providing products and services to consumers catering to their specific needs.

Remuneration Committee

This Committee is responsible to the

Board to determine the remuneration policy for the Executive Directors and Senior Managers. This Remuneration Committee comprises of two (2) Non-Executive Independent Directors, one of whom is the Chairman of the Committee who is appointed by the Board. The detailed report by the Remuneration Committee appears in page 37 of this report.

Nomination Committee

Nomination Committee is entrusted with keeping the Board composition under review while facilitating a formal and transparent procedure for all new appointments to the Board. The Nomination Committee consists of one (1) Executive Director and two (2) Independent Directors one of whom is the Chairman of the Committee who is appointed by the Board. The report by the Committee appears on page 38.

Audit Committee

Audit Committee is responsible to assist the Board in accomplishing its oversight responsibilities in the financial reporting process. The Audit Committee consists of two (2) Non-Executive Independent Directors one of whom is appointed by the Board and is the Chairman of the Committee. The detailed Audit Committee Report appears on page 35 of this report.

Related Party Transaction Review Committee

The Board formed a Related Party Transaction Review Committee on 13th November 2015 by adhering to the Code of Best Practices on Related Party Transactions issued by Securities and Exchange Commission of Sri Lanka (SEC) with the aim of strengthening the monitoring mechanism of related party transactions of the Group. The Committee will be effective from the year 2016 onwards.

The committee composition is as follows;

Name	Capacity during the year 2015
Mr. Wickrema Senaka Weerasooria	Chairman/ Non-Executive Independent Chairman
Mr. Sunil Karunanayake	Member / Non-Executive Independent Director
Mr. Tan Beng Chuan	Member / Executive Director and Group General Manager
Mr. Majintha Illankone	Secretary / Group Internal Auditor

Shareholder/Investor Relationship

Stakeholder Management is a key component in CGE's corporate governance mechanism.

The primary model of communication between the Company and its shareholders are through the Annual Report, Quarterly Reports and the Annual General Meetings (AGM).

Release of Information to the public and CSE

All the material and price sensitive information is timely communicated to the CSE in order to minimise the information gap among shareholders / investors.

Annual General Meetings (AGM)

The effective relationship with shareholders is maintained by conducting AGMs where every shareholder is given a chance to vote and raise specific queries regarding the Company operations.

Serious Loss of Capital

In the unlikely event that the Company's net assets fall below a half of the stated capital, the shareholders would be notified of an Extraordinary General Meeting (EGM) in terms of section 220 of the Companies Act No. 07 of 2007.

Internal Control Mechanism

The effectiveness of the internal control system of CGE is ensured via frequent reviews and a proper monitoring mechanism. The Board of Directors including the Audit Committee are responsible for the Company's system of internal controls and for reviewing its effectiveness. The system is designed to safeguard assets of the Company against unauthorised use or disposal along with a well structured documentation procedure. It includes all controls as such financial, operational, risk management, compliance controls etc.

The internal audit function of the Group is carried out by the Group internal audit division to make sure the internal controls of the Company is functioning

properly according to the Company standards.

The Audit Committee carries out reviews of the process and effectiveness of risk management and internal controls, and to document to the Board in order for the Board to take the responsibility for the disclosures on internal controls where the ultimate responsibility of maintaining a sound system of internal controls relies.

Best Practices

The governance practices of CGE are based on the Company core beliefs on corporate sustainability through good governance practices within the Group. Apart from being fully compliant with the regulatory requirements relating to good governance, we strongly believe the best practices are the backbone of the Group's transparency towards our ethical business philosophy which affirms the sustainable growth and shareholder satisfaction towards us.

Regulation Framework

The corporate governance is practiced in CGE via a well structured regulation

framework which consists of statutes, regulations, codes, internal and external governance systems, control and certification mechanisms (illustrated in figure 1).

Compliance and Adherence

Compliance to the mandatory and voluntary regulatory governance requirements is confirmed via an effective monitoring mechanism within the Group by timely reviewing the governance structure and the level of adherence to those specific references by the Board of Directors and specific sub committees. The level of the compliance are stated in the table 1 appearing below.

The extent of compliance with the Code of Best Practice on Corporate Governance jointly issued by SEC and CA Sri Lanka is presented on page 34.

Disclosures

The tables given below provides the relevant details and disclosures mandated by the Companies Act No. 07 of 2007 and the Listing Rules of CSE.

Table 1: The Level of Compliance and Adherence

Regulation	Specifics	Remarks
The Code of Best Practice on Corporate Governance jointly issued by SEC and CA Sri Lanka	The Code of Best Practices on Corporate Governance	All requirements of the Code and the level of compliance is disclosed on page 34.
Listing Rules of the CSE	Disclosure Requirements for the Listed Companies of CSE including on Corporate Governance	Complied. Disclosures are stated on pages 32 to 33.
Articles of Association	Requirement stated in the Articles of Association of the Group	Complied.
The Code of Business Ethics	Compliance requirements applicable to all employees	All the employees sign a declaration to the effect that they will follow the Code of Ethics
Sustainability Reporting	Report provides information to all stakeholders with regard to the most material areas that are identified through stakeholder engagement	Key sustainability initiatives are reported in the Sustainability Report on pages 22 to 23.

Corporate Governance Review (Contd.)

Disclosures required by the Companies Act No. 07 of 2007.

Section Reference	Requirement	Annual Report Reference
168 (1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	Page 47
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	Pages 52 to 98
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	Page 51
168 (1) (d)	Accounting policies and any changes therein	Pages 56 to 65
168 (1) (e)	Particulars of the entries made in the interest register during the accounting period	Page 47
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Page 96
168 (1) (g)	Corporate donations made by the Company during the accounting period	Page 47
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Page 10
168 (1) (i)	Amounts paid / payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Page 48
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Page 48
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board	Pages 48 to 49

Disclosure required by the Listing Rules of the CSE.

Rule No	Subject	Requirement	Compliance status	Remarks
Disclosures Regarding Board of Directors				
7.10.1 (a)	Non-Executive Directors	Two or one third of the total number of Directors shall be Non-Executive Directors, whichever is higher	Compliant	Corporate Governance Review - page 29
7.10.2 (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher shall be Independent.	Compliant	Corporate Governance Review - page 29
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of Independence / Non-Independence in the prescribed format.	Compliant	Non-Executive Directors have submitted declaration during the year 2015
7.10.3 (a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report.	Compliant	Board of Directors - Page 10
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Compliant	The Board has determined the Independency / Non- Independency of each Non- Executive Director
7.10.3 (c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the area of expertise.	Compliant	Board of Directors - Page 10
7.10.3 (d)	Disclosure relating to Directors	A brief resume of new Director should be included in the Annual Report including the area of expertise.	Compliant	Board of Directors - Page 10
7.10.4 (a-h)	Determination of Independence	Requirements for meeting criteria of 'Independent'.	Compliant	The Board has determined the Independency of each Non-Executive Director during the year 2015

Disclosures Regarding the Remuneration Committee				
7.10.5	Remuneration Committee	A Listed Company shall have a Remuneration Committee	Compliant	Remuneration Committee Report - Page 37
7.10.5 (a)	Composition of Remuneration Committee	The Committee shall consist of Non-Executive Directors, a majority of whom shall be independent	Compliant	Remuneration Committee Report - Page 37
7.10.5 (b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Compliant	Remuneration Committee Report - Page 37
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out:	Compliant	Remuneration Committee Report - Page 37
		a. Names of Directors comprising the Remuneration Committee.	Compliant	Remuneration Committee Report - Page 37
		b. Statement of Remuneration Policy.	Compliant	Remuneration Committee Report - Page 37
		c. Aggregated remuneration paid to Executive and Non-Executive Directors.	Compliant	Note 32 - Key Management Personnel information - Page 96
Disclosures Regarding the Audit Committee				
7.10.6	Audit Committee	A Listed Company shall have an Audit Committee.	Compliant	Audit Committee Report - Page 35
7.10.6 (a)	Composition of Audit Committee	The Committee shall comprise Non-Executive Directors, the majority of whom shall be Independent. The Chairman of the Committee should be a Member of a recognised professional accounting body	Compliant	Audit Committee Report - Page 35
7.10.6 (b)	Functions of Audit Committee	a. Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards.	Compliant	Audit Committee Report - Page 35
		b. Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Compliant	Audit Committee Report - Page 35
		c. Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards.	Compliant	Audit Committee Report - Page 35
		d. Assessment of the independence and performance of the Entity's external auditors.	Compliant	Audit Committee Report - Page 35
		e. To make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and Terms of Engagement of the external auditors.	Compliant	Audit Committee Report - Page 35
7.10.6 (c)	Disclosure in Annual Report relating to Audit Committee	a. Names of Directors comprising the Audit Committee.	Compliant	Audit Committee Report - Page 35
		b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Compliant	Audit Committee Report - Page 35
		c. The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions.	Compliant	Audit Committee Report - Page 35

Corporate Governance Review (Contd.)

Disclosures required by the Code of Best Practice on Corporate Governance jointly issued by SEC and CA Sri Lanka.

Rule		Compliance Status	Reference
A	DIRECTORS		
A.1	Effective Board to Control the Company	Yes	Corporate Governance
A.2	Chairman and Chief Executive Officer	Yes	No one individual has unfettered powers of decisions
A.3	Chairman's Role	Yes	Corporate Governance
A.4	Financial Acumen	Yes	Corporate Governance
A.5	Board Balance	Yes	Corporate Governance
A.6	Supply of Information	Yes	Corporate Governance
A.7	Appointments to the Board	Yes	Corporate Governance, Nomination Committee Report, Board Profiles
A.8	Re-election	Yes	Corporate Governance
A.9	Appraisal of Board Performance	Yes	Corporate Governance
A.10	Disclosure of Information in respect of Directors	Yes	Board Profiles, Corporate Governance
A.11	Appraisal of Chief Executive Officer	Yes	Corporate Governance
B	DIRECTOR'S REMUNERATION		
B.1	Remuneration Procedure	Yes	Corporate Governance, Remuneration Committee Report
B.2	The level and make up of Remuneration	Yes	Corporate Governance, Remuneration Committee Report
B.3	Disclosure of Remuneration	Yes	Corporate Governance, Remuneration Committee Report
C	RELATIONS WITH SHAREHOLDERS		
C.1	Constructive use of the AGM and conduct of general meetings	Yes	Corporate Governance
C.2	Communication with shareholders	Yes	Corporate Governance
C.3	Major and material transactions	Yes	Notes to the Financial Statements
D	ACCOUNTABILITY AND AUDIT		
D.1	Financial Reporting	Yes	Corporate Governance, Report of the Directors, Statement of the Directors' Responsibility, Independent Auditors' Report, Management Discussion and Analysis, Notes to the Financial Statements relating to Related Party Transactions.
D.2	Internal Control	Yes	Risk Management Review, Corporate Governance
D.3	Audit Committee	Yes	Audit Committee Report
D.4	Code of Business Conduct and Ethics	Yes	Corporate Governance
D.5	Corporate Governance Disclosures	Yes	Corporate Governance Report
E	INSTITUTIONAL INVESTORS		
E.1	Shareholder Voting	Yes	Corporate Governance, Institutional Investors are at liberty to provide any feedback on the governance arrangements.
E.2	Evaluation of Governance Disclosures	Yes	Proxy Form
F	OTHER INVESTORS		
F.1	Investing/ Divesting Decisions	Yes	The extensive nature of the information given in the Annual Report facilitates the shareholders in carrying out adequate analysis when making their decisions.
F.2	Shareholder Voting	Yes	Proxy Form
G	SUSTAINABILITY REPORTING		
		Yes	Sustainability Report

Audit Committee Report

The Audit Committee is a sub-committee of the Main Board. The duties and responsibilities of the Committee are carried out in accordance with the Terms of Reference as approved by the Board. This report from the Committee is an overview of the functions and responsibilities pertaining to the Group as a whole.

Composition of the Committee

In compliance with the guidelines as set out by the Colombo Stock Exchange, the Committee comprises of two (2) Non-Executive Independent Directors and the Company's Internal Auditor who functions as the Secretary to the Committee. Mr. Sunil Karunanayake who is Chairing the Committee is a Member of the Institute of Chartered Accountants of Sri Lanka.

Meetings

During the Financial Year, the Committee held four (4) meetings with the Management and Auditors of the Company, to discuss the relevant matters and to review the results of the Company and of the Group. On invitation, these meetings are also attended by the Executive Director and Group General Manager, the General Manager and the AGM-Finance of the Company.

The information on the attendance at the meetings by the Committee Members are given below.

Name	Capacity during the year 2015	No. of meetings held	No. of meetings attended
Mr. Sunil Karunanayake	Chairman / Non-Executive Independent Director	4	4
Mr. Wickrema Senaka Weerasooria	Member / Non-Executive Independent Chairman	4	4
Mr. Majintha Illankone	Secretary / Group Internal Auditor	4	4

Functions of the Committee

The key function of the Committee is to assist the Board to fulfill the oversight responsibility in the preparation and fair presentation of the financial statements of the Company and the Group, in compliance with the Accounting Standards of Sri Lanka.

In addition, the Committee is also responsible for the Internal Controls and Risk Management, compliance with legal and regulatory requirements, independence and performance of the External Auditors and the adequacy and performance of the Internal Auditors.

Review of Financial Statements

During the Financial Year, the Committee has reviewed the Group's Quarterly and Annual Financial Results with the Management and the External Auditors,

prior to its publication. In this connection, the Committee partners with the Board in ensuring that the Financial and Non-Financial information that is supplied to the shareholders is a fair assessment of the position of the Company.

This review includes;

- The evaluation of the appropriateness of the accounting policies and practices adopted by the Company in the preparation and presentation of the Financial Statements ;
- Compliance with the relevant Accounting Standards, Laws and Regulations ;
- Assessing the adequacy and validity of the Estimates and Judgments made by the Management ;
- Assessing the Company's ability to continue as a going concern in the foreseeable future.

Internal Controls and Risk Management

The Committee is responsible to ensure the adequacy and effectiveness of a sound system of Internal Controls and Risk Management procedures adopted by the Company. Risk mitigating strategies include the establishing of Internal and External Audit Functions and incorporating recommendations made by them, developing a Risk Management framework to identify and evaluate risks, carrying out employee whistle blower policy. As a result of these, the Company is able to safeguard the investment of the shareholders in the Company and meet other expectations of stakeholders' of the Company.

Internal Audit

Internal Auditors have direct access to the Audit Committee and submit their reports on a quarterly and annual basis to the Committee. The Committee is responsible to evaluate the effectiveness of Internal Audit functions and act appropriately on the recommendations made.

External Audit

The Committee reviews the independence, performance and the objectivity of the External Auditors and is further responsible for;

- Making recommendations to the Board regarding the appointment and re-appointment of the External Auditors at the Annual General Meeting;
- Approve the remuneration and Terms of Engagement of the External Auditors;
- Discussion of the external Audit Plan and the key Audit findings and their Recommendations;
- Discussion of the Company's Financial Statements made Quarterly and Annually;
- Reviewing of the Non Audit Services provided by the External Auditors and evaluate how it affects their objectivity and independence and disclose the basis for such determinations.

The Audit Committee has recommended to the Board of Directors that KPMG Sri Lanka, Chartered Accountants be re-appointed as External Auditors for the financial year ending 31 December 2016 subject to the approval of shareholders at the Annual General Meeting.

Evaluation of the functions of the Committee

The functions of the Audit Committee has been evaluated by the Board throughout the year and they have concluded that the Committee has performed their responsibilities to the complete satisfaction of the Board and seek the continued support of the Committee in the future in achieving the Stakeholders' expectations.

Sunil Karunanayake

Chairman, Audit Committee

Remuneration Committee Report

The Committee was established for the purpose of recommending the remuneration of the Executive Directors and Key Management Personnel to the Board of Directors. The Committee has acted within the parameters set out by its terms and references and is therefore independent of the Management and is totally free from any interference in making independent judgments.

Functions of the Committee

The remuneration policy is designed to reward, motivate and retain the Company's Executive Team to support the continued success of the business and creation of shareholder value. All Non-Executive Directors receive a fee for serving on the Board and the Board's sub committees. They do not receive any performance related incentive payments.

Composition of the Committee

The Board appointed Remuneration Committee comprises of two (2) members both of whom are Non-Executive Independent Directors as required by the guidelines set out by the Colombo Stock Exchange.

Meetings

Remuneration Committee Meetings were held when necessary and a total of three (3) meetings were conducted in the year 2015.

The information on the attendance of the meetings by the Committee Members are given below.

The Group General Manager who is responsible for the overall management of the Group provides information to

the Committee and participates in all deliberations except in relation to those matters where the outcome had an impact on him. Group Treasurer and the General Manager were also attended to the meetings on invitation.

Evaluation of the functions of the Committee

The annual evaluation of the Committee was carried out by the Board and it was concluded that the Committee continues to operate effectively.

Name	Capacity during the year 2015	No. of meetings held	No. of meetings attended
Mr. Wickrema Senaka Weerasooria	Chairman / Non-Executive Independent Chairman	3	3
Mr. Sunil Karunanayake	Member / Non-Executive Independent Director	3	1
Mr. M.C.M. De Costa	Secretary	3	3

Wickrema Senaka Weerasooria

Chairman, Remuneration Committee

Nomination Committee Report

The Nomination Committee is entrusted with keeping the Board Composition under review while facilitating a formal and transparent procedure for all new appointments to the Board.

Composition of the Committee

The Committee, as end of the year 2015, consisted of three members including two (2) Non-Executive Independent Directors and the Chief Executive Officer of the Company in compliance with the guidelines as set out by the Colombo Stock Exchange. The Non-Executive Independent Chairman was appointed as the Chairman of the Committee.

Terms of Reference

The Nomination Committee oversees a range of responsibilities which includes;

- Providing up-to-date advice and recommendations to the Board or Chairman concerning any new appointments to the Board;
- Evaluating the competencies, skills, knowledge and experience of any individual who is recommended to the Board;
- Reviewing the structure, size and composition of the Board;
- Evaluating the performance of the members of the Board to determine whether they are adequately performing their duties and responsibilities.

