

CEYLON GRAIN ELEVATORS PLC  
*Annual Report 2020*

A close-up photograph of a hand gently holding a small green seedling growing from soil. The seedling has two bright green leaves and a small root system. The background is a soft, out-of-focus green field. The overall tone is warm and natural, emphasizing growth and care.

# Responsible Growth

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# Responsible Growth



2020 was an extraordinarily demanding year, filled with unprecedented challenges. The resilient and purposeful response of our teams to these setbacks tested their dedication. We have successfully maintained our position as the leading operator in the poultry industry, delivering on our promise of value to all stakeholders in these uncertain times. Forging ahead, we are confident of achieving increased development for our integrated sector, based on our guiding belief of 'Responsible Growth'. We continue to grow on the three pillars of good governance, accountability and transparency.

Maintaining equilibrium between a healthy financial performance and protecting our natural resources and ecosystems is ingrained in our work ethic. Embedding our commitment to safeguarding our environment in all our production processes, we occupy a unique niche as a trusted brand among our customers and stakeholders.



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**157.89** | **DIVIDEND PAYOUT RATIO - COMPANY (%)**  
2019 - 53.25 (%)

**126.23** | **NET ASSET PER SHARE- GROUP (LKR)**  
2019 - LKR 119.94

## VISION

*“To achieve complete poultry integration synergies, ultimately gaining export market competitiveness.”*

## 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.*

## 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.*

## CORE VALUE

*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.



### HONOURABLE WINNER

Achieving success through fair competition. Striving towards excellence.



### HONEST FORTUNE

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

## OUR HISTORY

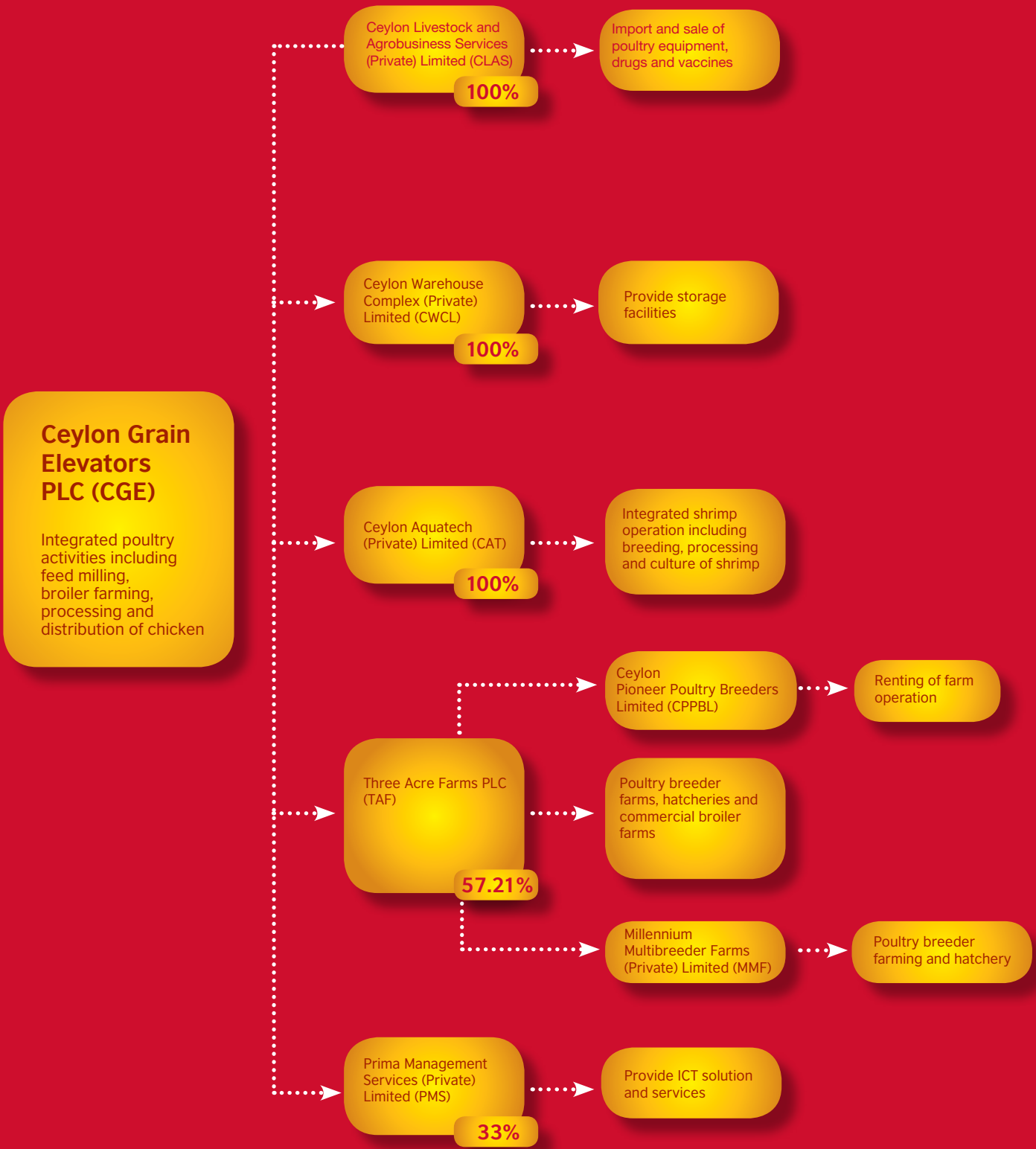


The corporate journey of Ceylon Grain Elevators PLC (CGE) commenced way back in December 1982, when the Government of Sri Lanka and Prima Limited of Singapore inked an agreement beginning a partnership that has endured over three decades of yeoman service to the poultry industry in the country.

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 farms and also engage in the processing, packaging and retailing of poultry 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.

# GROUP STRUCTURE



# OUR MILESTONES



1991

Investment in the equity of Ceylon Livestock and Agrobusiness Services (Private) Limited which undertakes trading activities

1992

CGE Shares were introduced to the Central Depository System at the Colombo Stock Exchange

Bonus issue of 1-for-3 share capitalising Rs.50 Million from capital reserves

Right issue of Rs.10 Million ordinary shares for a premium of Rs. 35/- per share raising CGE's capital to Rs.300 Million

Acquisition of Three Acre Farms Limited (TAF)

1994

Incorporation of Ceylon Warehouse Complex (Private) Limited (CWCL), a wholly-owned subsidiary of CGE

Bonus issue of 1-for-2 share capitalising Rs. 150 Million from share premium

Right issue of 15 Million ordinary shares at a premium of Rs. 15/- per share to raise CGE's issued capital to Rs. 600 Million

1993

Incorporation of Ceylon Pioneer Poultry Breeders Limited, a wholly-owned subsidiary of TAF

2006

Investment in Prima Management Services (Private) Limited, an Associate Company of CGE

2007

Commencement of Environment Controlled House projects at Commercial Farms

2009

Implementation of ERP System

2017

Fully taking over the operation of poultry processing plant

2013

Addition of a new feed mill line

2010

ISO Quality Management System certification (ISO 9001:2008)

## CHAIRMAN'S REVIEW

# 1,271

Group Profitability (Rs. Mn)

# 18.00

Dividend Per Share (LKR)

“Our steadfast effort in maintaining operational excellence, efficient cost management and improved productivity also contributed to improved profit after tax by 3% to Rs. 1,270.9 Mn during the year.”