Name	Capacity during the year2015
Mr. Wickrema Senaka Weerasooria	Chairman / Non-Executive Independent Chairman
Mr. Cheng Chih Kwong, Primus	Member / Executive Director and Chief Executive Officer
Mr. Sunil Karunanayake	Member / Non-Executive Independent Director
Mr. M.C.M. De Costa	Secretary

Meetings

The Committee met on two (2) occasions during the year 2015 in order to discharge their responsibilities in keeping with the combined knowledge and experience of the Board according to the strategic demands of the Company.

On invitation, these meetings were also attended by the Executive Director and Group General Manager, the General Manager and the Group Treasurer of the Company.

Key Functions Performed during the Year Under Review

The key activities as carried out by the Committee over the past year included recommending Mr. Wickrema Senaka Weerasooria to be appointed to the Board as the Non-Executive Independent Chairman. This recommendation was accepted by the Board.

Wickrema Senaka Weerasooria
Chairman, Nomination Committee

Risk Management Review

Overview

The Enterprise Risk Management, Corporate Governance Structure, Sustainability and Internal Audit Functions are the integral parts of the Group's Governance Structure which is well established around the organisational boundaries with a proactive mechanism to manage risks and uncertainties with the ultimate aim of achieving the organisational goals and objectives. As uncertainty sets out both threats and opportunities with the potential to decay or enhance the organisational value, the management should be able to determine risk acceptability levels within the Group's risk appetite. Also strike a balance between risk and rewards to optimise the Group's integrated value creation.

Risk Management includes identifying, evaluating and managing the risks across the organisation to support achievement of financial, operational and social objectives. With the view of managing risks, Ceylon Grain Elevators

PLC (CGE) has identified following sub objectives to enhance the risk culture of the Group;

- Create an environment promoting sustainable long term growth in the entity;
- Articulate a clear policy and deploy effective and efficient processes;
- Clearly define ownership and responsibilities for managing risk across the entity;
- Create a risk awareness culture by informing, training and motivating employees to consider risk within their day-to-day decision making;
- Deploy effective project management processes and controls across all business lines.

Within the daily business operations, CGE has been exposed to many risks and uncertainties which could be tackled by effective risk management framework. Management has therefore established policies, procedures and practices which are incorporated in the planning process

of the Company, to identify, analyse and mitigate the negative impacts of such risks while optimising the opportunities that may arise with uncertainties. Timely monitoring process is also much important to minimise the unexpected adverse outcomes of identified risks.

The Risk Management process is driven through a combination of a 'top-down' (driven by the Board) and 'bottom-up' (originating from the Business Units) approaches. This has been made possible because the Group has clearly identified the role of the Board of Directors and their responsibilities in managing all risks affecting the Group. The Risk Management Framework of the Group is constantly evaluated by the Group's Management Committee. Accordingly there is always dialogue between employees and the management to ensure the policies, systems, procedures, processes and guidelines are properly communicated and adhered to by all the internal stakeholders of the Group.

Risk Management Structure



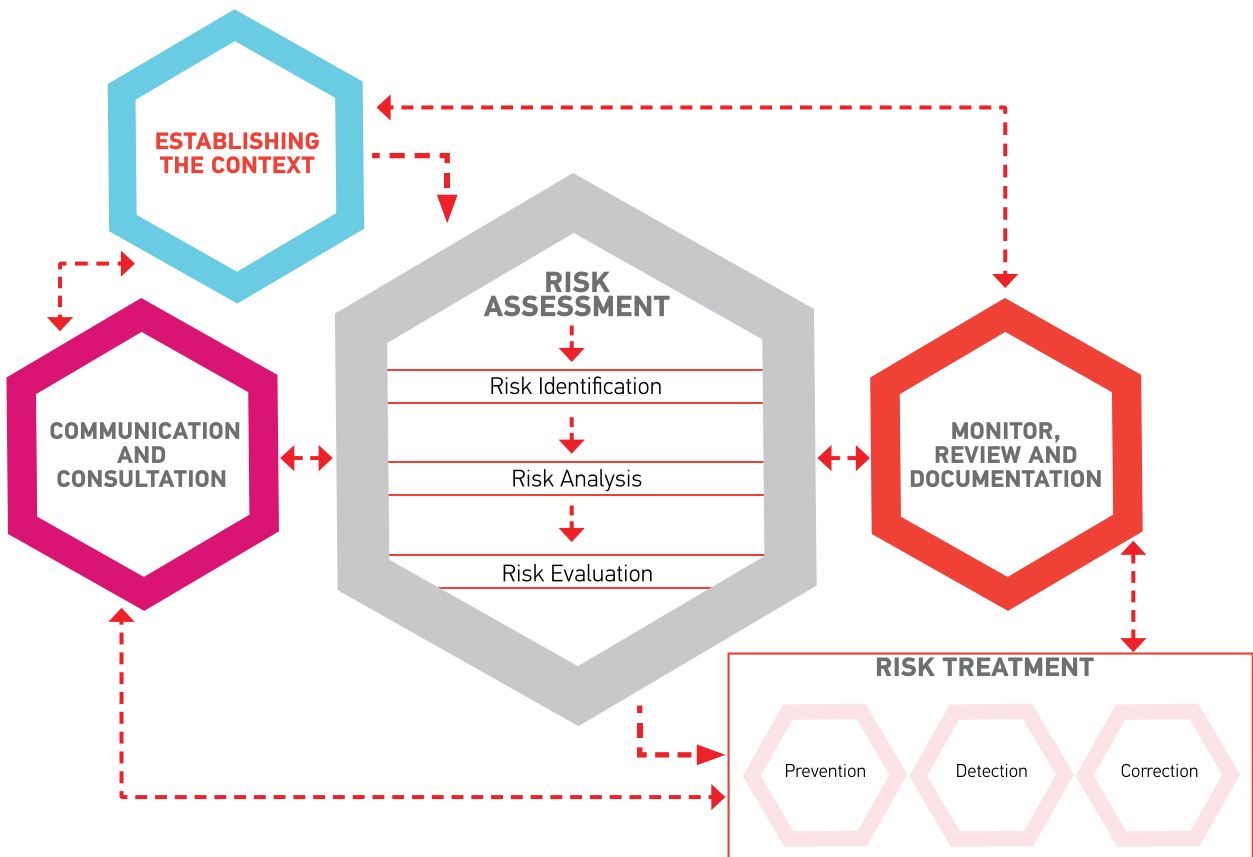
The primary responsibility of the Board is to ensure that the potential risks are identified and appropriate actions are taken to manage them within the Group. The Board has delegated the function of reviewing the effectiveness of the Group's risk management process including the

internal controls procedures to the Audit Committee. Internal controls include the systems established to identify, assess, manage and monitor the potential risks. Also the implementation of the risk management process is executed with the involvement of the Group's

Management Committee and the Senior Management of the Company. As the management is provided with the inputs from the employees, it would provide useful information to the Group's Management Committee relating to potential risks and uncertainties.

Risk Management Framework (RMFW)

The Framework provides the foundation to manage risks effectively while assisting CGE to formulate proactive decision making. The Framework make sure that there is a proper identification and understanding of all potential risks. It also evaluates the possible impacts on the business by considering both financial and non financial factors and construct strategies to minimise the exposure by enabling the planning and implementation of an effective system to avert any losses.



The RMFW emphasises the importance of proper management and the Company's system of internal controls that implement the policies, procedures, processes and systems to monitor, detect, correct, prevent and report matters relating to the continued effectiveness of the framework.

The risk management process identifies risks, evaluates them by mapping them and assesses the potential impact and identifies mitigating action following a rigorous review and monitoring process. All potential risks are identified in the process which enables CGE

to rate the risks in terms of severity and the likelihood of occurrence and take necessary precautionary actions accordingly. The impacts of such identified risks are assessed in terms of potential loss or damage.

Risk Categorisation

CGE Group is involved in diverse range of business activities with relate to the livestock industry spanning across different market segments and geographical locations. Hence the risk relating to the business could be broadly categorised as follows,



CGE has prioritise the importance of such an effective risk management procedure so as to achieve its strategic objectives as well as the adaptation of a proactive approach when dealing with risks. The good governance and the corporate philosophy of the Group has

further emphasised the need of creating a well monitored risk management framework to minimise the adverse and excel in opportunities whenever an uncertainty arises. RMFW of CGE upholds with efficient planning systems, reporting systems

and review processes which provide a strong basis for an integrated enterprise-wide risk management system which has become an intimate part of the business planning and continuity.

The following section provides a broad overview of principle risks associated with the Group's activities and their mitigation strategies.

ENVIRONMENT RELATED

The businesses of CGE are affected by the micro and macro environment factors which are beneficial to the Company through an evaluation of the opportunities of those factors. Some factors are negatively affected by CGE's current operation and have been identified. The following are the key risk factors which the management is focused on mitigating the risk while applying evaluated strategies :

1.1 Exchange Rate Risk

Since the Group regularly imports a large percentage of raw materials it incurs a sizeable volume of payments in foreign currency denominations. If there is a decline in the rate for the Sri Lankan Rupee against such foreign currencies, it will result an increase in raw material price which would consequently affect the sales margins and increase the debt burden in rupee terms. In the current context, as the Sri Lankan rupee has been set to free float by the Government, adverse impacts are expected and precautionary strategies are put into effect:

Strategies-

- As a policy, the Group follows a standard procedure: fluctuations in the international price of raw materials are inbuilt in the selling price of the Group's products in the local market. This provides a natural hedge against changes in global prices and fluctuation in the value of the rupee.
- A substantial fall in the rupee against the US dollar could lead to a negative impact on the Group's operations and finances, although the Group has the facility to adjust the selling price of its products, such adjustments may require time depending on the severity of the fall of the currency.
- The Group also makes use of effective treasury operation strategies such as forward bookings, swaps etc. to overcome any unfavourable effects of currency fluctuations.
- The Company constantly makes certain the right competitive strategies are practiced so that CGE keeps ahead. To ensure this, CGE captures customer feedback on future needs, follows social and cultural trends that influence customer demand and focuses on building customer loyalty to ensure the continuation of repeat purchasing trends.
- Indicators such as product return data, customer complaint indices, the number of interactions between the Group and its customers, the churn rate among the top 20 % of its customers and revenue growth factors among targeted customer groups are regularly measured in order to gauge the progress in managing these risks effectively.
- Customer satisfaction in terms of products and services is also monitored carefully through initiatives to establish customer satisfaction as the Group's No. 1 priority so as to use customer feedback as a catalyst for improvement.
- The key management personnel of the Group work closely with the farmers and out-growers. This ensures birds of the highest quality are used in production. This also entails activities such as providing technical knowledge, guiding them in setting up farm infrastructure and in keeping them updated with the latest rearing techniques.
- CGE has placed the industry's best quality standard process and ensures through its quality assurance systems, that a consistent high quality level is maintained for all products and services marketed by the Group.

1.2 Competition

Competitive Risk arises when customers purchase competitive or alternative products due to variations in the product offering. The Group recognises the importance of sustaining mutually beneficial relationships with its customers, poultry farmers, dealers and out-growers. Providing customers with quality products as and when they require it, is the cornerstone of customer satisfaction. Should the Group fail to do so, they run the risk of losing valuable market share and consequently incurring a financial losses.

Strategies-

- Competitor activity and performance is monitored continuously at a financial and strategic level so as to ensure that the Group's competitiveness is maintained.
- CGE constantly keeps in touch with its customers to keep abreast of changing trends, needs and purchasing behaviour of the market.
- By closely monitoring customer requirements, CGE is in a position to manufacture and market its products to match customer needs and wants by being sensitive to current customer requirements.

1.3 Laws and Regulations

This risk is associated with the changes that take place in Government policies, laws, regulations and statutes. Compliance risk refers to a company being able to comply with such laws, regulations and statutes applicable to a country. Both Regulatory and Compliance Risk Factors could affect the business activities of the Group.

Strategies-

- CGE constantly keeps itself updated on all changes that take place to the regulatory framework and ensures the Company is always in compliance with such requirements.
- The Group works in a collaborative manner with trade associations, the All Island Poultry Association as well as other Trade Chambers that are a part of advising and assisting the regulatory bodies on developing and adjusting regulations.
- CGE also maintains cordial relationships with such regulatory bodies

1.4 Environmental Issues

The risk of environmental issues relates to environmental matters that come into play when housing and settlements are set up on farm lands. And waste management, energy consumption levels of the CGE farms and factories are also considered as emerging issues with relate to the environment.

Strategies-

- CGE provides information on good management practices on environment protection to the farm staff such as ensuring that poultry litter is not disposed of in an open environment.
- The management of the Group provides equipment for the disposal

of solid waste and advices that all waste matter should be packed and stored in a sheltered space in order that it is not wet by rain water until such time as the waste is appropriately disposed of from the farm premises.

- The Company also provides comprehensive information on steps that should be taken to keep such poultry litter dry at all times along with awareness of cleanliness and good housekeeping practices that should always be practiced.

BUSINESS RELATED

Agricultural business, by its nature, faces many uncertainties. Change in one factor may affect to the core business of the entity. The management of CGE is fully aware about the nature of business through the experience that they have accumulated during the last few decades. The following are the key risk factors that affect CGE's business continuity and the risk mitigating strategies implement by the Company:

2.1 Market demand for DOC

This refers to the risk of having unsold DOC owing to the drop in demand in the market as DOC cannot be kept for more than a day.

Strategies-

- The Company always strives to ensure that there is no unnecessary culling of DOC owing to decreased demand by keeping abreast of market trends.
- By foreseeing market demands, CGE is able to minimise the risk of having unsold DOC. In the event of an unforeseen drop in demand measures that are necessary will be taken by the Management to ensure continued quality and adherence to company policies and product regulations.

2.2 Procurement and supply chain

This risk refers to the availability of quality raw material in sufficient quantity, at the required time and at the correct price. Any shortfall in supply could stall the Group's ability to fulfill customer demands that in turn would reflect negatively on the bottom line.

These risks include but are not limited to the enforcement of a new CESS while the RM shipments are in transit, the local maize being of insufficient quantity and quality, along with restrictions on imported maize and substitutes, restrictions on the import of drugs and vaccines, receiving contaminated cargo, and key DOC importation countries being affected with Avian influenza and other diseases.

Strategies-

- CGE's procurement strategies operate on the basis that careful and correct procurement policies will result in good quality products. The Group always strives to address Procurement and Supply Chain Risk by having multiple sources (both locally and internationally) for all raw materials.
- CGE also fosters the development of long term relationships with its suppliers to gain influence and thereby enters into contractual agreements with them.
- The Company also maintains appropriate inventory levels sufficient for 2 - 3 months and will turn to the closest substitute in case of a shortage of drugs or vaccines.
- CGE takes very strict measures complying with its Quality Management Systems to handle contaminated cargo and will take steps to permit the relevant authorities to take the needed action to permit the import of Genetically

Modified Foods or promote the cultivation of Soya in Sri Lanka in the case of a shortage of feed RM.

- The Group keeps track of multiple DOC sources and will develop new suppliers in case key suppliers are unable to deliver their products on time for any reason.

OPERATIONAL RELATED

An efficient, smooth and trouble free operation enables an organisation to be successful in the business and capture available market opportunities. Specially, in the business of agriculture, CGE has identified the importance of smooth operations in its day to day activities. Accordingly, the followings are identified as key to CGE's operational activities, integrated risk associated with these operational activities and risk mitigating strategies

3.1 Credit

The Credit risk is the cover for financial losses that could arise owing to the unwillingness or the inability of counter parties to meet their financial obligations in time and in full.

Strategies-

- By providing discounts for cash purchases, the Group encourages customers to purchase goods for cash. This has paid great benefits and has been extremely successful.
- A periodical analysis of the Group's trade receivables is carried out to understand the composition, age analysis and concentrations of debtors by each sector and each company.
- Thorough credit checks are carried out on potential customers before granting them sales on credit.

- The Financial and Sales Division of the Group closely monitors all credit sales to ensure that repayment is made on due dates and future sales are made on outstanding value.
- Internal Audit Division reviews the credit approval process of the Group.
- The Group regularly reviews the security for the Out-Grower Scheme. The Group only accepts high quality collaterals as security for the Out-Grower Scheme. Further, the Group also ensures the Out-Grower Farmers receive a fair and sustainable Rearing Fee with good extension services to increase their productivity since a fair Out Grower Scheme is also important for the Company and its operations.

3.2 Human capital and labour

The Group's human capital and labour risk concern the loss of talented employees and having to undergo an unpleasant environment owing to strained labor relations.

Strategies-

- The Group has put in place a series of strategies to motivate, develop and retain human capital. There is a provision at CGE for a comprehensive career development programme for its staff. This focuses on helping employees to discover and fulfill their greatest potential in this manner, improve their performance while gaining job satisfaction.
- CGE emphasises the need of training and development of its staff with career development in mind. As such providing them with the required know-how and appropriate skills to achieve their personal development.
- CGE also has in place clear guidelines for career development by providing performance based advancement opportunities.

- All the while CGE maintains a strong relationship with all its employees by means of regular dialogue and discussion.
- The Group ensures that there is compliance with all regulatory requirements concerning benefits accruing to employees.
- CGE provides attractive financial and performance based incentives which are in line with or above industry standards. The Group provides an attractive living facility and a conducive environment on all its farms.

3.3 Major breakdown

This refers to the risk of a major breakdown at the Poultry Processing Plant and feed mill plant.

Strategies-

- The Company continually maintains a buffer stock of a minimum of one week's market demand of processed chicken for any breakdown at the Poultry Processing Plant.
- The Company has installed a secondary feed milling plant in line with increasing its production capacity and mitigating any risk due to the breakdown in the main feed milling plant.

3.4 Information technology risk

IT Risk is that which is associated with computer security hardware, software and the failing of other information technology systems which causes a disruption to the business operations of the Group.

Strategies-

- A well thought out and completely secure information technology security infrastructure has been

implemented throughout the entire organisation.

- This includes recovery strategies, data back-ups stored at off-site locations, regular updating of virus scanners and firewalls, maintenance of spare servers and other critical ICT components, along with regular IT audits to ensure compliance relevant to the security infrastructure.

PRODUCT RELATED

Our range of products, their uniqueness and quality are the main priorities given by CGE to hold its market leadership over the past decades. To be competitive with its competitors and maintain customer satisfaction, CGE has highly focused on the following key risk indicators and the process of mitigating those risks :

4.1 Product Quality

Risks arise when there is a decrease in quality of the products owing to a default in the machinery, equipment, production or storing process.

Product quality of the processed chicken may arise due to a default in the machinery or equipment. Commercial DOC may be affected by the quality of its grandparents or quality of its feed usage. Feed quality is measured based on the output it creates.

Strategies-

- CGE constantly upgrades the plant's underperforming equipment with modern versions while replacing poultry equipment with new technology to achieve the desired quality of processed chicken.
- The Company has established an exclusive long term relationship with its suppliers to obtain upgraded

healthy grandparents to produce quality commercial DOC.

- Feed production is continuously checked for the standard quality batch wise, in addition to the test on the input of raw materials and experimental farm tests.

4.2 Outbreak of disease

Any outbreak of communicable animal diseases could result in great losses to the flock of poultry within a very short period of time. In recent times the chances of the Avian Flu being passed on to humans has also caused serious concerns about consuming poultry products.

Strategies-

- CGE avails the services of its staff providing proper training to farmers and out-growers with regard to identifying and controlling disease outbreaks.
- The Company offers other necessary services such as veterinary aid to ensure the general health of the animals. These timely actions have proved to be invaluable to both farmers and the Group by monitoring the development of the birds and mitigating the risk of disease.
- CGE regularly reviews the Bio Security Practices and Policies in order that the Company policies are on par with industry standards.
- The Management is careful to ensure that at all times, environmental safety standards and sustainability practices are adhered to when starting a new farm.
- The Company always strives to use the most updated vaccines and medicines that are most effective

in disease control that help in preventing disease outbreaks.

- CGE constantly reviews and improves farm management practices, especially in areas such as administration of vaccines and medicaments etc.
- Another strategy the Company adheres in Risk Mitigating is ensuring proper housing. This takes into consideration animal welfare and minimised stress to the birds.
- The Company's feed formulation strategies focuses on building the health of the birds with the aim of better hygiene while providing wholesome poultry products to consumers.

Financial Calendar

Financial year ended	31 December 2015
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Results Announcements to the Colombo Stock Exchange

1st Quarter End	31 March 2015
Publication of Interim Financial Statements	15 May 2015

2nd Quarter End	30 June 2015
Publication of Interim Financial Statements	14 August 2015

3rd Quarter End	30 September 2015
Publication of Interim Financial Statements	13 November 2015

4th Quarter End	31 December 2015
Publication of Interim Financial Statements	25 February 2016

Publication of Annual Report for 2014	21 April 2015
Publication of Annual Report for 2015	27 April 2016

Meetings

32nd Annual General Meeting	19 May 2015
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33rd Annual General Meeting	19 May 2016
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Report of the Board of Directors on the State of Affairs of the Company

The Board of Directors is pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31 December 2015. The details set out herein provide pertinent information required by the Companies Act No. 07 of 2007, Listing Rules issued by the Colombo Stock Exchange and are guided by recommended best accounting practices.

1. Principal Activities

The principal business of the Group are manufacturing and selling of poultry feed and other animal feed, importing and selling of poultry equipment, drugs and vaccines, operating of poultry breeder farms, raising grandparent and parent stock and hatcheries, hatching and selling of day old chicks, operation of commercial farms, poultry processing and distribution and provision of warehouse facilities.

2. Review of Performance for the year ended 31 December 2015 and Future Developments

A review of the Company's performance during the year, with comments on financial results for the year ended 31 December 2015 and future developments are contained in the Chairman's Message (page 7) and Chief Executive Officer's Review (pages 8 to 9). These reports, together with the financial statements reflect the state of affairs of the Company.

3. Financial Statements

The financial statements of the Company are given on Pages 52 to 98.

4. Independent Auditors' Report

The Independent Auditors' Report on the financial statements is given on page 51.

5. Accounting Policies

The accounting policies adopted in preparation of financial statements are given on pages 56 to 65. There were no material changes in the accounting policies adopted.

6. Interest Register

The Company maintains an Interest Register and the particulars of those Directors who were directly or indirectly interested in a contract of the Company are stated therein.

7. Directors' Interest

None of the Directors had a direct or indirect interest in any contracts or proposed contracts with the Company other than as disclosed in Note 32 - Related Party Transactions, to the financial statements.

8. Directors' Remuneration and Other Benefits

Directors' remuneration in respect of the Company for the financial year ended 31 December 2015 is given in Note 32 - Related Party Transactions, to the financial statements.

9. Corporate Donations

Donations made by the Company amounted to Rs. 757,272/- (2014 - Rs. Nil). No donations were made for political purposes.

10. Directorate

The names of the Directors who held office as at 31 December 2015 are given below.

Mr. Wickrema Senaka Weerasooria	- Non-Executive Independent Chairman
Mr. Cheng Chih Kwong, Primus	- Executive Director and Chief Executive Officer
Mr. Tan Beng Chuan	- Executive Director and Group General Manager
Mr. Cheng Eng Loong	- Non-Executive Director
Mr. Cheng Koh Chuen, Bernard	- Non-Executive Director
Mr. Sunil Karunanayake	- Non-Executive Independent Director

In accordance with the provisions of Article 87 of the Articles of Association of the Company, Mr. Cheng Koh Chuen, Bernard retires by rotation and being eligible offers himself for re-election.

11. Directors' Shareholdings

	Number of shares	
	As at 31/12/2015	As at 31/12/2014
Mr. Wickrema Senaka Weerasooria	2,800	2,800
Mr. Cheng Chih Kwong, Primus	397	397
Mr. Tan Beng Chuan	Nil	Nil
Mr. Cheng Koh Chuen, Bernard	Nil	Nil
Mr. Cheng Eng Loong	Nil	Nil
Mr. Sunil Karunanayake	Nil	Nil

12. Auditors

The financial statements for the year ended 31 December 2015 have been audited by Messrs KPMG Chartered Accountants, who express their willingness to continue in office. In accordance with the Companies Act No. 07 of 2007, a resolution relating to their re-appointment and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The Auditors Messrs KPMG were paid Rs. 3,355,000 (2014 - Rs.3,105,000) as audit fees by the Company. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above.

The Auditors also do not have any interest in the Company.

13. Group Turnover

Group Turnover amounted to Rs.13,741 Million (2014 -Rs. 11,544 Million).

14. Dividends

The Directors recommend a First and Final Dividend of Rs. 1.10 per share for the financial year ended 31 December 2015.

15. Investments

Details of investments held by the Company are disclosed in Note 15 - Investment in Associate Company and Note 16 - Investment in Subsidiary Companies, to the financial statements.

16. Intangible Assets

An analysis of the intangible assets of the Company, additions and amortisation charged during the year are set out in Note 14 - Intangible Assets, to the financial statements.

17. Property, Plant and Equipment

An analysis of the property, plant and equipment of the Company, additions and disposals made during the year and depreciation

charged during the year are set out in Note 12 - Property, Plant and Equipment, to the financial statements.

18. Capital Commitments

Capital expenditure contracted for as at 31 December 2015 for which no provision has been made in the accounts are set out in Note 28 - Commitments, to the financial statements.

19. Stated Capital

The issued and fully paid up stated capital of the Company is Rs. 1,017,996,000/- divided into 60,000,000 ordinary shares. There was no change in the stated capital of the Company during the year.

20. Reserves

Total reserves as at 31 December 2015 amounted to Rs. 1,563 Million (2014 - Rs.949 Million). The movement of reserves is shown in the consolidated statement of Changes In Equity on page 54.

21. Events after the reporting period

No significant events have occurred after the reporting period other than those disclosed in Note 33 - Events After the Reporting Period to the financial statements.

22. Employment Policies

The Company identifies Human Resources as one of the most important factors bequeathing the survival and growth of the Company in the current competitive business environment. While appreciating

and valuing the service of our employees, a greater effort is being made to hire the best talent from external sources, to bolster weak areas and continue to maintain the highest standards prevalent in the industry. Human Resource Head Count is considered as a key indicator and recruitment is based on annual manpower planning.

The Company provides equal opportunities. Greater emphasis is given to the areas of training, professional development and ethical business practices. All rewards and career opportunities are based on merit and on performance.

23. Taxation

The tax position of the Company is given in Note 10 - Taxation, to the financial statements.

24. Share Information

Information relating to earnings, dividend, net assets, market price per share and information on share trading is given on page 99.

25. Disclosure as per CSE Rule No. 7.6 (xi)

	2015	2014
	Rs. Cents	Rs. Cents
Market price per share as at 31 December	91.60	41.00
Highest / lowest share price	120.00/35.50	46.90/33.10
Dividend per share (declared)	1.10	-
Earnings / (loss) per share	10.25	(0.81)
Dividend payout ratio (%)	10.74	-
Net assets per share	43.02	32.78

26. Shareholding

The number of registered shareholders of the Company as at 31 December 2015 was 4,706. The distribution and analysis of shareholdings are given on page 101.

27. Major Shareholders

The twenty largest shareholders of the Company as at 31 December 2015, together with an analysis are given on page 101.

28. Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the Government and the employees have been made on time.

29. Environment, Health and Safety

Company policy continues to ensure that all Environmental, Health and Safety regulations are strictly adhered to, minimising any adverse effects to the environment. Recycling of waste is carried out where ever possible. Employees are provided with all personal protective equipment as Health

and well being are our prime concerns. Fire fighting and safety systems are in place to safeguard the Company interest. Plans are in progress to introduce emission free machinery for in-house operations to eliminate air pollution.

30. Corporate Governance / Internal Control

The Corporate Governance and Internal Control Policies of the Company are given on pages 25 to 34.

31. Contingent Liabilities

Contingent Liabilities as at 31 December 2015 are set out in Note 27 - Contingent Liabilities to the financial statements.

32. Annual General Meeting

The 33rd Annual General Meeting of the Company will be held at the Sri Lanka Foundation Institute auditorium, No.100, Sri Lanka Padanama Mawatha, Independence Square, Colombo - 7 on 19 May 2016 at 10.45 a.m.

By Order of the Board of
Ceylon Grain Elevators PLC

(Sgd.)
Wickrema Senaka Weerasooria
Non-Executive Independent Chairman

(Sgd.)
Tan Beng Chuan
Executive Director and
Group General Manager

(Sgd.)
S S P Corporate Services (Private) Limited
Secretaries

Colombo, Sri Lanka
27 April 2016

Statement of the Directors' Responsibility

The responsibility of the Directors in relation to the financial statements of the Company and the Group is set out in the following statement. The responsibility of the auditors, in relation to the financial statements, is set out in their report appearing on page 51.

The Companies Act No. 07 of 2007 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that year.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whatever applicable accounting standards have been followed, subject to any material departures and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to ensure that the financial statements comply with the Companies Act.

The Directors are also responsible for taking such steps as they deemed

reasonable or required in order to safeguard the assets of the Company and the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to prevent and detect fraud and other irregularities.

The Directors are required to prepare the financial statements to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to express their audit opinion.

Compliance statement

The Directors are of the view that they have discharged their responsibilities as set out in this statement. They also confirm that to the best of their knowledge, all statutory payments payable by the Company and its subsidiaries as at the reporting date have been paid or where relevant, provided for.

Ceylon Grain Elevators PLC

(Sgd.)

Wickrema Senaka Weerasooria

Non-Executive Independent Chairman

(Sgd.)

Tan Beng Chuan

Executive Director and
Group General Manager

Colombo, Sri Lanka
27 April 2016

Independent Auditors' Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
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TO THE SHAREHOLDERS OF CEYLON GRAIN ELEVATORS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Ceylon Grain Elevators PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 52 to 98.

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 consolidated 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 Company and its subsidiaries as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) 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 31 December 2015, 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.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
27 April 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 ACA
R.H. Rajan ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rajapakse ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo ACA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

Consolidated Statement of Profit or Loss and Other Comprehensive Income

All amounts in Sri Lankan Rupees thousands
For the year ended 31 December

	NOTES	GROUP		COMPANY	
		2015	2014	2015	2014
Revenue	4	13,741,283	11,543,764	13,450,409	11,573,554
Cost of sales		(11,960,190)	(10,878,311)	(12,323,124)	(11,171,930)
Gross profit		1,781,093	665,453	1,127,285	401,624
Other income	8	66,454	18,726	69,336	23,299
Selling and distribution expenses		(187,379)	(149,051)	(181,670)	(143,276)
Administrative expenses		(276,282)	(273,128)	(260,531)	(250,230)
Operating profit	5	1,383,886	262,000	754,420	31,417
Net finance expenses	9	(55,969)	(81,673)	(40,987)	(62,080)
Share of profit of associate		9,919	4,643	-	-
Profit / (loss) before tax		1,337,836	184,970	713,433	(30,663)
Taxation	10	(159,145)	(34,679)	(98,719)	(18,156)
Profit / (loss) for the year		1,178,691	150,291	614,714	(48,819)
Other comprehensive income					
Actuarial loss arising from defined benefit obligation - net of tax		(555)	(9,073)	(406)	(6,830)
Total comprehensive income / (expenses) for the year		1,178,136	141,218	614,308	(55,649)
Profit / (loss) attributable to :					
Equity holders of the parent		943,067	79,552	614,714	(48,819)
Non-controlling interest		235,624	70,739	-	-
		1,178,691	150,291	614,714	(48,819)
Total comprehensive income / (expenses) attributable to :					
Equity holders of the parent		942,574	71,434	614,308	(55,649)
Non-controlling interest		235,562	69,784	-	-
		1,178,136	141,218	614,308	(55,649)
Basic earnings / (loss) per share (Rs.)	11	15.72	1.33	10.25	(0.81)

The notes on pages 56 to 98 form an integral part of these consolidated financial statements.
Figures in brackets indicate deductions.

Consolidated Statement of Financial Position

All amounts in Sri Lankan Rupees thousands
As at 31 December

	NOTES	GROUP		COMPANY	
		2015	2014	2015	2014
ASSETS					
Non-current assets					
Property, plant and equipment	12	2,060,756	2,126,778	415,656	416,309
Leasehold right over land and buildings	13	450,612	468,049	112,865	117,793
Intangible assets	14	58,924	72,028	58,924	72,028
Investment in associate company	15	18,652	19,033	33	33
Investment in subsidiary companies	16	-	-	353,730	353,730
Biological assets	17	439,170	430,629	-	-
Deferred tax assets	25	7,524	55,425	7,524	55,425
Total non-current assets		3,035,638	3,171,942	948,732	1,015,318
Current assets					
Biological assets	17	16,379	20,027	-	-
Inventories	19	2,317,978	2,569,156	2,241,694	2,491,158
Trade and other receivables	20	470,181	559,793	435,143	474,407
Amount due from related companies	18	-	-	114,202	553,555
Current tax receivable		25,921	41,364	7,469	7,469
Cash and cash equivalents	21	1,110,208	53,786	960,588	28,502
Total current assets		3,940,667	3,244,126	3,759,096	3,555,091
Total assets		6,976,305	6,416,068	4,707,828	4,570,409
EQUITY					
Stated capital	29	1,017,996	1,017,996	1,017,996	1,017,996
Retained earnings		2,776,136	1,833,562	1,563,326	949,018
Total equity attributable to equity holders of the parent		3,794,132	2,851,558	2,581,322	1,967,014
Non-controlling interest	30	699,188	468,865	-	-
Total equity		4,493,320	3,320,423	2,581,322	1,967,014
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	25	153,431	129,401	-	-
Employee benefits	26	75,278	65,099	57,474	49,559
Total non-current liabilities		228,709	194,500	57,474	49,559
Current liabilities					
Trade and other payables	22	798,669	616,255	608,459	431,777
Amount due to related companies	23	1,374,119	961,724	1,392,706	1,062,014
Interest bearing borrowings	24	81,488	1,323,166	67,867	1,060,045
Total current liabilities		2,254,276	2,901,145	2,069,032	2,553,836
Total liabilities		2,482,985	3,095,645	2,126,506	2,603,395
Total equity and liabilities		6,976,305	6,416,068	4,707,828	4,570,409

The notes on pages 56 to 98 form an integral part of these consolidated financial statements.

These financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

(Sgd.) K.A.R.S. Perera
General Manager

These financial statements were approved by the Board of Directors on 27 April 2016.

(Sgd.) Wickrema Senaka Weerasooria
Non-Executive Independent Chairman

(Sgd.) Tan Beng Chuan
Executive Director and Group General Manager

Consolidated Statement of Changes In Equity

All amounts in Sri Lankan Rupees thousands
For the year ended 31 December

GROUP	Attributable to equity holders of the parent			Non-controlling interest	Total equity
	Stated capital	Retained earnings	Total		
Balance as at 1 January 2014	1,017,996	1,762,128	2,780,124	399,081	3,179,205
Profit for the year	-	79,552	79,552	70,739	150,291
Other comprehensive income					
Actuarial loss arising from defined benefit obligation	-	(8,118)	(8,118)	(955)	(9,073)
Balance as at 31 December 2014	1,017,996	1,833,562	2,851,558	468,865	3,320,423
Balance as at 1 January 2015	1,017,996	1,833,562	2,851,558	468,865	3,320,423
Profit for the year	-	943,067	943,067	235,624	1,178,691
Other comprehensive income					
Actuarial loss arising from defined benefit obligation	-	(493)	(493)	(62)	(555)
Dividend paid	-	-	-	(5,239)	(5,239)
Balance as at 31 December 2015	1,017,996	2,776,136	3,794,132	699,188	4,493,320

COMPANY	Stated capital	Retained earnings	Total equity
Balance as at 1 January 2014	1,017,996	1,004,667	2,022,663
Loss for the year	-	(48,819)	(48,819)
Other comprehensive income			
Actuarial loss arising from defined benefit obligation	-	(6,830)	(6,830)
Balance as at 31 December 2014	1,017,996	949,018	1,967,014
Balance as at 1 January 2015	1,017,996	949,018	1,967,014
Profit for the year	-	614,714	614,714
Other comprehensive income			
Actuarial loss arising from defined benefit obligation	-	(406)	(406)
Balance as at 31 December 2015	1,017,996	1,563,326	2,581,322

The notes on pages 56 to 98 form an integral part of these consolidated financial statements.
Figures in brackets indicate deductions.