### Dear Shareholder,

It is my pleasure to present you the Annual Report of Ceylon Grain Elevators PLC for the financial year 2020. Our theme for the Annual Report this year is 'Responsible Growth' exemplifying our approach to business during this pandemic environment, focusing mainly on our responsibility as the market leader and thereby continuing our commitment to delivering value to all our stakeholders at a time of uncertainties.

### Pandemic challenges

The year under review was filled with challenges caused by Covid-19 in Sri Lanka and across the globe. The first wave of pandemic led to worldwide movement restrictions including lockdowns & curfew being imposed in Sri Lanka to control the spread of the disease. Most economic activities came to a standstill with a larger proportion of key sectors being forced to work remotely. Consequently, the Sri Lankan economy contracted by 3.6% per year-on-year in 2020.

The evolving Covid-19 outbreak affected the Company's operations and sales due to the closure of hotels, restaurants, supermarkets and general trade from mid-March to mid-May 2020. This forced us to delay the catching of Live Broiler Birds to chicken meat production leading to an increased growing cycle of Live Broiler Birds while our frozen chicken stocks had reached the highest level in cold rooms. Further, with the

resurgence of the second wave of the outbreak, the feed mill operations of the company were temporarily disrupted from 1 November to 6 November 2020 with the identification of four cases of COVID-19 infections. Thankfully, safe operations resumed quickly due to the Company's stringent containment measures. On the other hand, I am pleased to report that all our poultry farms and poultry processing business units remained fully operational throughout the year.

The dedication and resilience of our employees were proven as they reported to work despite the unpredictable environment. Efforts were made to ensure optimal production while effectively managing the limitations in material supply. The Company appreciates the support and contribution of our employees in this endeavour.

### Company Performance

During the year under review, the Group achieved a 4% growth in revenue to Rs. 18,463.0 Mn due to consistent feed quality and the strong relationships maintained with our key customers. Our steadfast effort in maintaining operational excellence, efficient cost management and improved productivity also contributed to improved profit after tax by 3% to Rs. 1,270.9 Mn during the year.

I am extremely happy to state that the Company declared a first interim dividend of Rs. 4.50 in November 2020, a second interim dividend of Rs. 9.00 in February 2021 and a final dividend of Rs. 4.50 in April 2021, in appreciation of your unwavering faith in us.

### **Our Governance**

Governance, accountability, and transparency remain the core foundation of our corporate governance structure and thus we uphold the highest standards of corporate governance complying with all the mandatory and voluntary requirements across our business operations. The Board of Directors further reinforces this effort with their continued leadership and guidance of the Company towards achieving our strategic objectives. During the financial year 2020, the Company complied with all regulatory requirements and maintained high standards of corporate conduct.

### **Corporate Social Responsibility**

As part of our corporate social responsibility initiative, the Group supplied frozen chicken and eggs to the Armed Forces of Sri Lanka who dedicated themselves towards nationwide efforts undertaken by the Ministry of Defense to counter the Covid-19 pandemic from spreading. Our community support also included the reconstruction of the main access road to our Kosgama farms as well as donating requisite materials for the drinking water project to Pinhena Villagers' Society, Beruwala situated in proximity to the Commercial farm.

### **Future Outlook**

We are mindful of the persistent threats and challenges posed by the COVID-19 pandemic, and anticipate an overall negative effect on the economy as a whole, as well as the feed and poultry industry, as a result of macro and micro economic factors including restrictions on importations and rising imported raw material prices. Nevertheless, we are cautiously optimistic of overcoming the effects of these challenges.

Moving ahead, we look forward to developing our farms with modern technology and carrying out capacity enhancement across the entire value chain. We will also continue to strengthen our health and safety standards of all stakeholders across the Company at all levels.

### **Appreciation**

I wish to express my sincere gratitude to all our stakeholders who have placed their trust in us and supported us with their relentless dedication over the years. I express my deepest appreciation to Mr. Tan Beng Chuan (Executive Director and Group General Manager) who retired on 31 October 2020 from the Board, for his service and the invaluable contribution towards building a resilient Company. I also sincerely welcome Mr. Chan Kong Meng, Lawrence (Executive Director and Group General Manager) who was appointed to the Board on the 1 November 2020.

My heartfelt thanks are extended to my fellow Directors on the Board for their guidance and to the Management and Staff of the Company for their continuous and diligent efforts to sustain the Company's success.

### **Wickrema Senaka Weerasooria**

Non-Executive Independent Chairman

# CHIEF EXECUTIVE OFFICER'S REVIEW

# 18.5

Group Revenue (Rs. Bn)

# 15.73

Group Earnings Per Share (LKR)

“Moving forward, we will continue to improve our capacity and productivity through automation of the production process, upgrading of aspiration system & operational systems and introducing alternative methods and tools that would improve productivity.”

## Dear Shareholder,

I am pleased to present to you the Annual Report for the year ended 31 December 2020. The year under review proved to be one of the most challenging years in our history, as the spread of Covid-19 brought daily life to a standstill, creating an extremely difficult environment for businesses to operate. However, despite the adverse market conditions, Ceylon Grain Elevators PLC continued to create value for its stakeholders, aided by a resilient team that strives for innovation, collaboration, and pursuit of excellence.

## Operating and Market Conditions

The outbreak of Covid-19 had a severe impact on the Sri Lankan economy during the year, causing it to contract by 3.6% in 2020. The agriculture and the manufacturing industry sectors also declined by 2.4% and 3.9% respectively during the year compared to the growth recorded in the same period of the previous year, whilst the financial sector was the most negatively affected. To support the efforts of the Government in reviving the economy, the Central Bank of Sri Lanka implemented a debt moratorium, maintained a low-interest rates environment, minimum statutory liquidity rates for financial institutions and relaxed administrative and supervisory compliance requirements, amongst other efforts.

The broad-based impact of Covid-19 included falling receipts from exports, tourism and remittances, which contributed in part to the depreciation of the Sri Lankan Rupee. Amongst

the measures adopted by the Government to address this situation, restrictions on imports were implemented, which affected many sectors, including our business. Moreover, the Covid-19 related control measures across the globe impacted the sourcing of both imported and local raw materials for production. We are thankful that despite these challenges, we received strong support from our local and international suppliers who were willing to work tirelessly with our dedicated team to secure an adequate supply of raw materials for our business.

The Covid-19 pandemic has caused a fall in demand for poultry, especially from supermarkets and other channels, which affected poultry farmers' confidence during the first half of the year. However, during the second half of the year, the demand for poultry feed increased due to farmers moving to compound feed because of shortage of raw materials in the local market. The demand for Parent Stock Day Old Chicks (DOCs) from the local market also improved following the early culling of Breeder Parent Stock during lockdown period by breeder farms, restricted importations due to Avian Flu in suppliers' countries, flight cancellations and high freight charges on importation during the same period. The demand for chicken has improved supported by the weakened demand for fish with the resurgence of the second wave of infections from the fourth quarter of 2020.

## Performance

The Group's revenue has increased by 4% year-on-year to Rs. 18.5 Bn during the year due to consistent feed quality & nutritional value, improved demand for layer DOCs as a result of better prices for table eggs and an increase in parent stock DOCs income from the local market. Our prudent approach over the sourcing of raw materials and cost-effective formulation assisted in achieving optimal production that strengthened the Group performance despite the hurdles we faced during the year.

The widening of the top-line resulted in a 3% year-on-year growth in Profit After Tax to Rs. 1.3 Bn compared to the previous year. Our proactive management of overhead expense and productivity improvement initiatives also contributed to this achievement by outweighing the impact of low-interest rates on bank deposits and the exchange loss experienced during the year. Consequently, the Group's basic earnings per share increased to Rs. 15.73 from Rs. 14.99 in 2019.

The Group's financial position also strengthened during the year, with working capital amounting to Rs. 6.4 Bn, which represents an increase of 14% compared to 2019. Our focused efforts on effective asset management, financial discipline and new investments to the business towards sustainable growth contributed to 11% year-on-year growth in our total assets. Subsequently, the net asset per share increased to Rs. 126.23 from Rs. 119.94 in 2019.

## Outlook

We believe there will be a stable market for Layer DOC, poultry feed and Parent Stock DOCs. However, we are cognizant of the challenges that may occur as a result of intense market competition, fluctuations of LKR against USD and the possibility of shifting self-mixers from the compounded feed with the availability of local raw materials. Furthermore, our profitability will also be affected by the escalating cost of production due to high global commodity prices and an increase in freight costs. The Company through Poultry Producers Forum has implored the Government to revisit the Maximum Retail Price of a whole chicken, which has not changed since 1 December 2019 to ease pressure from these unprecedented challenges and for the betterment of the industry. Moving forward, we will continue to improve our capacity and productivity through automation of the production process, upgrading of aspiration system &

operational systems and introducing alternative methods and tools that would improve productivity.

The bill approving the Government proposal to provide concessionary income tax rates to agro-processing & manufacturing and income tax exemption to agro-farming activity is yet to be Gazetted. This proposal is expected to improve the competitiveness and growth of the poultry industry against the substitutes beef, mutton, pork and seafood which are not taxed at present. In the future, this will work towards a level playing field for all the players in the poultry industry including us.

## Appreciation

My sincere gratitude to the Chairman and Board of Directors for placing their faith in us and for leading the Group through a challenging year to reach strategic growth expectations. In this journey, we were supported by our customers, suppliers, business partners and other stakeholders. Our employees who are the backbone of our success has been exceptional in supporting our growth in a turbulent operating context. They have continued to maintain the Company's profitability and creation of value for all our stakeholders.

## Cheng Chih Kwong, Primus

Executive Director and Chief Executive Officer

# 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 (Private) Limited, and FINCO Technologies (Private) Limited, and a Director of Wealth Trust Securities Limited.

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 continued 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 was 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 served as a Director of Three Acre Farms PLC and its subsidiaries, Ceylon Agro-Industries Limited and Prima Ceylon Machinery (Private) Limited.

He holds an MBA in Management and Marketing from the University of Warwick, UK, and B.Sc. (Hons) in Chemical Engineering from the 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.

He retired as a Director and Group General Manager for the Company with effect from 31 October 2020.

## 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 Limited.

He holds a Bachelor of Science in Business Administration and also an 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.

## Dr. Prathap Ramanujam

*Non-Executive Independent Director*

Dr. Prathap Ramanujam was appointed as a Non-Executive Independent Director of the Company with effect from 7 August 2018.

Dr. Prathap Ramanujam retired after 38 years of distinguished service in the Public Sector. He was the Permanent Secretary to several key Ministries including Tourism, Livestock Development and Estate Infrastructure, Civil Aviation and Urban Development during the last 14 years of his career in the Public Sector. Dr. Ramanujam pioneered the introduction of private sector investment in infrastructure projects in Sri Lanka as far back as 1992, when he was the Director General of the Secretariat for Infrastructure Development and Investment. This institution was created with the assistance of USAID for the promotion of private sector investment in infrastructure projects.

In his long distinguished career within the Public Sector, he initiated many innovative policies and schemes for the expeditious development of projects and programs under his purview.

Dr. Ramanujam has a First Class B.Sc. (Hons.) Degree from the University of Peradeniya, Sri Lanka, MSc. Degree in Economics from the University of Bristol, UK and a PhD in Economics from the Australian National University, Canberra, Australia.

Dr. Ramanujam is currently the Chairman and Director of Panasian Power PLC, Chairman and Director of Manelwela Hydropower (Private) Limited and Padiyapelella Hydropower (Private) Limited. He is a Director of Panasian Investments (Private) Limited, Three Acre Farms PLC, and Iconic Development Limited. He is the Chairman and Director of SENFIN Asset Management (Private) Limited. Dr. Ramanujam functions as an Advisor to the Director General of the International Water Management Institute (IWMI). In recognition of his distinguished career in public service, Dr. Ramanujam was appointed as a Member of the Public Service Commission (2015 - 2020) appointed by the Constitutional Council in 2015.

### **Mr. R. N. Asirwatham**

*Non-Executive Independent Director*

Mr. Rajan Asirwatham was appointed as a Non-Executive Independent Director of the Company with effect from 8 May 2019.

Mr. Rajan Asirwatham was the Senior Partner and Country Head of KPMG from 2001 to 2008. He was also the Chairman of the Steering Committee for the sustainable Tourism Project funded by the World Bank for the Ministry of Tourism and Chairman of the Audit Committee of the Institute of the Chartered Accountants of Sri Lanka. Mr. Asirwatham is a fellow Member of the Institute of Chartered Accountants of Sri Lanka. Appointed by his Excellency the President, he was also a member of the Presidential Commission of Taxation and a member of the Board of Directors of Dankotuwa Porcelain PLC, Browns Beach Hotels PLC, Dilmah Ceylon Tea Company PLC, Mercantile Merchant Bank Limited, Renuka Hotels (Private) Limited, Royal Ceramic Lanka PLC, Colombo City Holdings PLC, Vallibel One PLC, Yaal Hotels (Private) Limited, Three Acre Farms PLC, Aitken Spence PLC, and Aitken Spence Hotel Holdings PLC. Also, he is a member of the Board of the Post Graduate University of Medicine.

### **Chan Kong Meng, Lawrence**

*Executive Director and Group General Manager*

Mr. Lawrence Chan was appointed as the Group General Manager of the Prima Group of Companies, Sri Lanka on 1 November 2020, and was concurrently appointed as a Director of the Company and its subsidiaries. He is also a Director of Three Acre Farms PLC and its subsidiaries, Ceylon Agro-Industries Limited and Prima Ceylon Machinery (Private) Limited.

He holds an MBA from Nanyang Technological University, an MBA from BI Norwegian School of Business, and a Bachelor's Degree in Law from the University of Keele, United Kingdom. Mr. Lawrence Chan is also an Advocate & Solicitor of the Supreme Court of Singapore and a Barrister-At-Law, Middle Temple, United Kingdom.