Consolidated Statement of Cash Flows

All amounts in Sri Lankan Rupees thousands
for the year ended 31 December

	NOTES	GROUP		COMPANY	
		2015	2014	2015	2014
Operating activities					
Profit / (loss) before tax		1,337,836	184,970	713,433	(30,663)
Adjustments					
Depreciation	12	162,952	157,016	59,464	55,616
Amortisation of leasehold right over land and buildings	13	17,437	16,475	4,928	3,967
Amortisation of intangible assets	14	13,104	13,103	13,104	13,103
Usage of biological assets	17	433,880	412,645	-	-
Loss on disposal of property, plant and equipment		1,714	1,496	528	293
Change in fair value less cost to sell on biological assets		(25,487)	(5,703)	-	-
Dividend income		-	(500)	(21,344)	(6,278)
Exchange loss		25,498	12,745	25,330	12,453
Interest income		(27,308)	(1,253)	(27,113)	(1,087)
Interest expense		30,471	68,928	15,657	49,627
Written-off of doubtful debts		199	28,915	199	29,122
Provision / (reversal) of doubtful debts	5	30,929	(28,915)	31,301	(29,122)
Provision for slow moving and obsolete items		2,570	5,598	2,544	4,077
Share of profit of associate		(9,919)	(4,643)	-	-
Changes in working capital					
- trade and other receivables		54,811	(104,819)	4,091	(49,219)
- inventories		248,608	(701,652)	246,920	(713,849)
- trade and other payables		119,521	118,615	129,582	61,989
- amount due from related companies		-	-	439,353	243,411
- amount due to related companies		412,395	13,948	330,692	66,824
Employee benefits	26	12,510	10,131	9,480	7,747
Cash generated from / (used in) operations		2,841,721	197,100	1,978,149	(281,989)
Exchange loss		(25,498)	(12,745)	(25,330)	(12,453)
Interest received		27,308	1,253	27,113	1,087
Interest paid		(30,471)	(68,928)	(15,657)	(49,627)
Employee benefits paid		(2,947)	(2,244)	(2,016)	(1,993)
Tax paid		(5,144)	(9,921)	-	-
Net cash generated from / (used in) operating activities		2,804,969	104,515	1,962,259	(344,975)
Investing activities					
Purchase of property, plant and equipment	12	(100,194)	(58,551)	(60,229)	(34,306)
Purchase of leasehold assets	13	-	(11,533)	-	(11,533)
Proceeds from disposal of property, plant and equipment		1,550	2,362	890	188
Proceeds from dividend income		10,300	500	21,344	6,278
Purchase of biological assets		(413,286)	(404,019)	-	-
Net cash used in investing activities		(501,630)	(471,241)	(37,995)	(39,373)
Financing activities					
Dividend paid		(5,239)	-	-	-
Net (settlements) / borrowings		(1,111,500)	265,000	(896,500)	300,000
Net cash (used in) / generated from financing activities		(1,116,739)	265,000	(896,500)	300,000
Increase / (Decrease) in cash and cash equivalents		1,186,600	(101,726)	1,027,764	(84,348)
Movements in cash and cash equivalents					
At the beginning of the year		(157,880)	(56,154)	(135,043)	(50,695)
Increase / (Decrease) in cash and cash equivalents		1,186,600	(101,726)	1,027,764	(84,348)
Cash and cash equivalents as at 31 December	21 (a)	1,028,720	(157,880)	892,721	(135,043)

The notes on pages 56 to 98 form an integral part of these consolidated financial statements.
Figures in brackets indicate deductions.

Notes to the Consolidated Financial Statements

1. REPORTING ENTITY

1.1. General

Ceylon Grain Elevators PLC (the 'Company') is a "Quoted Public Company" with limited liability, incorporated and domiciled in Sri Lanka. The address of the Company's registered office is No.15, Rock House Lane, Colombo - 15, Sri Lanka. The consolidated financial statements of the Company as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries and the Group's interest in associate, listed below.

Subsidiaries

- Three Acre Farms PLC
- Millennium Multibreeder Farms (Private) Limited
- Ceylon Pioneer Poultry Breeders Limited
- Ceylon Livestock and Agrobusiness Services (Private) Limited
- Ceylon Warehouse Complex (Private) Limited
- Ceylon Aquatech (Private) Limited

Associate

Prima Management services (Private) Limited

Ceylon Grain Elevators PLC (CGE) was incorporated in 1982, when the government of Sri Lanka and Prima Limited of Singapore signed an agreement. The Company was listed in the Colombo Stock Exchange on 27 January 1992 in the Food and Beverage Sector. The ultimate Parent Company Prima Limited, Singapore, holds 45.45% of the issued share capital of the Company.

1.2. Principal activities and nature of the operation

The principal businesses of the Group are manufacturing and selling of poultry feed and other animal feed, importing and selling of poultry equipment, drugs and vaccines, operating of poultry breeder farms, raising grandparent and parent stock and hatcheries, hatching and selling of day old chicks, operation of commercial farms, poultry processing and distribution and provision of warehouse facilities.

1.3. Number of employees

The average monthly number of employees of the Group and the Company for the year are as follows :

Group

Full time	505 (2014 - 501)
Part time	763 (2014 - 786)

Company

Full time	316 (2014 - 312)
Part time	144 (2014 - 141)

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements of the Company and those consolidated with such comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows together with the accounting policies and notes to the financial statements. The consolidated financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 07 of 2007.

2.2. Approval of financial statements by Directors

The consolidated financial statements were authorised for issue by the Board of Directors on 27 April 2016.

2.3. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except the valuation of retirement benefit obligation and valuation of biological assets which are disclosed in Note 26 - Employee Benefits and Note 17 - Biological Assets, to the financial statements.

2.4. Functional and presentation currency

The consolidated financial statements are presented in Sri Lankan Rupees, which is the Company's functional currency, rounded to the nearest thousand, unless otherwise stated.

2.5. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with Sri Lanka Accounting Standards (SLFRS) require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about assumptions and estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 3.4.7 - lease hold right classification
- Note 3.5 - intangible assets
- Note 3.6 - biological assets
- Note 3.8 - key assumptions used in discounted cash flow projections

- Note 3.9.3 - measurement of defined benefits obligation
- Notes 3.10 and 3.18 - provisions, commitments and contingencies
- Note 3.13 - deferred taxation

2.6. Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair value.

This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair value and reports directly to the management.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

If third party information such as broker quotes or pricing services is used to measure fair value, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised 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.
- 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 the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair value is included in Note 17 - Biological Assets.

2.7. Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3.1. Basis of consolidation

3.1.1. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group also takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships such amounts are generally recognised in profit or loss. Transactions 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.

3.1.2. Non-controlling interest

The total profit and loss for the year of the Company and its subsidiaries included in consolidation are shown in the consolidated statement of profit or loss with the proportion of profit or loss after taxation pertaining to minority shareholders of subsidiaries being deducted as 'Non-controlling interest'. All assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the consolidated statement of financial position. The interest of minority shareholders of subsidiaries in the fair value of net assets of the Group are indicated separately in the consolidated statement of financial position under the heading 'Non-controlling interest'.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interest is based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

3.1.3. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date, that control commences, until the date that control ceases.

3.1.4. Loss of control

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

3.1.5. Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 % and 50% of the voting power of another entity.

Investments in associates are accounted for under the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form

part thereof, is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3.1.6. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

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

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

3.3. Financial instruments

3.3.1. Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available for sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income are recognised in profit or loss.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to 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. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

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. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, current tax receivables, amount due from related companies and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

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 above 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 changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments are recognised 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 profit or loss.

3.3.2. Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, debt securities issued, bank overdrafts, amount due to related companies and trade and other payables. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

3.3.3. Stated capital

Ordinary shares

Ordinary shares are classified as equity. As per the Companies Act No. 07 of 2007, section 58 (1), stated capital in relation to a company means the total of all amounts received by the Company or due and payable to the Company in respect of the issue of shares and in respect of call in arrears.

3.4. Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

3.4.1. Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials and direct labour, any other costs directly attributable to bringing the asset to the working condition for its intended use and the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing cost. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.4.2. Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'other income / other expenses' in profit or loss.

3.4.3. Subsequent costs

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

3.4.4. Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

3.4.5. Depreciation

Depreciation is based on the cost or other amount substituted for cost, less its residual value. Significant components of individual assets are assessed and if a component has a

useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. 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. No depreciation is provided on assets under construction.

The estimated useful lives for the current and comparative years are as follows:

Freehold building	20 - 50 years
Plant and machinery	16 2/3 years
Electrical and factory equipment	2 - 5 - 10 - 20 years
Farm equipment	5 - 20 years
Furniture and fittings and office equipment	10 years
Motor vehicles	5 - 10 years

Land is not depreciated as it is deemed to have an indefinite life. 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 and the date that the asset is derecognised. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

3.4.6. Capital work-in-progress

Capital expenses incurred during the year which are not completed as at the reporting date are shown as capital work-in-progress, while the capital assets which have been completed during the year and put to use are transferred to property, plant and equipment.

3.4.7. Leased assets

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

Other leases are operating leases and any prepayments are recognised in the consolidated statement of financial position as leasehold rights. The leasehold rights under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

The cost of improvements to or on leased property is capitalised and depreciated over the unexpired period of the lease or the estimated useful lives of improvements, whichever is shorter.

3.5. Intangible assets

3.5.1. Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

3.5.2. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands are recognised in profit or loss as incurred.

3.5.3. Amortisation

Amortisation is recognised in profit or loss 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 lives for the current and comparative years are as follows :

Computer software	10 years
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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.6. Biological assets

A biological asset is a living animal. Biological assets consist of grandparent and parent livestock, used to breed Hatchable eggs and commercial Day Old Chicks. Grandparent and parent birds include the growing birds and the laying birds.

Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Hatchable eggs and commercial Day Old Chicks have been identified as Consumable biological assets.

Bearer biological assets are those other than Consumable biological assets. Bearer biological assets are not agricultural produce but, rather, are self-regenerating.

Company has identified grandparent and parent livestock as Bearer biological assets.

Biological assets are measured at fair value less cost to sell within any changes therein recognised in profit or loss for the period in which it arises.

3.7. Inventories

Inventories are measured at the lower of cost and net realisable value.

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

The general basis on which cost is determined is as follows:

- All inventory items except finished goods and working progress at purchased cost.
- Manufactured goods and work in progress at factory cost which include all direct expenditure and production overhead at normal level of activity.

3.8. Impairment

3.8.1. Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, 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 of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence: that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment.

Those found not to be specifically impaired are, then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are,

collectively assessed for impairment by grouping together assets with 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, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

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

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

3.8.2. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, 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, then the asset's recoverable amount is estimated. Goodwill and indefinite-life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU 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 CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

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

3.9. Employee benefits

3.9.1. 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 or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.9.2. Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(a) Employees' Provident Fund

The Group and employees contribute 12% and 8% respectively on the salary of each employee to the Employees' Provident Fund.

(b) Employees' Trust Fund

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund. The total amount recognised as an expense to the Group for contribution to ETF is disclosed in the notes to financial statements.

3.9.3. Defined benefit plan - gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

The calculation is performed annually by a qualified actuary using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The assumptions based on which the results of actuarial valuation was determined, are included in Note 26 - Employee Benefits, to the financial statements.

The Company recognises all actuarial gains and losses arising from defined benefit plan immediately in other comprehensive income and all expenses related to defined benefit plan in employee benefit expense in profit or loss.

The Company recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value

of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service cost that had not previously been recognised. However, according to the Payment of Gratuity Act No.12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company.

3.10. Provisions

A provision is recognised if, as a result of a past event, 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.

3.11 Revenue recognition.

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. Revenue excludes value added taxes or other sales taxes.

Rental income

Rental income received or receivable in the course of ordinary activities is recognised as revenue in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Other income

Gains / losses on the disposal of investments held by the Group have been accounted for as other income in profit or loss.

Gains / losses on the disposal of property, plant and equipment determined by reference to the carrying amount and related expenses, have been accounted for as other income in profit or loss.

Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and fair value gains on financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

3.12 Expenses

Operating lease payments

Where the Company has the use of assets under operating leases, payments made under the leases are recognised in the statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of profit or loss as an integral part of the total lease expense over the term of the lease. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Finance cost

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and losses on disposal of available-for-sale financial assets, fair value losses on financial assets at fair value through profit or loss and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.13 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for

financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

The principal temporary differences arise from depreciation on property, plant and equipment, tax losses carried forward, biological assets and provisions for defined benefit obligations. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3.14 Segment reporting

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

3.15 Basic earnings / (loss) per share

The Group presents basic earnings / (loss) per share (EPS) data 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.

3.16 Events occurring after the reporting period

All material post reporting period events have been considered and where appropriate adjustments or disclosures have been made in respective notes to the financial statements.

3.17 Comparative figures

Where necessary, the comparative figures have been reclassified to conform to the current year's presentation.

3.18 Commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control. Contingent liabilities are disclosed in Note 27 - Contingent Liabilities, to the financial statements. Commitments are disclosed in Note 28 - Commitments, to the financial statements.

3.19 New standards and interpretations not yet adopted

The following standard, amendments to standards and interpretations are not yet effective for the year ended 31 December 2015, and have not been applied in preparing these consolidated financial statements.

These includes;

SLFRS 14 - 'Regulatory Deferral Accounts' which will be effective from 1 January 2016

SLFRS 09 - 'Financial Instruments' which will be effective from 1 January 2018.

SLFRS 15 - 'Revenue from contract with customers' which will be effective from 1 January 2018.

The extent of the impact has not been determined.

Notes to the Consolidated Financial Statements (Contd.)

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04. SEGMENT INFORMATION

(a) Business segments

For the year ended 31 December 2015	Milling and farming	Poultry breeding and commercial	Others	Elimination /adjustment	Consolidated
Sales to outsiders	12,691,437	999,912	49,934	-	13,741,283
Inter segmental sales	758,972	1,089,292	55,397	(1,903,661)	-
Total revenue	13,450,409	2,089,204	105,331	(1,903,661)	13,741,283
Segment results	685,084	590,901	33,684	7,763	1,317,432
Net finance expenses	(40,987)	(14,771)	(211)	-	(55,969)
Other income / (Expenses)	69,336	27,005	(780)	(29,107)	66,454
Share of profit of associate company	-	-	-	9,919	9,919
Profit before tax	713,433	603,135	32,693	(11,425)	1,337,836
Taxation	(98,719)	(52,483)	(7,943)	-	(159,145)
Profit for the year	614,714	550,652	24,750	(11,425)	1,178,691
Other comprehensive income					
Actuarial loss arising from defined benefit obligation - net of tax	(406)	(146)	(3)	-	(555)
Total comprehensive income for the year	614,308	550,506	24,747	(11,425)	1,178,136
For the year ended 31 December 2014					
Sales to outsiders	10,791,462	736,498	15,804	-	11,543,764
Inter segmental sales	782,092	940,266	140,415	(1,862,773)	-
Total revenue	11,573,554	1,676,764	156,219	(1,862,773)	11,543,764
Segment results	8,118	186,299	42,556	6,301	243,274
Net finance expenses	(62,080)	(19,432)	(161)	-	(81,673)
Other income	23,299	7,464	42	(12,079)	18,726
Share of profit of associate company	-	-	-	4,643	4,643
(Loss) / Profit before tax	(30,663)	174,331	42,437	(1,135)	184,970
Taxation	(18,156)	(9,015)	(7,508)	-	(34,679)
(Loss) / profit for the year	(48,819)	165,316	34,929	(1,135)	150,291
Other comprehensive income					
Actuarial loss arising from defined benefit obligation - net of tax	(6,830)	(2,232)	(11)	-	(9,073)
Total comprehensive (expenses) / income for the year	(55,649)	163,084	34,918	(1,135)	141,218

Notes to the Consolidated Financial Statements (Contd.)

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04. SEGMENT INFORMATION (Contd.)

(b) Business segments (Contd.)

As at 31 December 2015	Milling and farming	Poultry breeding and commercial	Others	Elimination / adjustment	Consolidated
Segment assets	4,593,593	2,140,270	577,520	(353,730)	6,957,653
Associate	33	-	-	18,619	18,652
Inter segment assets	114,202	-	3,237	(117,439)	-
Total assets	4,707,828	2,140,270	580,757	(452,550)	6,976,305
Segment liabilities	2,105,972	310,727	66,286	-	2,482,985
Inter segment liabilities	20,534	195,547	87,775	(303,856)	-
Total liabilities	2,126,506	506,274	154,061	(303,856)	2,482,985
Capital expenditure	60,229	39,130	835	-	100,194
Depreciation / amortisation	64,392	100,795	15,202	-	180,389
Amortisation of intangible assets	13,104	-	-	-	13,104

As at 31 December 2014	Milling and farming	Poultry breeding and commercial	Others	Elimination / adjustment	Consolidated
Segment assets	4,016,821	2,267,354	466,590	(353,730)	6,397,035
Associate	33	-	-	19,000	19,033
Inter segment assets	553,555	-	100,365	(653,920)	-
Total assets	4,570,409	2,267,354	566,955	(988,650)	6,416,068
Segment liabilities	2,503,030	518,782	73,833	-	3,095,645
Inter segment liabilities	100,365	652,840	87,132	(840,337)	-
Total liabilities	2,603,395	1,171,622	160,965	(840,337)	3,095,645
Capital expenditure	45,839	24,245	-	-	70,084
Depreciation / amortisation	59,583	98,688	15,220	-	173,491
Amortisation of intangible assets	13,103	-	-	-	13,103

Notes to the Consolidated Financial Statements (Contd.)

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04. SEGMENT INFORMATION (Contd.)

(c) Business segments (Contd.)

The Group is organised into three main business segments:

- Milling and farming - milling of poultry feed, other feed and chicken farming.
- Poultry breeder and commercial - breeding of commercial Day Old Chicks and broiler farming.
- Others- rental and trading.