# CORPORATE GOVERNANCE REVIEW

## 1. Corporate Governance

Ceylon Grain Elevators PLC (CGE) upholds corporate governance as the system that directs and manages the business and affairs of the Company to enhance business prosperity and corporate accountability in order to realise long-term stakeholder value. As such, the Company remains committed to maintaining the highest standards of ethical practices to ensure compliance with all statutory and regulatory requirements. This assists us in creating value for our shareholders while protecting our business through the adoption of effective risk management strategies.

The Company's corporate governance structure is founded on well-defined procedures and ethical business practices which include internal and external standards. This has enabled us to build long-standing credible relationships with our stakeholders and ensure the sustainability of our business over the past decades. The sustainability of our governance principles is maintained by instilling among all our employees a culture of awareness and continuous effort to abide by the best practices.

## 2. Our Approach

This report explains our compliance with relevant mandatory provisions of the Companies Act No.7 of 2007, Listing Rules of the Colombo Stock Exchange (CSE) and the voluntary adoption of best practices as set out by the Code of Best Practice on Corporate Governance (2017) issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission (SEC).

CGE complies with these mandatory and voluntary regulatory governance requirements in a regular and timely manner. Compliance is achieved by adopting a control and monitoring framework, which assesses the corporate governance structure and the level of adherence to specific provisions by both internal and external benchmarks, and by the Board of Directors and specific Board sub-committees. A summary of compliances to regulatory standards is shown in Table on page 16.

The extent of compliance with the Code of Best Practice on Corporate Governance is jointly issued by SEC and CA Sri Lanka is shown from pages 29 to 30.

Further, Board Sub-committees are delegated with certain functions of the Board to examine and enhance the accountability of several areas which require greater expertise and awareness. However, the Board exercises final authority over the responsibilities of these Sub-Committees, thereby preserving the good governance practices of the Group.

The Board sub-committees play a vital role in the company's governance structure and are headed by a designated Board of Director who is empowered to act on behalf of the Company's Board in carrying out the duties and responsibilities of the Sub-committees.

## 3. Policy into Practice

The overall responsibility for good governance, transparency, stewardship and accountability towards stakeholders is borne by the Board of Directors. 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 that will ensure that good governance practices have been properly adhered to.

### 3.1. Internal Governance Structure

The Company's internal governance structure considers both short term and long term aspects of corporate governance. This internal governance structure is based on the committee structure, thus entrusting the oversight of Corporate Governance practices of the Company to the Board of Directors. To further safeguard the independence of Corporate Governance practices at CGE, this structure specifies that the CEO and individual functional managers are accountable and responsible for the day-to-day business operations including the functioning of the business units of the Group. The responsibilities and accountability for each function and the business units are agreed upon in advance which ensures a constant and consistent flow of operations.

The internal governance structure is a vital part of the Company's management structure and is headed by the Board of Directors. The Board of Directors is empowered to act on behalf of the Company. As such, the internal governance structure consists of:

# CORPORATE GOVERNANCE REVIEW (CONTD.)

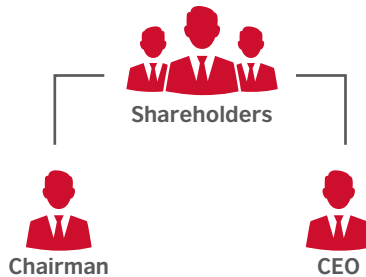
- The Board of Directors
- The Audit Committee and Other Board Committees
- The Group General Manager
- The General Manager
- Senior Management

These positions and Committees are supplemented by strong internal governance procedures and systems which are set in motion by the Group business plan. It is these mechanisms within the governance structure that ensure proper implementation and execution of the Group's Corporate Governance framework.

## Internal Governance Structure

### Mandatory Compliance

- Companies Act No. 7 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Other legislative enactments affecting the Company
- Listing Rules of the Colombo Stock Exchange (CSE)
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended)
- External and Internal Audits
- Articles of Association
- Central Depository System Rules



### Internal Policy Framework

- The Code of Best Practice on Corporate Governance - CASL & SEC
- Codes of regulatory authorities, professional institutions and trade associations
- Risk Management Framework
- The Code of Conduct
- Quality Management System
- Environmental Management System
- Internal Control System

## CORPORATE GOVERNANCE REVIEW (CONTD.)

Benchmarks	Specific Details	Adherence
Companies Act No.7 of 2007	Mandatory provisions	Fully compliant
Listing Rules of the CSE	Disclosure requirements for the Listed companies in the CSE including Corporate Governance mandatory requirements	Complied. Disclosures are stated on pages 24 to 28.
The Code of Best Practice on Corporate Governance jointly issued by SEC and CA Sri Lanka (2017)	The Code of Best Practices on Corporate Governance	Complied. Disclosures are stated on pages 29 to 30.
Inland Revenue Acts	Mandatory provisions	Fully compliant
Stakeholder Engagement	The report provides information to all stakeholders regarding the most material areas identified through stakeholder engagement	Fully compliant
Articles of Association	The requirement stated in the Articles of Association of the Company	Complied
The Code of Conduct	Compliance requirements are applicable to all employees	All the employees sign a declaration stating they will follow the Code of Conduct

### Summary of compliances

#### 3.1.1. Key External Benchmarks

- Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange
- Code of Best practice on Corporate Governance issued jointly by the SEC and CA Sri Lanka (2017)
- Inland Revenue Acts
- External Audits

#### 3.1.2. Key Internal Benchmarks

- Articles of Association
- The Code of Conduct
- Terms of Reference of Board sub-committees
- ISO and Quality Management Framework and Standards
- Risk Management Framework
- Internal Audits
- Recruitment, selection and career development policies
- Rewards and recognition policy
- Policy on conflict resolution and grievance handling
- Employee Declaration Policy

#### 3.1.2.1. External and Internal Audits

External audit functions provide an independent opinion to shareholders on the truth and fairness of the Financial Statements and whether they have been properly prepared in conformity with the Companies Act No 7 of 2007.

The Group's internal audit functions provide an independent assurance that CGE's risk management, governance and internal control procedures are operating effectively. The Group's internal audit division carries out the internal audit function of the Group and ensures the internal control function is compliant with Company requirements and standards of governance.

#### 3.1.2.2. Internal Controls

The internal control of CGE and its effectiveness is guaranteed by frequent reviews and a proper monitoring mechanism. The Board of Directors including the Audit Committee is responsible for the Company's system of internal controls and for reviewing its effectiveness. This system is designed to safeguard the assets of the Company against unauthorised use or disposal and is

## CORPORATE GOVERNANCE REVIEW (CONTD.)

supported by a structured documentation procedure. Internal controls of CGE include financial, operational, risk management and regulatory compliance controls.

On behalf of the Board, the Audit Committee carries out regular reviews of the internal control process and the effectiveness of risk management. It reports to the Board during regular Board meetings to allow the Board to take final responsibility for the oversight of the internal controls of the Company.

### 3.1.2.3. The Code of Business Conduct

The Board carries out its functions based on a well-structured Code of Business Conduct which supports the adoption of standards for sustainability, accountability and transparency across business operations. This Code includes internal and external standards and the structure of key stakeholder groups which are facilitated by an assurance mechanism ensuring proper and continuous adoption and adherence to good governance practices.