The business segments have been identified based on business activity from which earn revenue, incur expenses and for which discrete financial information are available.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash and exclude investments in subsidiaries. Segment liabilities comprise current and non-current liabilities. Capital expenditure comprises additions to property, plant and equipment.

(d) Sales are made up as follows :

	Notes	GROUP		COMPANY	
		2015	2014	2015	2014
Milling and farming		15,240,306	13,226,861	15,240,306	13,226,861
Poultry breeding and commercial		2,325,937	1,952,544	-	-
Others		111,434	174,836	-	-
		17,677,677	15,354,241	15,240,306	13,226,861
Elimination / adjustment		(1,899,662)	(2,067,570)	-	-
		15,778,015	13,286,671	15,240,306	13,226,861
Sales taxes	4 (e)	(2,036,732)	(1,742,907)	(1,789,897)	(1,653,307)
		13,741,283	11,543,764	13,450,409	11,573,554

(e) Sales taxes

	GROUP		COMPANY	
	2015	2014	2015	2014
Nation Building Tax	286,623	224,544	275,216	233,304
Value Added Tax	1,750,109	1,518,363	1,514,681	1,420,003
	2,036,732	1,742,907	1,789,897	1,653,307

Notes to the Consolidated Financial Statements (Contd.)

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5. OPERATING PROFIT

The following items have been charged / (credited) in arriving at operating profit:

	Notes	GROUP		COMPANY	
		2015	2014	2015	2014
Directors' emoluments	32	2,400	2,160	1,200	1,080
Auditors' remuneration - Audit service		5,621	5,231	3,355	3,105
- Other services		220	148	-	-
Legal fees		6,077	4,727	5,546	4,249
Depreciation on property, plant and equipment	12	162,952	157,016	59,464	55,616
Amortisation of leasehold right over land and buildings	13	17,437	16,475	4,928	3,967
Amortisation of intangible assets	14	13,104	13,103	13,104	13,103
Usage of biological assets	17	433,880	412,645	-	-
Provision / (reversal) for doubtful debts		30,929	(28,915)	31,301	(29,122)
Operating lease rentals - property		33,000	33,000	21,000	21,000
Staff expenses	7	919,156	707,883	630,980	462,250

6. TEMPORARY CESSATION OF OPERATION

On 1 November 2004 the directors temporarily ceased the operation of breeding, hatching and growing of prawns and sea cucumber of Ceylon Aquatech (Private) Limited, a subsidiary of the Company.

The Management of the Company is of the view that the commercial operations of the Chilaw Farm could be recommenced. The assets and liabilities as at the reporting date of the division were as follows:

	As at 31 December	
	2015	2014
Property, plant and equipment	60,549	61,970
Total assets	60,637	62,058
Total liabilities	87,917	87,285
Net assets	(27,280)	(25,227)

Notes to the Consolidated Financial Statements (Contd.)

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7. STAFF EXPENSES

	Notes	GROUP		COMPANY	
		2015	2014	2015	2014
Salaries and wages		869,779	664,865	593,690	430,016
Social security costs		1,238	106	1,222	90
Defined contribution plans		35,629	32,781	26,588	24,397
Employee benefits	26	12,510	10,131	9,480	7,747
		919,156	707,883	630,980	462,250

The average number of employees per month during the year:

- Full time	505	501	316	312
- Part time	763	786	144	141
	1,268	1,287	460	453

Part time employees include out source workers hired from third parties.

8. OTHER INCOME

	GROUP		COMPANY	
	2015	2014	2015	2014
Sundry income	15,373	13,266	21,407	16,227
Interest income	27,308	1,253	27,113	1,087
Dividend income	-	-	21,344	6,278
Change in fair value less cost to sell	25,487	5,703	-	-
(Loss) / profit on disposal of property, plant and equipment	(1,714)	(1,496)	(528)	(293)
	66,454	18,726	69,336	23,299

9. NET FINANCE EXPENSES

	GROUP		COMPANY	
	2015	2014	2015	2014
Foreign exchange transaction losses	25,498	12,745	25,330	12,453
Interest expense on bank borrowings	30,471	68,928	15,657	49,627
	55,969	81,673	40,987	62,080

Notes to the Consolidated Financial Statements (Contd.)

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10. TAXATION

	Notes	GROUP		COMPANY	
		2015	2014	2015	2014
Current tax		83,479	6,395	47,100	-
Under provision		-	1,172	-	-
Deferred tax charge / (release)	25	71,993	5,907	47,946	(2,002)
ESC write off		3,673	21,205	3,673	20,158
		159,145	34,679	98,719	18,156

COMPANY

The Company is liable to pay 10% as income tax on profits and income earned for the year ended 31 December 2015.

The Company is liable to pay 28% as income tax on interest income earned by the Company. The tax losses carry forward as of 31 December 2015 amounted to Rs. 69,208,751/- (2014 - Rs. 330,965,083/-).

GROUP

Three Acre Farms PLC is liable to pay income tax on profits and income earned at 10%. The tax losses available to carry forward as of 31 December 2015 amounted to Rs. 295,696,876/- (2014- Rs. 475,360,524/-).

Ceylon Livestock and Agrobusiness Services (Private) Limited is liable to pay income tax at 28% on the profits and income earned by the company.

Ceylon Pioneer Poultry Breeders Limited is liable to pay income tax at 28% on the profits and income earned by the company. The tax losses available to carry forward as of 31 December 2015 amounted to Rs. 227,140,221 (2014 - Rs. 227,399,096/-).

Millennium Multibreeder Farms (Private) Limited is liable to pay income tax at 10% on the profits and income earned by the company. The tax losses available to carry forward as of 31 December 2015 amounted to Rs. 58,041,794/- (2014 - Rs. 89,424,325/-).

Ceylon Aquatech (Private) Limited is liable to pay income tax at 28% on the profits and income earned by the company. However, the tax losses available to carry forward as of 31 December 2015 amounted to Rs.18,554,933/- (2014 - Rs. 18,570,724/-).

Ceylon Warehouse Complex (Private) Limited is liable for income tax on the profits and income earned by the company at the rate of 10%.

Notes to the Consolidated Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands
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10. TAXATION (Contd.)

Reconciliation of effective tax rate

The tax on the results of the Group's operations and the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	GROUP		COMPANY	
	2015	2014	2015	2014
Profit/(loss) before tax	1,337,836	184,970	713,433	(30,663)
Share of profit of associate	(9,919)	(4,643)	-	-
	1,327,917	180,327	713,433	(30,663)
Add: disallowable expenses	721,177	694,786	163,219	144,409
Deduct: allowable expenses	(714,769)	(744,422)	(158,091)	(157,657)
Profit / (loss) from trade or business	1,334,325	183,016	718,561	(43,911)
Add: interest income	29,883	1,026	29,872	994
Deduct: tax loss claimed	(471,959)	(56,027)	(261,951)	(348)
Deduct: Qualifying payments	(123,398)	(83,719)	(36,824)	(41,810)
Taxable income	768,851	(8,029)	449,658	(85,075)
Income tax using the domestic corporation tax rate				
@ 10%	81,804	3,336	47,100	-
@ 28%	1,675	3,059	-	-
Current tax	83,479	6,395	47,100	-
Under provision	-	1,172	-	-
Deferred tax charge / (release)	71,993	5,907	47,946	(2,002)
ESC write off	3,673	21,205	3,673	20,158
	159,145	34,679	98,719	18,156

Further information about deferred tax is presented in Note 25 - Deferred taxation.

11. BASIC EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share is calculated by dividing the net profit / (loss) attributable to ordinary shareholders by the weighted average number of shares in outstanding during the year.

	GROUP		COMPANY	
	2015	2014	2015	2014
Net profit / (loss) attributable to shareholders	943,067	79,552	614,714	(48,819)
Weighted average number of ordinary shares (thousands)	60,000	60,000	60,000	60,000
Basic earnings / (loss) per share (Rs.)	15.72	1.33	10.25	(0.81)

Notes to the Consolidated Financial Statements (Contd.)

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As at 31 December 2015

12. PROPERTY, PLANT AND EQUIPMENT

(a) GROUP	As at 01.01.2015	Additions / WIP transfer	Disposal / write off	As at 31.12.2015
Cost				
Land	346,659	-	-	346,659
Building	1,139,613	6,051	-	1,145,664
Plant and machinery, electrical and farm equipment	1,266,447	43,493	(17,290)	1,292,650
Furniture and fittings and office equipment	145,879	5,955	(6,875)	144,959
Motor vehicles	163,491	4,715	(2,512)	165,694
Capital work-in-progress	8,147	39,980	-	48,127
	3,070,236	100,194	(26,677)	3,143,753
Depreciation				
Building	102,342	27,804	-	130,146
Plant and machinery, electrical and farm equipment	684,505	103,262	(16,050)	771,717
Furniture and fittings and office equipment	100,060	9,789	(6,598)	103,251
Motor vehicles	56,551	22,097	(765)	77,883
	943,458	162,952	(23,413)	1,082,997
Carrying amount				
Land	346,659			346,659
Building	1,037,271			1,015,518
Plant and machinery, electrical and farm equipment	581,942			520,933
Furniture and fittings and office equipment	45,819			41,708
Motor vehicles	106,940			87,811
Capital work-in-progress	8,147			48,127
	2,126,778			2,060,756

Property, plant and equipment include fully depreciated assets, the cost of which as at 31 December 2015 amounted to Rs. 438,510,429/- (2014 - Rs. 446,665,877/-).

Notes to the Consolidated Financial Statements (Contd.)

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12. PROPERTY, PLANT AND EQUIPMENT (Contd.)

(b) COMPANY	As at 01.01.2015	Additions / WIP transfer	Disposal / write off	As at 31.12.2015
Cost or Deemed Cost				
Land	40,314	-	-	40,314
Building	32,079	-	-	32,079
Plant and machinery, electrical and farm equipment	463,201	27,967	(14,090)	477,078
Furniture and fittings and office equipment	136,771	5,777	(6,875)	135,673
Motor vehicles	77,648	1,652	(1,662)	77,638
Capital work-in-progress	7,541	24,833	-	32,374
	757,554	60,229	(22,627)	795,156

	As at 01.01.2015	Charge for the year	Disposal / write off	As at 31.12.2015
Depreciation				
Building	2,403	642	-	3,045
Plant and machinery, electrical and farm equipment	216,776	38,864	(14,050)	241,590
Furniture and fittings and office equipment	91,126	9,761	(6,598)	94,289
Motor vehicles	30,940	10,197	(561)	40,576
	341,245	59,464	(21,209)	379,500

	As at 01.01.2015	As at 31.12.2015
Carrying amount		
Land	40,314	40,314
Building	29,676	29,034
Plant and machinery, electrical and farm equipment	246,425	235,488
Furniture and fittings and office equipment	45,645	41,384
Motor vehicles	46,708	37,062
Capital work-in-progress	7,541	32,374
	416,309	415,656

Property, plant and equipment include fully depreciated assets, the cost of which as at 31 December 2015 amounted to Rs. 164,714,997/- (2014 - Rs. 174,303,352/-).

Notes to the Consolidated Financial Statements (Contd.)

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12. PROPERTY, PLANT AND EQUIPMENT (Contd.)

(c) Freehold Land carried at cost :	Location	Land extent	Cost
Ceylon Grain Elevators PLC	Attanagalla farm, Attanagalla	12 A - 2 R - 15.7 P	40,314,000
			40,314,000
Three Acre Farms PLC	Meegoda farm, Meegoda	24 A - 0 R - 3.17 P	19,215,850
	Kosgama farm		
	Aluthambalama, Kosgama	20 A - 3 R - 27.05 P	10,041,150
	Halwathura farm, Halwathura	54 A - 0 R - 3.76 P	29,796,324
	Bulathsinhala farm		
	Agaloya, Bulathsinhala	60 A - 3 R - 27 P	56,045,250
	Hijra farm - A, Pagoda, Beruwala	41 A - 3 R - 13.42 P	41,034,200
	Hijra farm - B, Beruwala	8 A - 3 R - 3.71 P	74,829,300
	Makuluwatta farm, Waga	12 A - 2 R - 18.90 P	6,098,235
			237,060,309
Ceylon Pioneer Poultry Breeders Limited	Nillambe farm, Office Junction, Galaha	33 A - 0 R - 28.82 P	39,541,310
	Aswatta farm, Kosgama	5 A - 3 R - 18.19 P	7,522,838
	Wewelpanawa farm, Wewelpanawa	27 A - 3 R - 20.47 P	11,151,175
			58,215,323
Ceylon Aquatech (Private) Limited	Chilaw farm	49 A - 1 R - 18 P	11,068,865
			11,068,865
Total			346,658,497

The Group has done an assessment on the market value of land by an independent, professional valuer Mr. J. C. Leuke Bandara - Incorporated Valuer (Graduate member of Institute of Valuers) and identified that there were no any substantial differences between the market value and the book value.

(d) Freehold buildings carried at cost :	Location	Number of buildings	Cost
Ceylon Grain Elevators PLC	Attanagalla farm, Attanagalla	56	32,079,237
			32,079,237
Three Acre Farms PLC	Meegoda farm, Meegoda	75	174,495,552
	Kosgama farm		
	Aluthambalama, Kosgama	52	57,741,461
	Halwathura farm, Halwathura	60	75,347,139
	Bulathsinhala farm		
	Agaloya, Bulathsinhala	91	193,713,111
	Hijra farm - A, Pagoda, Beruwala	60	176,350,688
	Hijra farm - B, Beruwala	42	17,832,302
	Makuluwatta farm, Waga	36	69,447,700
			764,927,953
Ceylon Pioneer Poultry Breeders Limited	Nillambe farm, Office Junction, Galaha	15	9,619,730
	Aswatta farm, Kosgama	45	51,085,000
			60,704,730
Millennium Multibreeder Farms (Private) Limited	Wewelpanawa farm, Wewelpanawa	45	231,565,950
			231,565,950
Ceylon Aquatech (Private) Limited	Chilaw farm	32	56,386,600
			56,386,600
Total			1,145,664,470

Notes to the Consolidated Financial Statements (Contd.)

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13. LEASEHOLD RIGHT OVER LAND AND BUILDINGS

	GROUP		COMPANY	
	2015	2014	2015	2014
Balance at the beginning of the year	468,049	472,991	117,793	110,227
Addition during the year	-	11,533	-	11,533
Amortisation for the year	(17,437)	(16,475)	(4,928)	(3,967)
Balance at the end of the year	450,612	468,049	112,865	117,793

The Company has an agreement to mortgage for Rs. 495 Million over leasehold land and buildings, plant, machinery and equipment at No.15, Rock House Lane, Colombo-15 as security for credit facilities.

The leasehold land and buildings recognised as Operating Lease based on substance of lease agreement.

The lease period of the leasehold land expired on 19 September 2012 and the Board of Directors has taken necessary action to renew the lease for a further period of 30 years.

14. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2015	2014	2015	2014
ERP Software				
Cost				
Balance at the beginning of the year	131,034	131,034	131,034	131,034
Additions during the year	-	-	-	-
Balance at the end of the year	131,034	131,034	131,034	131,034
Amortisation				
Balance at the beginning of the year	(59,006)	(45,903)	(59,006)	(45,903)
Amortisation for the year	(13,104)	(13,103)	(13,104)	(13,103)
Balance at the end of the year	(72,110)	(59,006)	(72,110)	(59,006)
Carrying amount	58,924	72,028	58,924	72,028

15. INVESTMENT IN ASSOCIATE COMPANY

Prima Management Services (Private) Limited is the only Associate of which the Group owns. It is one of the Group's strategic suppliers of provision of IT services and is principally engaged in the business of ICT solution and services for the Group. Prima Management Services (Private) Limited is not a listed entity.

	GROUP		COMPANY	
	2015	2014	2015	2014
Prima Management Services (Private) Limited	18,652	19,033	33	33
	18,652	19,033	33	33

Notes to the Consolidated Financial Statements (Contd.)

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15. INVESTMENT IN ASSOCIATE COMPANY (Contd.)

(a) Prima Management Services (Private) Limited

	GROUP	
	2015	2014
Balance at the beginning of the year	19,033	14,390
Share of profit after tax	9,919	4,643
(-) Share of dividend distributed	(10,300)	-
Balance at the end of the year	18,652	19,033

(b) Summarised financial information of Prima Management Services (Private) Limited

The following table summarises the financial information of Prima Management Services (Private) Limited as included in its own financial statements adjusted for fair value adjustments at the acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Prima Management Services (Private) Limited.

Statement of financial position	GROUP	
	2015	2014
Total assets	106,932	69,042
Total liabilities	(50,977)	(11,945)
Net assets	55,955	57,097
Statement of comprehensive income		
Revenue	175,876	122,575
Profit	29,757	13,929

(c) Share of profit of associate company

	Group's share of profit after tax	
	2015	2014
Prima Management Services (Private) Limited	9,919	4,643
	9,919	4,643

(d) Investment in associate company - unquoted

	No. of shares	Holding %	GROUP		No. of shares	Holding %	COMPANY	
			2015	2014			2015	2014
Prima Management Services (Private) Limited (PMS)	3,334	33%	18,652	19,033	3,334	33%	33	33
Net book value as at 31 December			18,652	19,033			33	33
Share of movement in equity value	-	-	-	-	-	-	-	-
Equity value in investments			18,652	19,033			33	33

The Company has invested Rs. 33,334/- in Prima Management Services (Private) Limited acquiring 33% stake during the year 2006.

Notes to the Consolidated Financial Statements (Contd.)

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16. INVESTMENT IN SUBSIDIARY COMPANIES

	Notes	2015	2014
Investment in subsidiary companies - quoted	16 (a)	148,625	148,625
Investment in subsidiary companies - unquoted	16 (b)	213,000	213,000
Investment in subsidiary companies - cost		361,625	361,625
Provision for impairment		(7,895)	(7,895)
		353,730	353,730

Provision has been made for the investment in Ceylon Aquatech (Private) Limited.

(a) Investment in subsidiary company - quoted

	No. of shares	Company holding %	Group holding %	2015	2014
Three Acre Farms PLC	13,469,980	57.21%	57.21%		
Net book value as at 31 December				148,625	148,625
Market value as at 31 December				1,625,827	686,969

(b) Investment in subsidiary companies - unquoted

	No. of shares	Company holding %	Group holding %	2015	2014
Ceylon Warehouse Complex (Private) Limited	1,500,002	100%	100%	150,000	150,000
Ceylon Aquatech (Private) Limited	6,000,000	100%	100%	60,000	60,000
Ceylon Livestock and Agrobusiness Services (Private) Limited	300,002	100%	100%	3,000	3,000
Net book value as at 31 December				213,000	213,000

Notes to the Consolidated Financial Statements (Contd.)

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16. INVESTMENT IN SUBSIDIARY COMPANIES (Contd.)

(c) Details of the companies incorporated in Sri Lanka, in which the Company held an interest of 50% or more are set out below:

Name of the Company	Proportion of ordinary shares held			Business
	2015	Movement	2014	
Ceylon Livestock and Agrobusiness Services (Private) Limited	100%	-	100%	Import and sale of poultry equipment, drugs and vaccines.
Ceylon Warehouse Complex (Private) Limited	100%	-	100%	Provide storage facilities
Ceylon Aquatech (Private) Limited	100%	-	100%	Integrated shrimp operation including breeding, processing and culture of shrimp.
Three Acre Farms PLC	57.21%	-	57.21%	Poultry breeder farms, hatcheries and commercial broiler farms.
Ceylon Pioneer Poultry Breeders Limited	57.21%	-	57.21%	Renting of farm operation
Millennium Multibreeder Farms (Private) Limited	57.21%	-	57.21%	Poultry breeder farming and hatchery

All the above companies, the financial years of which end on 31 December are audited by KPMG. These Companies were incorporated in Sri Lanka.

17. BIOLOGICAL ASSETS

	Notes	GROUP		COMPANY	
		2015	2014	2015	2014
Fair value less cost to sell at the beginning of the year		450,656	453,579	-	-
Additions during the year		413,286	404,019	-	-
Usage for the year	5	(433,880)	(412,645)	-	-
Change in fair value less cost to sell	8	25,487	5,703	-	-
Fair value less cost to sell at the end of the year		455,549	450,656	-	-
Non-current		439,170	430,629	-	-
Current		16,379	20,027	-	-
		455,549	450,656	-	-

(a) Biological assets

A biological assets is a living animal. Biological assets consist of parent and grandparent livestock, used to breed commercial Day Old Chicks, hatchable eggs and broiler birds. Parent and grandparent birds include the growing birds and the laying birds.

Biological assets - non-current

Bearer biological assets are those other than consumable biological assets and recognised as "Biological assets - Non-current". Bearer biological assets are not agricultural produce but, rather, are self generating. Parent and grandparent livestock have been identified as bearer biological assets.

Biological assets - current

Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Hatchable eggs and broiler birds have been identified as consumable biological assets.

(b) Measurement of fair value

(i) Fair value hierarchy

The fair value measurement of livestock have been categorised as level 3 fair values based on the inputs to the valuation technique used.

(ii) Level 3 fair values

The following table shows a breakdown of the total gains / (losses) recognised in respect of level 3 fair values.

Notes to the Consolidated Financial Statements (Contd.)

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17. BIOLOGICAL ASSETS (Contd.)

	GROUP		COMPANY	
	2015	2014	2015	2014
Change in fair value less cost to sell				
Included in 'Other Income'				
Biological assets - non-current	25,363	5,622	-	-
Biological assets - current	124	81	-	-
	25,487	5,703	-	-

(iii) Valuation technique and significant unobservable inputs

Following table shows the valuation technique used in measuring level 3 fair value as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Biological assets	<u>Discounted cash flows</u>		
Bearer biological assets comprise Broiler Grand Parent, Broiler Parent and Layer Parent	The valuation model considers the present value of the net cash flows expected to be generated by breeder farming. The expected net cash flows are discounted using a risk adjusted discount rate.	DOC yield	The FV will; - increase when DOC yield increased - decrease when DOC yield decreased
Consumable biological assets comprise Hatchable Eggs And Commercial Day Old Chicks (DOC)		DOC selling price	- increase when selling price increased - decreased when selling price decreased
		Discounting rate	- increase when discounting rate decreased - decreased when discounting rate increased
		Mortality	- increase when mortality rate decreased - decrease when mortality rate increased

(c) Risk management strategy related to biological assets

(i) *Regulatory and environmental risks*

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

(ii) *Supply and demand risks*

The Group is exposed to risks arising from fluctuations in the price and sales volume of commercial Day Old Chicks. When possible, the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing.

(iii) *Climate and other risks*

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases, and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspection, implementing disease control policies and procedures. The Group is also insured against natural disasters such as floods and hurricanes.

Notes to the Consolidated Financial Statements (Contd.)

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18. AMOUNT DUE FROM RELATED COMPANIES

	GROUP		COMPANY	
	2015	2014	2015	2014
Three Acre Farms PLC	-	-	-	440,416
Ceylon Aquatech (Private) Limited	-	-	87,775	87,132
Ceylon Pioneer Poultry Breeders Limited	-	-	210,897	212,424
Ceylon Livestock and Agrobusiness Services (Private) Limited	-	-	1,947	-
	-	-	300,619	739,972
Less: Provision for receivables	-	-	(186,417)	(186,417)
	-	-	114,202	553,555

Provision have been made for receivables from Ceylon Aquatech (Private) Limited and Ceylon Pioneer Poultry Breeders Limited amounting to Rs. 86,417,000/- and Rs. 100,000,000/- respectively.

19. INVENTORIES

	GROUP		COMPANY	
	2015	2014	2015	2014
Raw materials and consumables	1,468,705	1,893,476	1,390,875	1,813,957
Goods in transit	626,371	376,356	626,371	376,356
Finished goods				
- Feeds	81,402	79,770	81,402	79,770
- Chicken	34,941	109,256	34,941	109,256
Out grower stock	143,444	144,614	143,444	144,614
	2,354,863	2,603,472	2,277,033	2,523,953
Less: provision for slow moving and obsolete items	(36,885)	(34,316)	(35,339)	(32,795)
	2,317,978	2,569,156	2,241,694	2,491,158

Inventories are on an "agreed to mortgage" condition, against short term bank borrowings.

Notes to the Consolidated Financial Statements (Contd.)

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20. TRADE AND OTHER RECEIVABLES

	Notes	GROUP		COMPANY	
		2015	2014	2015	2014
Trade receivables		591,162	534,731	565,964	517,594
Less: provision for doubtful debts		(260,513)	(229,584)	(250,489)	(219,188)
		330,649	305,147	315,475	298,406
Prepayments		25,151	9,013	15,021	8,396
Other receivables	20 (a)	114,381	245,633	104,647	167,605
		470,181	559,793	435,143	474,407

(a) Other receivables

		GROUP		COMPANY	
		2015	2014	2015	2014
Deposits and advances		17,614	148,338	12,326	82,360
Staff loans		10,884	539	7,322	89
Other receivables		85,883	96,756	84,999	85,156
		114,381	245,633	104,647	167,605

21. CASH AND CASH EQUIVALENTS

		GROUP		COMPANY	
		2015	2014	2015	2014
Cash at bank		1,107,309	50,290	958,195	25,536
Cash in hand		2,899	3,496	2,393	2,966
		1,110,208	53,786	960,588	28,502

The Group's weighted average effective interest rate on short term bank deposits was on AWDR.

(a) Net cash and cash equivalents

For the purposes of the consolidated statement of cash flows, the year end cash and cash equivalents comprise the followings:

	Notes	GROUP		COMPANY	
		2015	2014	2015	2014
Cash and bank balances		1,110,208	53,786	960,588	28,502
Bank overdrafts	24	(81,488)	(211,666)	(67,867)	(163,545)
		1,028,720	(157,880)	892,721	(135,043)

Notes to the Consolidated Financial Statements (Contd.)

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22. TRADE AND OTHER PAYABLES

	Notes	GROUP		COMPANY	
		2015	2014	2015	2014
Trade payables		131,782	140,485	74,532	91,943
Accrued expenses		325,185	302,935	293,668	209,863
Dividend payable		513	557	513	557
Other payables	22 (a)	341,189	172,278	239,746	129,414
		798,669	616,255	608,459	431,777

(a) Other payables

	GROUP		COMPANY	
	2015	2014	2015	2014
Deposit and advances	90,887	46,158	66,552	38,571
Government taxes	22,070	67,153	648	44,675
Other payables	228,232	58,967	172,546	46,168
	341,189	172,278	239,746	129,414

23. AMOUNT DUE TO RELATED COMPANIES

	GROUP		COMPANY	
	2015	2014	2015	2014
Ceylon Agro Industries Limited	12,269	60,848	12,269	60,773
Prima Ceylon (Private) Limited	493,823	126,365	493,823	126,365
Prima Management Services (Private) Limited	2,143	10,156	2,143	10,156
Hapiways Management Services Pte Limited	865,884	764,318	865,884	764,318
Three Acre Farms PLC	-	-	15,350	-
Ceylon Livestock and Agrobusiness Services (Private) Limited	-	-	-	72,748
Ceylon Warehouse Complex (Private) Limited	-	-	3,237	27,617
Prima Land (Private) Limited	-	37	-	37
	1,374,119	961,724	1,392,706	1,062,014

Notes to the Consolidated Financial Statements (Contd.)

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24. INTEREST BEARING BORROWINGS

	GROUP		COMPANY	
	2015	2014	2015	2014
Current				
Bank overdrafts	81,488	211,666	67,867	163,545
Bank borrowings	-	1,111,500	-	896,500
	81,488	1,323,166	67,867	1,060,045

The interest rate exposure of the borrowings of the Group and the Company was as follows:

	GROUP		COMPANY	
	2015	2014	2015	2014
Total borrowings:				
- at fixed rates	-	-	-	-
- at floating rates	81,488	1,323,166	67,867	1,060,045
	81,488	1,323,166	67,867	1,060,045

GROUP / COMPANY	
2015	2014

Weighted average effective interest rates:

- bank overdrafts AWPLR+0.50% AWPLR+0.50%

Short term loans are borrowed on money market rates.

Bank borrowings were obtained to finance the import of raw materials relating to the production of poultry and animal feed. Security for these borrowings are inventories and receivables and agreement to mortgage for Rs. 495 Million over leasehold land and buildings, plant and machinery equipment at No.15, Rock House Lane, Colombo 15.

Notes to the Consolidated Financial Statements (Contd.)

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25. DEFERRED TAXATION

25.1 Deferred tax assets

The gross movement in the deferred tax account is as follows:

	Notes	GROUP		COMPANY	
		2015	2014	2015	2014
At the beginning of the year		55,425	53,423	55,425	53,423
Deferred tax charge recognised in profit or loss	10	(47,946)	2,002	(47,946)	2,002
Deferred tax release recognised in other comprehensive income		45	-	45	-
At the end of the year		7,524	55,425	7,524	55,425

Deferred tax has been computed by applying the effective current tax rate which is 10% in year 2015 (2014 effective tax rate - 10%).

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	2015		2014	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
Property, plant and equipment	(337,265)	(33,727)	(336,060)	(33,606)
Provision for doubtful debt	250,489	25,049	219,188	21,919
Defined benefit obligation	57,474	5,747	49,559	4,956
Tax losses	69,208	6,921	550,371	55,037
Provision for obsolete items	35,339	3,534	71,195	7,119
	75,245	7,524	554,253	55,425

Potential impact of income tax rate change

As per the press issue by the Finance Ministry on 06 April 2016, the Company will be liable to pay income tax at 17.5% instead of current income tax at 10% on profit and income earned by the Company with effect from year of assessment 2016/17.

Since the new tax rate had not been published through a gazette by the Parliament as at the reporting date, being December 31, 2015, the new rate was not considered to be substantially enacted as at that date. Accordingly, the Company has provided for deferred taxation at the existing rate of 10% in the financial statements for the year ended December 31, 2015. The potential impact on the deferred tax had the Company applied the proposed rate as above is shown below:

	2015 Company
Balance as at January 01	55,425
Deferred tax charge recognised in profit or loss	(42,336)
Deferred tax release recognised in other comprehensive income	79
Balance as at December 31	13,168

Notes to the Consolidated Financial Statements (Contd.)

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25. DEFERRED TAXATION (Contd.)

25.2 Deferred tax liabilities

The gross movement in the deferred tax account is as follows:

	Notes	GROUP		COMPANY	
		2015	2014	2015	2014
At the beginning of the year		129,401	121,492	-	-
Deferred tax Charge recognised in profit or loss	10	24,047	7,909	-	-
Deferred tax release recognised in other comprehensive income		(17)	-	-	-
At the end of the year		153,431	129,401	-	-

GROUP

Ceylon Pioneer Poultry Breeders Limited has been computed deferred taxation by applying the effective tax rate of 28%.

Ceylon Warehouse Complex (Private) Limited has been computed deferred taxation by applying the effective tax rate of 10%.

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	2015		2014	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
Property, plant and equipment	19,931,018	5,342,521	1,358,779	145,602
Biological assets	439,170	43,917	430,629	43,063
Defined benefit obligation	(17,804)	(1,780)	(15,540)	(1,554)
Tax loss	(18,908,672)	(5,230,755)	(564,784)	(56,478)
Provision for doubtful debts	(3,168)	(317)	-	-
Provision for obsolete items	(1,547)	(155)	(12,321)	(1,232)
	1,438,997	153,431	1,196,763	129,401

Unrecognised deferred tax assets

Deferred tax assets have not been recognised on tax losses carried forward for the following companies, since it is not probable that future taxable profit will be available against which the Company can utilise the benefit thereon.

	2015	2014
Ceylon Pioneer Poultry Breeders Limited		
Tax losses carried forward	227,140	227,399
Tax effect there on 28%	63,599	63,672
Ceylon Aquatech (Private) Limited		
Tax losses carried forward	18,555	18,571
Tax effect there on 28%	5,195	5,200

Notes to the Consolidated Financial Statements (Contd.)

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26. EMPLOYEE BENEFITS

	GROUP		COMPANY	
	2015	2014	2015	2014
Employee benefit obligation as at 1 January	65,099	48,139	49,559	36,975
Provisions made during the year	13,126	19,204	9,931	14,577
Benefits paid by the plan	(2,947)	(2,244)	(2,016)	(1,993)
Employee benefit obligation as at 31 December	75,278	65,099	57,474	49,559

The amounts recognised in the consolidated statement of financial position are as follows:

Present value of unfunded obligations	75,278	65,099	57,474	49,559
Recognised liability for defined benefit obligations	75,278	65,099	57,474	49,559

Movement in the present value of the defined benefit obligations

Employee benefits as at 1 January	65,099	48,139	49,559	36,975
Benefits paid by the plan	(2,947)	(2,244)	(2,016)	(1,993)
Current service cost	6,975	5,319	5,267	4,050
Interest on obligation	5,535	4,812	4,213	3,697
Actuarial loss during the year	616	2,359	451	1,755
Change in actuarial assumption	-	6,714	-	5,075
Defined benefit obligations at the end of the year	75,278	65,099	57,474	49,559

Expense recognised in the consolidated statement of profit or loss

Current service cost	6,975	5,319	5,267	4,050
Interest on obligation	5,535	4,812	4,213	3,697
	12,510	10,131	9,480	7,747

Expense recognised in the consolidated statement of other comprehensive income

Actuarial loss during the year	616	2,359	451	1,755
Change in actuarial assumption	-	6,714	-	5,075
	616	9,073	451	6,830

The actuarial valuation was carried out by professionally qualified actuary Mr. Piyal S Goonetilleke of Piyal S Goonetilleke Associates for retiring gratuity for employees as at 31 December 2015.

The liability is not externally funded.

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages) :

	2015	2014
Discount rate	8.5%	8.5%
Future salary increases	10.0%	10.0%

Assumptions regarding future mortality are based on published statistics and mortality tables.

The average life expectancy of an individual retiring at age 55

Staff turnover sliding scale by the age of employee retiring from 10%-1%

The provision for retiring gratuity for the year is based on the actuarial valuation made on 31 December 2015

Notes to the Consolidated Financial Statements (Contd.)

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26. EMPLOYEE BENEFITS (Contd.)

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

GROUP	2015		2014	
	Increase	Decrease	Increase	Decrease
Movement by 1%				
Discount Rate	5,156	(5,825)	4,609	(5,207)
Future salary scale	(6,077)	5,475	(4,848)	4,385

COMPANY	2015		2014	
	Increase	Decrease	Increase	Decrease
Movement by 1%				
Discount Rate	3,886	(4,385)	3,483	(3,933)
Future salary scale	(4,573)	4,125	(3,657)	3,310

27. CONTINGENT LIABILITIES

(a) 284/2008/MR - Green Valley Farm (Private) Limited Vs. Ceylon Grain Elevators PLC.

Green Valley Farm (Private) Limited filed the above case against CGE claiming Rs. 195,775,306/- as losses resulted from the business affairs, it had with CGE. The judgment of the case was delivered on 21 November 2014.

It was decided that Green Valley Farm (Private) Limited is entitled to recover only a sum of Rs. 47,223,869/- from CGE and that amount be set off against the amount due to be paid by Green Valley Farm (Private) Limited to CGE.

The Company has filed an Appeal against the said judgment and case is pending before the Supreme court.

(b) A 3175- Inter Company Employees Union Vs CGE and Subsidiaries

Employees of CGE and subsidiary companies went on strike on 20 March 2006 and those who went on strike were terminated. The dispute was referred to the Commissioner of Labour and the reference was gazetted by the Minister dated 26 May 2006 referring the case for hearing at the Industrial Court.

At the Industrial Court CGE took up a preliminary objection that Composite reference (referring to employees of six companies in one reference) is bad in law as they are separate legal entities and cannot be referred in one dispute. The Industrial Court gave its verdict rejecting the preliminary objection and thereafter the Company made an appeal against the interim order in the Court of Appeal (C/A796/2007). Court of Appeal delivered its judgement on 18 May 2010 rejecting the appeal filed by CGE. Accordingly the case was taken up for hearing before the Industrial Court.