CGE's Code of Business Conduct is based on the four key principles given below:

- Trust, professionalism and integrity in all partnerships and transactions.
- Continuous professional development along with the Company and individual compliance with all rules and regulations.
- Ethical conduct of business in keeping with international industry standards.
- Always act in the best interests of the Company, ensuring transparency in all matters.

## 4. The Board of Directors

### 4.1. Board Responsibilities

The Board provides leadership in realising business objectives, value creation and risk management while promoting a culture of transparency and integrity in carrying out the Company's business functions. The Statement of Directors' Responsibility in relation to financial reporting is given on page 49 and in Note 35 - Directors' Responsibility on page 109. Directors have no interest in the Company other than those disclosed in the Financial Statements in Note 32.1 - Key Management Personnel on page 106 and the Report of the Board of

Directors on the State of Affairs of the Company on pages 45 to 48. In addition, the Group internal audit division and the Board of Directors have made a declaration in the Related Party Transactions Review Committee on page 36 in accordance with section 9.3.2. (d) of the Listing Rules issued by the CSE on their responsibility towards Financial Statements. In consultation with the Audit Committee and the External Auditors, the Board takes all sufficient steps to ensure that accurate and timely information is available to shareholders and regulatory bodies and is published in the annual and quarterly Financial Statements

In addition to the responsibilities mentioned above, the following key responsibilities are also collectively held by the Board and individually by the Directors who act in accordance with the laws of the country:

- Providing guidance on the formulation and implementation of a sustainable business strategy;
- Conducting business functions efficiently and profitably to create shareholder value;
- Ensuring effective systems to secure integrity of information, internal controls and risk management;
- 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 the Group has adequate resources and that these are effectively utilised;
- Reviewing the Group's operating and financial performance and evaluating progress against plans and budgets;
- Ensuring compliance with laws, regulations, governance and ethical standards;
- Ensuring all stakeholder interests are considered in corporate decision making;
- Reviewing and approving major transactions including acquisitions, disposals and capital expenditures;
- Fulfilling any other function that is vital to the growth and success of the business;
- Recommending appointment/removal of external auditors and
- Promoting corporate citizenship.

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In carrying out these functions, the Board seeks professional advice on matters that need specialist expertise such as litigation from Company lawyers, and any other external experts as appropriate. The provision for the Company's Directors to retire by rotation has also been recommended by the Board to preserve expertise within the Group.

### 4.2. Board's Principal Roles and Functions

#### Providing Strategic Direction

The Board of Directors is collectively overseeing the formation of the Group's general direction, corporate policies, overall strategic objectives and corporate plans which are conveyed to the Senior Management. It also lays out a schedule of issues and directions which could only be approved by the Board as monitoring controls.

Besides, Board approval is required on all matters relevant to the overall strategy, annual budget, business plans, management information, reporting financial statements, dividend payments, investments and business acquisitions. It also continually reviews and monitors the performance of the Group against the set objectives while directing the Senior Management on specific action points.

#### Communication with Shareholders

An important element of Corporate Governance at CGE is communication with shareholders. The Company communicates with shareholders to ensure transparency and adequate dissemination of information. The Board is responsible for reporting statutory and other relevant information to shareholders regularly and in a timely and accurate manner. On par with the Company's commitment to transparency, the Board has laid down a set of specific policies in relation to keeping accurate records of accounts and to the preparation of financial statements to represent a balanced view of the Group. Furthermore, the Board also has in place measures to report statutory and other relevant information, as well as to make full disclosures of all major transactions to shareholders in a timely and accurate manner.

The Group welcomes shareholders' independent advice on matters of investment and divestment while

quarterly and annual results are prepared and presented in accordance with the Sri Lanka Financial Reporting Standards, the Companies Act No.7 of 2007, the Colombo Stock Exchange (CSE) and the Securities and Exchange Commission (SEC) regulations.

#### Overseeing Risk Management

An important duty vested with the Board is that of directing the risk management mechanism of the Group. In this regard, the Board carries out frequent evaluation of the risk factors faced by the Group while preserving updated control systems by regularly making policy recommendations on risk factors and the improvement of controls. The formulation of the risk management process ensures an effective system is executed to identify, evaluate and manage significant risks encountered by the Group in protecting its assets and processes. The Board regularly reviews the risk management process based on the guidelines set by relevant regulatory bodies. The Board maintains overall responsibility for the management of risks within the Group. The Company also has in place a well-established control framework consisting of clear structures and accountabilities, policies and procedures together with budgeting and review processes. Each business segment of the Group has a formal management structure with clear responsibilities operating within defined policies which incorporate key areas such as product safety, financial matters, health and safety, safeguarding the environment, human resource management, operational matters, purchasing and engineering.

#### Compliance

The Board of Directors is accountable to ensure that the Group always operates within the laws and abides by the regulations and standards as set down by various regulatory bodies in the country. It also keeps itself constantly updated with information in respect of compliance with laws and regulations and directs the Senior Management regarding any action that needs to be taken.

#### Appointments to Board Sub-Committees

The Board is also responsible for the appointment of members to various Board sub-committees and ensures that they act in accordance with the Terms of Reference as set out by the subcommittee charters. The

## CORPORATE GOVERNANCE REVIEW (CONTD.)

Board appoints Directors to the Audit, Remuneration, Nomination and Related Party Transactions Review Committees along with Directors and Key Senior Management personnel. Each of these committees acts within its own set of Terms of Reference. An expanded review of each such committee's functions is described further in this report on pages 21 to 22.

### 4.3. Board Composition

The Group maintains a balance between Executive and Non-Executive Directors to ensure that no individual or group of individuals dominates decision making within the Board of Directors, thus ensuring objectivity and independent supervision. The Board composition is also maintained to enable the Company to add value to all stakeholders by leveraging both Executive and Non-Executive Directors' experience and know-how.

The Board consists of seven (7) members at the end of the year 2020, with two (2) Executive Directors, two (2) Non-Executive Directors and three (3) Non-Executive Independent Directors. This composition complies with the Listing Rules of the Colombo Stock Exchange, which requires that a minimum of two members or one third of the Board (whichever is higher), be Non-Executive Independent Directors.

### 4.4. Board Evaluations and the Appraisal of the Chief Executive Officer

In fairness to the Company and its stakeholders, the Board regularly assesses its own and sub-committees' performance including the performance of the Chief Executive Officer to ensure that its responsibilities are properly carried out. During the year under review, an appraisal was made with regard to Board composition. The Board concluded that the knowledge and expertise of current Board members match the strategic demands of the Group.

A brief profile of the individual members of the Board of Directors is on pages 12 to 13.

### 4.5. Board Skills

The diversity of the Board is maintained when deciding on the balance of the Board. With a wide exposure to the fields of finance, administration, management, law, IT, economics, marketing, taxation and human resources,

this enables it to make collective decisions more effectively. The Company has selected the directors to the Board based on their level of business experience and their sense of integrity and judgment. In addition, the Board has ensured the availability, within its ranks, of those with financial acumen and knowledge to offer guidance on matters of finance.

CGE is conscious of the need to maintain an appropriate mix of skills and expertise within the Board. Hence the Company undertakes a timely review of the Board composition to ensure that its skills are matched with the current and future requirements of the Group. The current Board, therefore, consists of IT professionals, financial professionals, legal professionals, marketing professionals and a Banker who possess the required knowledge and expertise in various subject matters to drive the business to sustainable success.

#### 4.5.1. Access to Independent Professional Advice

The Board encourages its members to obtain independent professional advice at the Company's expense which may be required to fulfil their responsibilities, strengthen decision making and preserve the independence of the Board. This is generally managed by the General Manager of the Company. Therefore, the Board obtains advice on various matters including laws and regulations, taxes, valuations, macro-economic conditions, and any other subject matter when appropriate and/or required.

#### 4.5.2. Continuous Training and Development

The Group is dedicated to empowering all employees to enhance their skills, knowledge and expertise through development programmes, made available to Board members. An inclusive induction programme is conducted to enable the new Board of Directors to understand business operations. Thus, new Board members acquire the required knowledge on the values, culture, operations, business model, policies and procedures, governance and business norms of the Company to assimilate well and perform efficiently. This programme is conducted over several months and includes presentations from key Senior Management members and visits to the various business segments of the Group. If a Director requires a greater understanding of a specific area, further follow-up meetings are

## CORPORATE GOVERNANCE REVIEW (CONTD.)

arranged to make the required information available to the Board members. Additionally, all Directors are provided with the necessary training and regularly updated on the latest developments within the industry and the Group to enable them to discharge their duties to the required standard.

### 4.6. Board Secretary

The Board Secretary assists the Board in carrying out good corporate governance practices. The duties and functions of the Board Secretary include providing timely and accurate information about Company operations, board procedures, changes in applicable laws and regulations, as well as guidance on matters of interest. The Board Secretary also maintains Board minutes and other records of information that are available to members of the Board at any time when they are required or requested.

### 4.7. Changes to the Board

#### 4.7.1. Board Tenure

Executive Directors are appointed and recommended for re-election subject to the recommended Company retirement age. Non-Executive Directors are appointed and recommended for re-election subject to the age limits as per statutory provisions at the time of their re-appointment.

#### 4.7.2. Retirement

At each Annual General Meeting, one-third of the Directors retire by rotation on the basis specified in the Articles of Association of the Company and are eligible for re-election. The Directors who retire are those who have been longest-serving in office since their appointment or re-election. Besides, 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.

#### 4.7.3. Re-election

The re-election of Directors ensures that the shareholders have an opportunity to re-evaluate 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.

The names of the retiring Directors eligible for re-election this year are given in the Notice of the Annual General Meeting of the Company on page 116. Directors who are over the age of 70 years are re-elected to the Board annually in accordance with Section 210 of the Companies Act No. 7 of 2007.

### 4.8. Timely Supply of Information

All members of the Board are updated and supplied with timely, accurate and comprehensive information to enable them to successfully perform their duties.

This enables board members to engage in a healthy debate and a process of optimised decision making for the benefit 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 and when required;
- Advice and services provided by the Company Secretaries;
- Information wherever necessary to carry out duties and responsibilities more effectively and efficiently and
- Information updates from management on topical matters, formulation of new regulations and best practices as relevant to the Group's business.

### 4.9. Role of Chairman of the Board and the CEO

#### 4.9.1. The Chairman of the Board

The Non-Executive Independent Chairman of the Board is Mr. Wickrema Senaka Weerasooria. He is the leader of the Board and is entrusted with several responsibilities including the conduct of board meetings. He also ensures Board functions are effectively discharged by all members of the Board, chairs Board meetings, takes responsibility for the Board's composition, facilitates the effective contribution of Non-Executive Directors and ensures there is a positive relationship between Executive and Non-Executive Directors.

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### 4.9.2. The CEO

The CEO of the Company is entrusted with the execution of the Company's business activities including implementation of business strategies approved by the Board. There is a clear division of responsibilities between the Chairman and the CEO, consistent with best practices that ensure no one individual has unfettered power over decision making.

### 4.10. Board Meetings

The Board met four (4) times over the past year to assess the overall strategic development of the Group. The Chairman summons board meetings at regular intervals and as and when necessary. The Chairman also enables the effective contribution of all Board members to discuss routine and non-routine matters and ensures that the Board operates effectively in keeping with the interests of the shareholders.

S S P Corporate Services, function as the Company Secretaries. They are responsible, on behalf of the Chairman, to ensure all Board meetings are conducted properly and that all Directors receive the necessary information prior to meetings so that the Board could review Key Performance Indicators (KPIs).

Furthermore, the Company Secretaries also guide the Board in the proper implementation of good governance practices. The Board is brought up to date on the latest financial position of the Company by the Group General Manager.

#### 4.10.1. Board Minutes

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

#### 4.10.2. Board Committees

Certain functions of the Board have been delegated to the Board sub-committees. This is done in order to

monitor, review and enhance the accountability for several areas which require in-depth skill and knowledge. However, the Board has the final decision-making rights and responsibilities over these sub-committees, thereby upholding the good governance practices of the Group. The four Board subcommittees are as follows:

- I. Remuneration Committee
- II. Audit Committee
- III. Nomination Committee
- IV. Related Party Transactions Review Committee

#### Remuneration Committee

The responsibility for determining the remuneration policy for the Executive Directors and Senior Managers lies with the remuneration committee. This committee comprises three (3) Non-Executive Independent Directors, one of whom is the Chairman of the Committee and is appointed by the Board. The detailed report by the Remuneration Committee appears on page 34.

#### Nomination Committee

The Nomination Committee is entrusted with maintaining the Board composition necessary to meet business requirements while facilitating a formal and transparent procedure for all new appointments to the Board. This committee consists of one (1) Executive Director and three (3) Non-Executive 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 35.

#### Audit Committee

The responsibility for assisting the Board in accomplishing its oversight responsibilities in the financial reporting process lies with the Audit Committee. This committee consists of three (3) Non-Executive Independent Directors, one of whom is the Chairman of the Committee and is appointed by the Board. The detailed Audit Committee Report appears on pages 31 to 33.

## CORPORATE GOVERNANCE REVIEW (CONTD.)

In accordance with the Terms of Reference as set out by the Board, the above sub-committees carry out their duties and responsibilities. The proceedings of their meetings are regularly communicated to the Board.

Name of the Director	Capacity	No. of shares held	Position	Board		Audit Committee Position	Nomination Committee Position	Remuneration Committee Position	Related Party Transactions Review Committee Position
				No. of Meetings Eligible to Attend	No. of meetings attended				
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 (Former)	-	Member (Former)	3	2	-	-	-	Member (Former)
Mr. Chan Kong Meng, Lawrence	Executive Director and Group General Manager	-	Member	1	1	-	-	-	Member
Mr. Cheng Koh Chuen, Bernard	Non-Executive Director	-	Member	4	4	-	-	-	-
Mr. Cheng Eng Loong	Non-Executive Director	-	Member	4	4	-	-	-	-
Dr. Prathap Ramanujam	Non-Executive Independent Director	-	Member	4	4	Member	Member	Member	Member
Mr. R. N. Asirwatham	Non-Executive Independent Director	-	Member	4	4	Chairman	Member	Member	Member

*Composition of the Board and Board Committees and attendance at Meetings for 2020*

### Related Party Transactions Review Committee

The Related Party Transactions Review Committee was formed to consolidate the effective management and oversight of related party transactions of the Group.