On 20 October 2014 the Counsel appearing for CGE informed the Court that he needs to lead fresh evidence instead of previously led evidence as the earlier bench was not properly constituted which was allowed by the Industrial Court.

The matter is coming for the cross examination of the third witness of CGE on 11 May 2016.

(c) A 3174 - Inter Company Employees Union Vs CGE and Global Engineering and Supplies

Employees who worked under Labour Contractor, Global Engineering and Supplies were also involved in the strike.

This case was also referred to the Commissioner of Labour and reference was gazetted by the Minister dated 26 May 2006 referring the case for hearing at the Industrial Court.

This dispute was referred as 'Non offer of employment'. Lawyers appearing for CGE took up an objection in the Industrial Court that there is no such dispute called 'Non offer of employment'. The Industrial Court in its preliminary order rejected the said objection and thereafter CGE made an Appeal to the Court of Appeal. Court of Appeal delivered its judgement by rejecting the appeal filed by CGE and referring the case back to the Industrial Court for hearing.

This matter is coming on 27 April 2016 for evidence in chief of the third witness of the Applicant union.

Notes to the Consolidated Financial Statements (Contd.)

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28. COMMITMENTS

No capital commitments outstanding as at the reporting date except the following :

	Within one year	Within 1-5 years	More than 5 years	Total
COMPANY				
(a) Hapiways Management Services Pte Limited : for the management services rendered outside Sri Lanka.	34,574	138,298	760,637	933,509
(b) Operating Lease commitment : the Ministry of Finance and Planning for the use of land and buildings at No. 15, Rock house lane, Colombo 15.	48,500	194,000	1,067,000	1,309,500
(c) Sri Lanka Ports Authority : operating lease rentals for the use of Woodland Warehouse.	16,623	66,492	365,706	448,821
GROUP				
(d) Ceylon Warehouse Complex (Private) Limited : Operating lease rentals to Sri Lanka Ports Authority for the use of land.	12,000	48,000	264,000	324,000
	111,697	446,790	2,457,343	3,015,830

(e) With respect to (b), (c) and (d) above, the Company has exercised its option provided by the original Agreement and the related leases to renew for a further period of 30 years, before the Agreement and the related leases expired on 19 September 2012. In a letter dated 18 September 2012, the Government of Sri Lanka has expressed its willingness to consider an extension of the Agreement and the related leases subject to mutually acceptable terms and conditions and to permit the Company to continue to operate under the existing Agreement and the related leases pending negotiations to enter into a new Agreement and leases. The terms and conditions of the new leases have yet to be finalised at the date of this annual report. The operating lease commitments relating to these operating lease agreements have been stated based on the current lease rental rates.

(f) The Company is the Parent Company of Ceylon Aquatech (Private) Limited and Ceylon Pioneer Poultry Breeders Limited and confirms their commitment, in present circumstances to continue financial support in the business operations and to meet financial obligations. As the ultimate Parent Company of the above companies, CGE has no intention or inclination of withdrawing their support or reducing the scale of operations of the above companies in the forthcoming 12 months.

(g) The Company has provided a corporate guarantee of Rs. 250,000,000/- to Hatton National Bank PLC for a banking facility obtained by its subsidiary company, Three Acre Farms PLC.

Notes to the Consolidated Financial Statements (Contd.)

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29. STATED CAPITAL

	COMPANY	
	2015	2014
60,000,000 Ordinary shares	600,000	600,000
Share premium	417,996	417,996
	1,017,996	1,017,996

30. NON - CONTROLLING INTEREST

(a) Movements in non-controlling interest (NCI) during the period ended 31 December

	GROUP	
	2015	2014
As at the beginning of the year	468,865	399,081
Share of net profit of subsidiaries	235,624	70,739
Share of other comprehensive expenses of subsidiaries	(62)	(955)
Dividend paid	(5,239)	-
At the end of the year	699,188	468,865

(b) NCI Percentage for the period ended 31 December

	Principal place of business	Operating segment	Ownership interest held by NCI	
			2015	2014
Three Acre Farms PLC	Sri Lanka	Poultry breeding and commercial	42.79%	42.79%

(c) Summarised financial statements of Three Acre Farms PLC

Statement of financial position

Non-current assets	2,010,143	2,064,280
Current assets	130,127	203,074
Non-current liabilities	(136,132)	(111,857)
Current liabilities	(370,142)	(1,059,765)
Net assets	1,633,996	1,095,732
Carrying amount of NCI	699,188	468,865

Consolidated statement of profit or loss and other comprehensive income

Revenue	2,089,204	1,676,764
Profit for the year	550,652	165,316
Other comprehensive expenses for the year, net of tax	(146)	(2,232)
Total comprehensive income	550,506	163,084
Profit attributable to NCI	235,624	70,739
Other comprehensive expenses attributable to NCI, net of tax	(62)	(955)
Total comprehensive income attributable to NCI	235,562	69,784
Net cash generated from operating activities	491,861	292,260
Net cash used in investing activities	(193,305)	(182,324)
Net cash used in financing activities	(97,237)	(14,976)
Net increase in cash and cash equivalent	201,319	94,960

Notes to the Consolidated Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands
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31. FINANCIAL INSTRUMENTS

The Group has an exposure to the following risks arising from financial instruments :

- Credit risk
- Liquidity risk
- Market risk

The Group's Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework, developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors of Ceylon Grain Elevators PLC, oversee how management monitors compliance with the Company's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Group.

31.1 Financial Instruments - Consolidated statement of financial position

Financial assets	Notes	GROUP		COMPANY	
		2015	2014	2015	2014
Loans and receivables					
Trade and other receivables	20	445,030	550,780	420,122	466,011
Amount due from related companies	18	-	-	114,202	553,555
Current tax receivables		25,921	41,364	7,469	7,469
		470,951	592,144	541,793	1,027,035
Cash and cash equivalents	21	1,110,208	53,786	960,588	28,502
		1,581,159	645,930	1,502,381	1,055,537

Financial liabilities	Notes	GROUP		COMPANY	
		2015	2014	2015	2014
Other financial liabilities					
Interest bearing borrowings	24	-	1,111,500	-	896,500
Amount due to related companies	23	1,374,119	961,724	1,392,706	1,062,014
Trade and other payables	22	798,669	616,255	608,459	431,777
		2,172,788	2,689,479	2,001,165	2,390,291
Bank overdrafts	24	81,488	211,666	67,867	163,545
		2,254,276	2,901,145	2,069,032	2,553,836

Notes to the Consolidated Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands
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31. FINANCIAL INSTRUMENTS (Contd.)

31.2 Financial instruments - Consolidated statement of profit or loss

	2015		2014	
	Gain / income	Losses / expenses	Gain / income	Losses / expenses
GROUP				
Other financial liabilities				
Interest bearing borrowings	27,308	30,471	1,253	68,928
Total	27,308	30,471	1,253	68,928
COMPANY				
Other financial liabilities				
Interest bearing borrowings	27,113	15,657	1,087	49,627
Total	27,113	15,657	1,087	49,627

31.3 Credit risk

Credit risk is the risk of financial loss to the Group, if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers, placements with banking institutions and in government securities.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was :

	Notes	GROUP		COMPANY	
		2015	2014	2015	2014
Amount due from related companies	18	-	-	300,619	739,972
Trade and other receivables	20	705,543	780,364	670,611	685,199
Current tax receivables		25,921	41,364	7,469	7,469
Cash and cash equivalents	21	1,110,208	53,786	960,588	28,502
		1,841,672	875,514	1,939,287	1,461,142

Notes to the Consolidated Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands
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31. FINANCIAL INSTRUMENTS (Contd.)

31.4 Impairment losses

The aging of trade and other receivables at the reporting date was:

GROUP	2015		2014	
	Gross	Impairment	Gross	Impairment
Not past due	70,389	-	167,511	-
Past due 0 - 30 days	209,744	-	171,446	-
Past due 31 - 365 days	49,820	-	22,676	-
More than one year	375,590	260,513	418,731	229,584
	705,543	260,513	780,364	229,584

COMPANY	2015		2014	
	Gross	Impairment	Gross	Impairment
Not past due	60,966	-	99,807	-
Past due 0 - 30 days	197,472	-	165,005	-
Past due 31 - 365 days	49,820	-	20,421	-
More than one year	362,353	250,489	399,966	219,188
	670,611	250,489	685,199	219,188

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	GROUP		COMPANY	
	2015	2014	2015	2014
Balance as at 1 January	229,584	258,499	219,188	248,310
Impairment loss recognised / (reversed)	30,929	(28,915)	31,301	(29,122)
Balance as at 31 December	260,513	229,584	250,489	219,188

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past dues or past due by more than 365 days, which includes the amount owed by the Group's most significant customer, relates to customers that have a good payment record with the Group.

The aging of amount due from related companies at the reporting date was:

COMPANY	2015		2014	
	Gross	Impairment	Gross	Impairment
Not past due	-	-	-	-
Past due 0 - 365 days	300,619	186,417	739,972	186,417
More than 365 days	-	-	-	-
	300,619	186,417	739,972	186,417

The movement in the allowance for impairment in respect of amount due from related companies during the year was as follows:

	GROUP		COMPANY	
	2015	2014	2015	2014
Balance as at 1 January	-	-	186,417	186,417
Impairment loss recognised	-	-	-	-
Balance as at 31 December	-	-	186,417	186,417

Notes to the Consolidated Financial Statements (Contd.)

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31. FINANCIAL INSTRUMENTS (Contd.)

31.5 Liquidity risk

The followings are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

GROUP

As at 31 December 2015	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 Years	More than 5 years
Non-derivative financial liabilities							
Bank loans	-	-	-	-	-	-	-
Trade and other payables	798,669	(798,669)	(798,669)	-	-	-	-
Amount due to related companies	1,374,119	(1,374,119)	(1,374,119)	-	-	-	-
Bank overdrafts	81,488	(81,488)	(81,488)	-	-	-	-
	2,254,276	(2,254,276)	(2,254,276)	-	-	-	-

COMPANY

As at 31 December 2015	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 Years	More than 5 years
Non-derivative financial liabilities							
Bank loans	-	-	-	-	-	-	-
Trade and other payables	608,459	(608,459)	(608,459)	-	-	-	-
Amount due to related companies	1,392,706	(1,392,706)	(1,392,706)	-	-	-	-
Bank overdrafts	67,867	(67,867)	(67,867)	-	-	-	-
	2,069,032	(2,069,032)	(2,069,032)	-	-	-	-

GROUP

As at 31 December 2014	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 Years	More than 5 years
Non-derivative financial liabilities							
Bank Loans	1,111,500	(1,111,500)	(1,090,000)	(21,500)	-	-	-
Trade and other payables	616,255	(616,255)	(616,255)	-	-	-	-
Amount due to related companies	961,724	(961,724)	(961,724)	-	-	-	-
Bank overdrafts	211,666	(211,666)	(211,666)	-	-	-	-
	2,901,145	(2,901,145)	(2,879,645)	(21,500)	-	-	-

COMPANY

As at 31 December 2014	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 Years	More than 5 years
Non-derivative financial liabilities							
Bank Loans	896,500	(896,500)	(875,000)	(21,500)	-	-	-
Trade and other payables	431,777	(431,777)	(431,777)	-	-	-	-
Amount due to related companies	1,062,014	(1,062,014)	(1,062,014)	-	-	-	-
Bank overdrafts	163,545	(163,545)	(163,545)	-	-	-	-
	2,553,836	(2,553,836)	(2,532,336)	(21,500)	-	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

Notes to the Consolidated Financial Statements (Contd.)

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31. FINANCIAL INSTRUMENTS (Contd.)

31.6 Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument of fluctuating due to changes in foreign exchange rate.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts :

GROUP	2015		2014	
	USD	EUR	USD	EUR
Trade and other receivables	-	712	-	-
Cash and cash equivalents	32,031	-	167,509	-
Trade Payables	(117,796)	-	(24,739)	(11,220)
Amount due to related companies	(6,010,576)	-	(5,801,831)	-
Total Exposure	(6,096,341)	712	(5,659,061)	(11,220)

COMPANY	2015		2014	
	USD	EUR	USD	EUR
Trade and other receivables	-	-	-	-
Cash and cash equivalents	30,545	-	12,141	-
Trade Payables	(33,079)	-	(21,824)	(11,220)
Amount due to related companies	(6,010,576)	-	(5,801,831)	-
Total Exposure	(6,013,110)	-	(5,811,514)	(11,220)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
USD	137.01	130.78	144.06	132.00
EUR	150.84	174.84	157.37	159.42

31.7 Interest rate risk

At the reporting date the interest rate profile of the Group's interest bearing financial instruments were:

	GROUP		COMPANY	
	2015	2014	2015	2014
Fixed rate instruments				
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
Variable rate instruments				
Financial assets	-	-	-	-
Financial liabilities	(81,488)	(1,323,166)	(67,867)	(1,060,045)
	(81,488)	(1,323,166)	(67,867)	(1,060,045)

31.8 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates and interest rates affecting to the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters , while optimising the return.

Notes to the Consolidated Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands
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32. RELATED PARTY TRANSACTIONS

32.1 Key Management Personnel information

Key management personnel include 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 as well as the subsidiaries, directly or indirectly. Compensation paid to key management personnel on behalf of the companies are as follows:

	Notes	GROUP		COMPANY	
		2015	2014	2015	2014
Short-term employee benefits	5	2,400	2,160	1,200	1,080
Post employment benefits		-	-	-	-
		2,400	2,160	1,200	1,080

Mr. Wickrema Senaka Weerasooria, Mr. Cheng Chih Kwong, Primus, Mr. Tan Beng Chuan, Mr. Cheng Koh Chuen, Bernard, Mr. Cheng Eng Loong and Mr. Sunil Karunanayake the directors of the Company are also directors of the following companies as set out below and with transaction in note number 32.2 have been carried out.

Name of the related party	Name of the Director	Nature of transaction
Three Acre Farms PLC (TAF) Subsidiary	Mr. Wickrema Senaka Weerasooria Mr. Cheng Chih Kwong, Primus Mr. Tan Beng Chuan Mr. Cheng Koh Chuen, Bernard Mr. Sunil Karunanayake	CGE sells feeds to TAF. Also the Company purchases broiler DOC and culled birds from TAF.
Ceylon Pioneer Poultry Breeders Limited (CPPBL) Subsidiary	Mr. Cheng Chih Kwong, Primus Mr. Tan Beng Chuan	CGE provide financial support to meet CPPBL liabilities.
Ceylon Aquatech (Private) Limited (CAT) Subsidiary	Mr. Cheng Chih Kwong, Primus Mr. Tan Beng Chuan	No inter-company transactions have been recorded during the year.
Ceylon Livestock and Agrobusiness Services (Private) Limited (CLAS) Subsidiary	Mr. Cheng Chih Kwong, Primus Mr. Tan Beng Chuan	CLAS supplies veterinary drugs, medicine and poultry equipment to the Company's outgrower farms. Also the Company sells drugs and vaccines to CLAS.
Ceylon Warehouse Complex (Private) Limited (CWCL) Subsidiary	Mr. Cheng Chih Kwong, Primus Mr. Tan Beng Chuan	CWCL provides storage facilities to the Company.
Millennium Multibreeder Farms (Private) Limited (MMF) Subsidiary	Mr. Cheng Chih Kwong, Primus Mr. Tan Beng Chuan	CGE sells feeds to MMF Also the Company purchases broiler DOC and culled birds from MMF.
Prima Ceylon (Private) Limited (PCL) Group Company	Mr. Cheng Chih Kwong, Primus Mr. Tan Beng Chuan	The CGE purchases raw materials from PCL. Also the Company sells processed chicken to PCL.
Prima Management Services (Private) Limited (PMS) Associate Company	Mr. Cheng Chih Kwong, Primus	PMS provides ICT solutions and services to the Company.
Hapiways Management Services Pte Limited (HMS) Group Company	Mr. Cheng Chih Kwong, Primus	Purchases of all kind of imported raw materials, feed additives, spare parts and other significant imports from HMS.
Ceylon Agro Industries Limited (CAI) Group Company	Mr. Cheng Chih Kwong, Primus Mr. Tan Beng Chuan	The Company is purchasing local Maize and hiring the poultry processing plant, rendering plant and storage facilitation from CAI. Also the Company sells processed chicken to CAI.
Wealth Trust Securities Limited (WTS) Common Directorship	Mr. Wickrema Senaka Weerasooria	The Company received interest income on investment made on Government Securities.

Notes to the Consolidated Financial Statements (Contd.)

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32. RELATED PARTY TRANSACTIONS (Contd.)

32.2 Related party transactions

The Group has a related party relationship with its subsidiaries, associates and related group companies as disclosed in Note 32.1 Key Management Personnel Information.

Companies within the Group engage in trading transactions. The following transactions were carried out with related parties during the year ended 31 December 2015.

(a) Transactions with Subsidiaries

Company	CWCL	CLAS	CAT	TAF	MMF	CPPBL	Total 2015	Total 2014
Sale of goods	-	-	-	570,587	188,386	-	758,973	782,092
Purchase of goods	-	(669)	-	(432,549)	184,771	-	(248,447)	(660,671)
Sale of services	600	300	-	4,602	2,260	-	7,762	6,301
Purchase of services	(51,618)	-	-	(472,365)	-	-	(523,983)	(410,687)
(Reimbursement) / recovery of expenses	66	123	-	81,790	5,744	-	87,723	87,806
Settlement of third party dues	15,599	23,825	702	11,676	6,621	532	58,955	55,936
Settlement of intercompany dues	(2,800)	(1,984)	-	(119,167)	123,210	(2,059)	(2,800)	-
Funds (received) / paid	69,300	53,134	(60)	(64,454)	(146,063)	-	(88,143)	(135,469)

(b) Transactions with Related Parties

Company	WTS	HMS	CAI	PCL	PMS	Total 2015	Total 2014
Sale of goods	-	-	107,252	3,888	-	111,140	46,970
Purchase of goods	-	(5,656,926)	(5,019)	(1,371,312)	-	(7,033,257)	(7,320,441)
Sale of services	-	-	237	237	-	474	394
Purchase of services	-	(32,883)	(227,594)	(12,754)	(31,245)	(304,476)	(367,933)
Interest income received	16,612	-	-	-	-	16,612	-
Funds (received) / paid	-	5,590,590	(194,947)	1,193,735	43,029	6,632,407	7,714,880

Group	WTS	HMS	CAI	PCL	PMS	Total 2015	Total 2014
Sale of goods	-	-	107,252	3,888	-	111,140	46,970
Purchase of goods	-	(5,683,062)	(5,500)	(1,371,312)	-	(7,059,874)	(7,336,496)
Sale of services	-	-	237	237	-	474	394
Purchase of services	-	(32,883)	(227,594)	(12,754)	(31,245)	(304,476)	(367,933)
Interest income received	16,612	-	-	-	-	16,612	-
Funds (received) / paid	-	5,616,726	(194,947)	1,193,735	43,029	6,658,543	7,714,880

Notes to the Consolidated Financial Statements (Contd.)