Details of the Related Party Transactions Review Committee are disclosed in the Related Party Transactions Review Committee Report on pages 36 and 37.

### 5. Shareholder / Investor Relationship

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

The primary means of communication between the Company and its stakeholders is the Annual and Quarterly Financial Reports and the Annual General Meetings (AGM).

#### 5.1. Release of Information to the Public and CSE

All material and price-sensitive information is communicated to the CSE in a timely and accurate manner to minimize the information gap among shareholders / investors and the Company.

## CORPORATE GOVERNANCE REVIEW (CONTD.)

### 5.2. Annual General Meetings (AGM)

A healthy and transparent relationship with shareholders is maintained by conducting AGMs where every shareholder is given a chance to vote and raise specific queries regarding the Company's operations.

### 5.3. Serious Loss of Capital

In the extremely unlikely event of the Company's net assets falling below half of the stated capital, all the shareholders would be duly notified at an Extraordinary General Meeting (EGM) in terms of Section 220 of the Companies Act No. 7 of 2007

## 6. Best Practices

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

### 6.1. Regulatory Framework

Corporate governance is practised in CGE via a well-structured regulatory framework which consists of statutes, regulations, codes, internal and external governance systems and control and certification mechanisms on page 15.

### 6.2. Compliance and Adherence

Compliance with the mandatory and voluntary regulatory governance requirements is confirmed via an effective monitoring mechanism within the Group, timely review of the governance structure and review of the level of adherence to specific provisions by the Board of Directors and specific sub-committees. The level of compliance is stated in table appearing on page 16.

## 7. Internet of Things and Cyber-security

### 7.1. Board's Responsibility

The Board regularly monitors the latest developments in the field of IT and conducts discussions on how such developments can be utilised to enhance the efficiency and the effectiveness of the Group operations. The Group is equipped with Wi-Fi and network facilities including computing equipment that enables the superior exchange of information. Further, the Board investigates cyber-security risks that may affect the business and IT

General and Application controls have been designed and implemented to ensure the security of confidential information.

### 7.2. Chief Information Security Office

The Board has appointed a General Manager/Country IT head who is in charge of Cyber-security and Risk Management. The General Manager/Country IT head is a qualified IT professional and possesses the necessary competence to ensure Cyber-security for the Group. He provides necessary information about Cyber-security and is responsible for the development of the IT Budget and IT Risk Management policies of the Group. These budgets and policies will be evaluated and approved by the Board prior to implementation.

### 7.3. Effectiveness of the Cyber-security Risk Management System

The Board ensures the effectiveness of Cyber-security Risk Management through periodic review and assurance.

## 8. Environment, Societal and Governance (ESG)

### 8.1. Provision of Information to Investors

The Company has included the environmental, social and governance factors in its business models and provided sufficient information on the Annual Report. Refer to page 38 for Enterprise Risk Management.

### 8.2. The Environment

The Company adopts an integrated approach that mitigates environmental threats and improves best practices in the company's engagements to fulfil its obligation towards the environment. Such best practices include pollution prevention, sustainable resource use, protection of the environment and biodiversity and restoration of natural resources.

### 8.3. Social Factors

The Company adopts an integrated approach to build a strong relationship with the community and strives towards sustainable development.

### 8.4. Governance

The Company established a governance structure to support its ability to create value and manage risks on all pertinent aspects of ESG. Refer to Corporate Governance on page 14 and Enterprise Risk Management on page 38 in this Annual Report.

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### 9. Disclosures

The table given below provides the relevant details and disclosures mandated by the Companies Act No.7 of 2007 and the Listing Rules of CSE.

#### 9.1. 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 45
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	Pages 54 to 110
168 (1) (c)	Auditor's Report on Financial Statements of the Group and the Company	Pages 50 to 53
168 (1) (d)	Accounting policies and any changes therein	Pages 58 to 72
168 (1) (e)	Particulars of the entries made in the interest register during the accounting period	Page 45
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Page 106
168 (1) (g)	Corporate donations made by the Company during the accounting period	Page 45
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Pages 12 to 13
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Page 76
168 (1) (j)	Auditors' relationship or any interest in the company and its Subsidiaries	Page 46
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board	Pages 48 to 49

#### 9.2. Disclosures required by Section 7.10 of the Listing Rules of the Colombo Stock Exchange

Rule No.	Subject	Requirement	Compliance status	Remarks
<b>Disclosures Regarding Board of Directors</b>				
7.10.1 (a)	Non-Executive Directors	Two or one third (whichever is higher) of the total number of Directors shall be Non-Executive Directors.	Compliant	Corporate Governance Review - Page 22
7.10.2 (a)	Independent Directors	Two or one third (whichever is higher) of Non-Executive Directors, shall be Independent.	Compliant	Corporate Governance Review - Page 22
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format annually.	Compliant	Non-Executive Directors have submitted declaration during the year 2020

## CORPORATE GOVERNANCE REVIEW (CONTD.)

Rule No.	Subject	Requirement	Compliance status	Remarks
<b>Disclosures Regarding Board of Directors</b>				
7.10.3 (a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report.	Compliant	Board of Directors - Pages 12 to 13
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 Independence / Non-Independence 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 his/her expertise.	Compliant	Board of Directors - Pages 12 to 13
7.10.3 (d)	New appointment of Directors	A brief resume of the newly appointed Directors should be provided to the Colombo Stock Exchange for dissemination to the public.	Compliant	The company has furnished to the Colombo Stock Exchange a brief resume of a newly appointed director during the period for dissemination to the public.
7.10.4 (a-h)	Determination of Independence	Requirements for meeting criteria of 'Independence'.	Compliant	The Board has determined the Independence of each Non-Executive Director during the year 2020
<b>Disclosures Regarding the Remuneration Committee</b>				
7.10.5	Remuneration Committee	A Listed Company shall have a Remuneration Committee.	Compliant	Remuneration Committee Report - Page 34
7.10.5 (a)	Composition of the Remuneration Committee	The Committee shall consist of Non-Executive Directors, a majority of whom shall be independent.	Compliant	Remuneration Committee Report - Page 34
7.10.5 (b)	Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Compliant	Remuneration Committee Report - Page 34
7.10.5 (c)	Disclosure in the Annual Report relating to the Remuneration Committee	The Annual Report should set out:		
		a. Names of Directors comprising the Remuneration Committee.	Compliant	Remuneration Committee Report - Page 34
		b. Statement of Remuneration Policy.	Compliant	Remuneration Committee Report - Page 34
		c. Aggregated remuneration paid to Executive and Non-Executive Directors.	Compliant	Note 32.1- Key Management Personnel information - Page 106

## CORPORATE GOVERNANCE REVIEW (CONTD.)

Rule No.	Subject	Requirement	Compliance status	Remarks
<b>Disclosures Regarding the Audit Committee</b>				
7.10.6	Audit Committee	A Listed Company shall have an Audit Committee.	Compliant	Audit Committee Report - Pages 31 to 33
7.10.6 (a)	Composition of the 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 - Pages 31 to 33
7.10.6 (b)	Functions of the Audit Committee	a. Overseeing the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Financial Reporting Standards.	Compliant	Audit Committee Report - Pages 31 to 33
		b. Overseeing the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting regulations and requirements.	Compliant	Audit Committee Report - Pages 31 to 33
		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 - Pages 31 to 33
		d. Assessment of the independence and performance of the Entity's external auditors.	Compliant	Audit Committee Report - Pages 31 to 33
		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 - Pages 31 to 33
7.10.6 (c)	Disclosure in Annual Report relating to Audit Committee	a. Names of Directors comprising the Audit Committee.	Compliant	Audit Committee Report - Pages 31 to 33
		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 - Pages 31 to 33
		c. The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions.	Compliant	Audit Committee Report - Pages 31 to 33

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### 9.3. Disclosures required by Section 9 of the Listing Rules of the CSE

Rule No.	Subject	Requirement	Compliance status	Remarks
<b>Disclosures Regarding Related Party Transactions Review Committee</b>				
9.2.1	Related Party Transactions Review Committee (RPTRC)	Reviewing of Related Party Transactions (RPT) except those mentioned under rule 9.5 should be carried out by the Committee prior to entering into or completion of the transaction.	Compliant	Related Party Transactions Review Committee Report - Pages 36 to 37
9.2.2	Composition of the Related Party Transactions Review Committee (RPTRC)	Shall comprise of Non-Executive Directors and Non-Executive Independent Directors. The Committee may include Executive Directors at the option of the Company. The Chairman of the Related Party Transactions Review Committee shall be a Non-Executive Independent Director	Compliant	Related Party Transactions Review Committee Report - Pages 36 to 37.
9.2.4	Frequency of Meeting	The Committee shall meet at least once a calendar quarter. The Committee shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.	Compliant	Related Party Transactions Review Committee Report - Pages 36 to 37
9.2.5	RPTRC access to knowledge, expertise or professional advice	The Committee should have access to knowledge or expertise to assess all aspects of the proposed related party transaction or obtain appropriate professional and expert advice.	Compliant	Related Party Transactions Review Committee Report - Pages 36 to 37

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Rule No.	Subject	Disclosure Requirement	Section Reference	Page Reference
<b>Disclosures required by Section 9.3 of the Listing Rules of the CSE</b>				
9.3.1	Immediate disclosure	Any non-recurrent Related Party Transaction with a value exceeding 10% of the Equity or 5% of the Total Assets whichever is lower, or if the aggregate value of all non-recurrent Related Party Transactions entered into with the same related party during the same financial year amounts to 10% of the Equity or 5% of the total assets whichever is lower as per the latest Audited Financial Statements. Any subsequent non-recurrent transaction with a value exceeding 5% of equity entered into with the same related party.	Related Party Transactions Note in the Financial Statements	Page 109
9.3.2 (a)	Disclosure in the Annual Report	In the case of non-recurrent Related Party Transactions, if the aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the equity or 5% of the Total Assets whichever is lower, of the Listed Entity according to the latest Audited Financial Statements.	Related Party Transactions Note in the Financial Statements	Page 109
9.3.2 (b)	Disclosure in the Annual Report	In the case of recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the Gross revenue/income as per the latest Audited Financial Statements	Related Party Transactions Note in the Financial Statements	Page 108
9.3.2 (c)	Disclosure in the Annual Report	Annual Report shall contain a report compiled by the RPTR Committee including the following: <ul style="list-style-type: none"> <li>Names of the Directors who are in the Committee;</li> <li>Statement about related party transactions reviewed during the financial year</li> <li>Number of times the Committee has met during the financial year and</li> <li>Policies and procedures adopted by the RPTRC.</li> </ul>	Related Party Transactions Review Committee Report	Pages 36 to 37
9.3.2 (d)	Disclosure in the Annual Report	A declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transactions.	Report of the Board of Directors on the State of Affairs of the Company	Pages 45 to 48

## CORPORATE GOVERNANCE REVIEW (CONTD.)

### 9.4. Disclosures required by the Code of Best Practice on Corporate Governance jointly issued by SEC and CA Sri Lanka 2017

Rule No.	Subject	Compliance Status	Reference
<b>A Directors</b>			
A.1	The Board	Yes	Corporate Governance Review - Section 4
A.2	Chairman and Chief Executive Officer	Yes	No one individual has unfettered powers of decision making.
A.3	Chairman's Role	Yes	Corporate Governance Review - Section 4.9.1
A.4	Financial Acumen	Yes	Corporate Governance Review
A.5	Board Balance	Yes	Corporate Governance Review - Section 4.3
A.6	Supply of Information	Yes	Corporate Governance Review - Section 4.8
A.7	Appointments to the Board	Yes	Corporate Governance Review - Section 4.10.2. Nomination Committee Report, Board of Directors - pages 12 to 13
A.8	Re-election	Yes	Corporate Governance Review - Section 4.7.3
A.9	Appraisal of Board Performance	Yes	Corporate Governance Review - Section 4.4
A.10	Disclosure of Information in respect of Directors	Yes	Board of Directors - pages 12 to 13
A.11	Appraisal of Chief Executive Officer	Yes	Corporate Governance Review - Section 4.4
<b>B Directors' Remuneration</b>			
B.1	Remuneration Procedure	Yes	Corporate Governance Review - Section 4.10.2, Remuneration Committee Report - page 34
B.2	The level and makeup of Remuneration	Yes	Corporate Governance Review - Section 4.10.2, Remuneration Committee Report - page 34
B.3	Disclosure of Remuneration	Yes	Corporate Governance Review - Section 4.10.2, Remuneration Committee Report - page 34
<b>C Relations with Shareholders</b>			
C.1	Constructive use of the AGM and conduct of general meetings	Yes	Corporate Governance Review - Section 5
C.2	Communication with shareholders	Yes	Corporate Governance Review - Section 5
C.3	Major and material transactions	Yes	Notes to the Financial Statements

## CORPORATE GOVERNANCE REVIEW (CONTD.)

Rule No.	Subject	Compliance Status	Reference
<b>D</b>	<b>Accountability and Audit</b>		
D.1	Financial and Business Reporting (The Annual Report)	Yes	Corporate Governance Review - Section 4.1, Report of the Board of Directors on the State of Affairs of the Company, Statement of the Directors' Responsibility, Independent Auditor's Report, Management Discussion and Analysis, Notes to the Financial Statements relating to Related Party Transactions.
D.2	Risk Management and Internal Control	Yes	Risk Management Review, Corporate Governance Review - Section 3.1.2.2
D.3	Audit Committee	Yes	Audit Committee Report - pages 31 to 33
D.4	Related Party Transactions Review Committee	Yes	Related Party Transactions Review Committee Report - pages 36 to 37
D.5	Code of Business Conduct and Ethics	Yes	Corporate Governance Review - Section 3.1.2.3 and 6
D.6	Corporate Governance Disclosures	Yes	Corporate Governance Review
<b>E</b>	<b>Institutional Investors</b>		
E.1	Shareholder Voting	Yes	Corporate Governance Review - Section 5, Institutional Investors are encouraged to provide feedback on the governance arrangements.
E.2	Evaluation of Governance Disclosures	Yes	Corporate