*All amounts in Sri Lankan Rupees thousands
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32. RELATED PARTY TRANSACTIONS (Contd.)

32.3 Terms and Conditions of Transactions with Related Parties

Transactions with related parties are carried out in the ordinary course of the business at commercial rates. Outstanding balances at the year end are unsecured and no interest was charged during the year.

- (c) The receivables from related companies and payables to related companies on sale/purchase of goods/services are set out in note 18 and 23 respectively. These receivables and payables are unsecured, interest free and have no fixed repayment terms.
- (d) The subsidiary companies use some facilities of the Company free of charge and part of the accounting and administrative functions of the subsidiary companies are also performed by the Company for which no charges are made.

33. EVENTS AFTER THE REPORTING PERIOD

There are no events which require adjustment to, or disclosure in the financial statements except for the following;

The Directors propose for payment a First and Final dividend of Rs. 1.10 per share for the year ended 31 December 2015 on 7 April 2016.

34. COMPARATIVE INFORMATION

Comparative figures have been reclassified wherever necessary to conform to the current year's presentation.

35. DIRECTORS' RESPONSIBILITY

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

Five Year Financial Summary

All amounts in Sri Lankan Rupees thousands
As at 31 December

	2015	2014	2013	2012	2011
GROUP					
OPERATING RESULTS FOR THE PERIOD					
Revenue	13,741,283	11,543,764	11,468,100	12,375,045	10,479,840
Operating profit	1,383,886	262,000	416,858	420,993	534,846
Net finance expenses	(55,969)	(81,673)	(168,614)	(303,332)	(129,458)
Share of profit of associate	9,919	4,643	3,218	4,108	60,512
Profit before tax	1,337,836	184,970	251,462	121,769	465,900
Taxation	(159,145)	(34,679)	(52,184)	27,688	(46,515)
Profit from ordinary activities	1,178,691	150,291	199,278	149,457	419,385
Non - controlling interest	(235,624)	(70,739)	(75,453)	(15,302)	(72,966)
Profit attributable to the Company	943,067	79,552	123,825	134,155	346,419
FINANCIAL POSITION					
Stated capital	1,017,996	1,017,996	1,017,996	1,017,996	1,017,996
Retained earnings	2,776,136	1,833,562	1,762,128	1,642,968	1,514,049
Non-controlling interest	699,188	468,865	399,081	320,668	305,507
Non - current liabilities	228,709	194,500	216,131	365,395	546,323
	4,722,029	3,514,923	3,395,336	3,347,027	3,383,875
Intangible assets	58,924	72,028	85,131	98,235	91,218
Property, plant and equipment and investments	2,518,892	2,650,252	2,755,515	2,622,532	2,574,065
Investment in an associate company	18,652	19,033	14,390	11,172	290,576
Biological assets	439,170	430,629	431,049	369,298	346,934
Current assets	3,940,667	3,244,126	2,457,327	2,809,679	2,339,030
Current liabilities	(2,254,276)	(2,901,145)	(2,348,076)	(2,563,889)	(2,257,948)
	4,722,029	3,514,923	3,395,336	3,347,027	3,383,875
COMPANY					
RATIOS AND OTHER INFORMATION					
Basic earnings /(loss) per share (Rs.)	10.25	(0.81)	(0.39)	3.44	2.28
Dividend per share - propose (Rs.)	1.10	-	-	0.14	-
Dividend payout ratio - propose (%)	10.74	-	-	4.07	-
Market price per share (Rs.)	91.60	41.00	35.50	59.50	105.50
Price earnings ratio (No. of times)	8.94	(50.62)	(91.03)	17.29	46.27
Debt / equity ratio (No. of times)	0.57	0.54	0.31	0.35	0.08
Interest cover (No. of times)	44.83	0.36	0.86	3.68	18.59
Net assets per share (Rs.)	43.02	32.78	33.71	34.25	30.90
Current ratio (No. of times)	1.82	1.39	1.53	1.62	1.67
Shares traded (No. of shares)	33,983,884	13,246,893	10,487,311	10,884,718	70,039,800
US \$ Exchange rate (average)	137.01	130.78	129.40	128.40	110.83
US \$ Exchange rate (year end spot)	144.06	132.00	130.75	127.16	113.90

Statement of Value Added

Consolidated Value Added Statement

In Rs. '000	2015	2014	2013	2012	2011
Revenue	13,741,283	11,543,764	11,468,100	12,375,045	10,479,840
Adjustment for other income	66,454	18,726	47,770	525,013	55,490
	13,807,737	11,562,490	11,515,870	12,900,058	10,535,330
less: Cost of materials and services purchased from external sources	9,920,873	8,854,527	8,820,566	9,996,964	7,893,432
Value Added	3,886,864	2,707,963	2,695,304	2,903,094	2,641,898

Distributed as follows:

In Rs. '000	2015	%	2014	%	2013	%	2012	%	2011	%
To employees as remuneration	919,156	23.65	707,883	26.14	600,390	22.28	573,160	19.74	533,996	20.21
To the government as taxes	2,036,732	52.40	1,742,907	64.36	1,760,674	65.32	1,975,460	68.05	1,628,114	61.63
To the providers of capital										
as interest on loans	30,471	0.78	68,928	2.55	118,351	4.39	89,860	3.10	10,732	0.41
as minority interest	(235,562)	(6.06)	(69,784)	(2.58)	(75,235)	(2.79)	(15,700)	(0.54)	(72,966)	(2.76)
To shareholders as propose dividends	66,000	1.70	-	-	-	-	8,400	0.29	-	-
Retained within the business										
as depreciation and amortisation	193,493	4.98	186,595	6.89	167,813	6.23	142,853	4.92	135,603	5.13
as reserves	876,574	22.55	71,434	2.64	123,311	4.57	129,061	4.44	406,419	15.38
	3,886,864	100.00	2,707,963	100.00	2,695,304	100.00	2,903,094	100.00	2,641,898	100.00

Shareholder Information

1. ANALYSIS OF SHAREHOLDERS ACCORDING TO THE NUMBER OF SHARES AS AT 31 DECEMBER 2015

Shareholding	RESIDENT			NON RESIDENT			TOTAL		
	Number of shareholders	Number of shares	Percentage	Number of shareholders	Number of shares	Percentage	Number of shareholders	Number of shares	Percentage
1 - 1,000	3,457	962,382	1.60	25	11,907	0.02	3,482	974,289	1.62
1,001 - 10,000	991	3,314,227	5.52	20	87,929	0.15	1,011	3,402,156	5.67
10,001 - 100,000	185	5,258,629	8.76	5	183,004	0.31	190	5,441,633	9.07
100,001 - 1,000,000	16	4,701,633	7.84	2	371,981	0.62	18	5,073,614	8.46
Over 1,000,000	1	5,350,549	8.92	4	39,757,759	66.26	5	45,108,308	75.18
	4,650	19,587,420	32.64	56	40,412,580	67.36	4,706	60,000,000	100.00

Categories of shareholders

	No. of shareholders	No. of ordinary shares
Individual	4,461	9,282,685
Institutional	245	50,717,315
	4,706	60,000,000

2. LIST OF 20 MAJOR SHAREHOLDERS BASED ON THEIR SHAREHOLDING

No.	Name	As at 31 December 2015	
		Number of shares	Percentage
1	Prima Limited, Singapore	27,270,800	45.45
2	Employees Provident Fund	5,350,549	8.92
3	Supra Limited, Hong Kong	5,179,797	8.63
4	Japfa Ltd	5,041,909	8.40
5	Eka Limited, Singapore	2,265,253	3.78
6	Laugfs Gas Limited	1,000,000	1.67
7	Deutsche Bank AG as Trustee to Astrue Alpha Fund	602,032	1.00
8	Pan Asia Banking Corporation PLC / S.R. Fernando	522,800	0.87
9	Timex Garments (Private) Limited	400,000	0.67
10	Mr. P.A.J. Kumara	345,000	0.58
11	Mr. K.S.R. Nissanka	285,000	0.48
12	Mr. R.A. Rishard	268,625	0.45
13	ADL Equities Limited / M.Z.M. Ghouse	265,501	0.44
14	Mellon Bank N.A. - Commonwealth of Massachusetts	259,074	0.43
15	Mr. R.E. Rambukwelle	179,300	0.30
16	Mr. U.G.R.S.H. Dharmasiri	154,075	0.26
17	Mr. M.V. Theagarajah and Mrs. L. Theagarajah	126,900	0.21
18	Pan Asia Banking Corporation PLC / Mr. R.E. Rambukwelle	122,700	0.20
19	Mrs. L. Bandaranayake	115,000	0.19
20	Mellon Bank N.A. - Acadian Frontier Markets Equity Fund	112,907	0.18
	Total	49,867,222	83.11
		2015	2014
	The percentage of shares held by the public	54.54%	44.46%
	The number of shareholders representing the public holding	4,703	4,510

Glossary of Financial Terminology

Accrual Basis

Recording Revenues and Expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Capital Employed

Shareholders' Fund plus Debt.

Contingent Liabilities

A condition or situation existing at the end of the reporting period due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability.

Current Ratio

Current Assets over Current Liabilities.

Debt / Equity Ratio (Gearing)

Debt as a percentage of Shareholders' Funds.

Dividend Cover

Earnings per share over dividend per share.

Dividends Payout Ratio

Total Dividend as a percentage of Company profits.

Dividend Yield

Dividend per share as a percentage of market price of share at the end of the period.

Earnings Per Share (EPS)

Profit after tax attributable to Ordinary Shareholders over weighted average number of shares in issue during the period.

Enterprise value

Market capitalisation plus debt minus total cash and cash equivalents.

Earnings Yield

Earnings per Share as a percentage of Market Price per Share at the end of the period.

Effective Rate of Taxation

Income Tax including Deferred tax over Profit Before Tax.

Interest Cover

Profit Before Interest and Tax over Finance Expenses.

Market Capitalisation

Number of Shares in issue at the end of the period multiplied by the share price at end of the period.

Net Assets

Total Assets minus Current Liabilities minus Long Term Liabilities minus Minority Interest.

Net Asset per Share

Net Assets divided by number of Ordinary Shares in issue at the end of the period.

Net Debt

Debt minus Cash and Short Term Deposits.

Net Turnover per Employee

Net Turnover over average number of employees.

Price Earnings Ratio

Market Price of Share over Earnings per Share.

Quick Ratio

Cash plus Short Term Investments plus Receivables over Current Liabilities.

Return on Assets

Profit After Tax over Average Total Assets.

Return on Capital Employed

Earnings before interest and tax as a percentage of average of shareholders' funds plus total debt.

Return on Equity

Consolidated Profit after Tax as a Percentage of Average Shareholders' Funds.

Shareholders' Fund

Stated Capital, Capital Reserves and Revenue Reserves.

Shareholders' Equity Ratio

Total Equity divided by Total Assets.

Total Assets

Non-Current Assets plus Current Assets.

Total Debt

Long Term Loans plus Short Term Loans and Overdraft.

Total Debt/ Total Assets

Total Debt divided by Total Assets.

Total Value Added

The difference between Revenue (Including Other Income) and Expenses, Cost of Materials and services purchased from External Sources.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 33rd Annual General Meeting of the Company will be held on Thursday, 19 May 2016 at the Sri Lanka Foundation Institute, No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo - 7 at 10.45 a.m. and the business to be brought before the Meeting will be:

1. To receive and consider the Report of the Board of Directors on the State of Affairs of the Company and the Financial Statement for the year ended 31 December 2015, with the Report of the Auditors thereon.
2. To declare a First and Final Dividend of Rs.1.10 per share for the year ended 31 December 2015.
3. To re-elect Mr. Cheng Koh Chuen, Bernard a Director who retires by rotation at the Annual General Meeting in terms of Article 87 of the Articles of Association of the Company.
4. To re-appoint Messrs KPMG, Chartered Accountants as Auditors and to authorise the Directors to determine their remuneration.
5. To authorise the Directors to determine contributions to charities and other purposes.

By order of the Board

S S P CORPORATE SERVICES (PRIVATE) LIMITED

Secretaries

Colombo, Sri Lanka

27 April 2016

Note:

- (a) A member entitled to attend and vote at the above mentioned meeting is entitled to appoint a Proxy to attend and vote instead of him/her. Such Proxy needs not be a member of the Company.
- (b) A Form of Proxy is annexed to this notice.
- (c) The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 15, Rock House Lane, Colombo 15 not later than 48 hours before the time appointed for the holding of the meeting.
- (d) Shareholders/proxy holders are requested to bring with them their National Identity Cards or any other form of clear/valid identification and present same at the time of registration.

Form of Proxy

I/We
(NIC No.....) of
 being a member/s of Ceylon Grain Elevators PLC, hereby appoint
(NIC No.....) of
or failing him

Mr. WICKREMA SENAKA WEERASOORIA of Colombo or failing him
 Mr. CHENG CHIH KWONG, PRIMUS of Singapore or failing him
 Mr. TAN BENG CHUAN of Colombo or failing him
 Mr. CHENG ENG LOONG of Singapore or failing him
 Mr. CHENG KOH CHUEN, BERNARD of Singapore or failing him
 Mr. SUNIL KARUNANAYAKE of Colombo

as my/our Proxy to represent me/us and vote on my/our behalf at the Annual General Meeting of the Company to be held on 19 May 2016, and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting and to VOTE as indicated below:

	FOR	AGAINST
1. To receive and consider the Report of the Board of Directors on the State of Affairs of the Company and the Financial Statements for the year ended 31 December 2015, with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a First and Final Dividend of Rs.1.10 per share for the year ended 31 December 2015.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. Cheng Koh Chuen, Bernard a Director who retires by rotation at the Annual General Meeting in terms of Article 87 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Messrs KPMG, Chartered Accountants as Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorise the Directors to determine Contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand/thisday of Two Thousand and Sixteen.

Signature:

Note : Please delete the inappropriate words.

1. Instructions for completion of proxy are noted on the next page.
2. A proxy need not be a member of the Company.
3. Please mark "X" in appropriate cages, to indicate your instructions as to voting.

INSTRUCTIONS TO COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, your instructions as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the Proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 15, Rock House Lane, Colombo 15, at least 48 hours before the time appointed for holding of the Meeting.
4. If the form of proxy is signed by an attorney, the relative 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.

Note:

If the shareholder is a Company or body corporate, Section 138 of the Companies Act No.07 of 2007 applies to Corporate Shareholders of Ceylon Grain Elevators PLC. Section 138 provides for representation of Companies at meetings of other Companies. A Corporation, whether a Company within the meaning of this act or not, may-where it is a member of another Corporation, being a Company within the meaning of this Act, by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company. A person authorised as aforesaid shall be entitled to exercise the same power on behalf of the Corporation which it represent as that Corporation could exercise if it were an individual shareholder.

Corporate Information

Company Name

Ceylon Grain Elevators PLC

Company Registration No.

PQ 161

Registered Office

No.15, Rock House Lane, Colombo-15, Sri Lanka.

Tel : +(94) (11) 2522556 or 8 / 2523580 / 2526378 to 2526383

Fax : +(94) (11) 2524163

E-mail : info.cge@prima.com.lk

Subsidiary Companies

Three Acre Farms PLC

Millennium Multibreeder Farms (Private) Limited

Ceylon Pioneer Poultry Breeders Limited

Ceylon Livestock and Agrobusiness Services
(Private) Limited

Ceylon Warehouse Complex (Private) Limited

Ceylon Aquatech (Private) Limited

Associate Company

Prima Management Services (Private) Limited

Bankers

Hatton National Bank PLC

Nations Trust Bank PLC

National Development Bank PLC

Sampath Bank PLC

Union Bank of Colombo PLC

Bank of Ceylon

Commercial Bank of Ceylon PLC

Axis Bank Limited

DFCC Vardhana Bank PLC

Lawyers

Varners Lanka Law office

D.L. & F. De Saram

Auditors

KPMG, Colombo, Sri Lanka.

Company Secretary

S S P Corporate Services (Private) Limited.

No. 101, Inner Flower Road, Colombo-3.

Board of Directors

Mr. Wickrema Senaka Weerasooria	- Non-Executive Independent Chairman
Mr. Cheng Chih Kwong, Primus	- Executive Director and Chief Executive Officer
Mr. Tan Beng Chuan	- Executive Director and Group General Manager
Mr. Cheng Koh Chuen, Bernard	- Non-Executive Director
Mr. Cheng Eng Loong	- Non-Executive Director
Mr. Sunil Karunanayake	- Non-Executive Independent Director

Management

Mr. K.A.R.S. Perera	- General Manager
Mr. Chng Sun Tick	- AGM (Farms)
Mr. Ang Kian Huat	- AGM (Farms)
Mr. Akram Ansar	- AGM (Finance)
Mr. Jeff Li Zhen Jie	- AGM (Technical)
Mr. Lalith Abeywardena	- AGM (Sales)
Mr. M.C.M. De Costa	- AGM (Personnel, Security and General Affairs)
Mr. Sumith Peiris	- AGM (Material Management)
Mr. Neil Jayaweera	- AGM (Processing)
Mr. Waruna Jayathilaka	- AGM (Human Resources)

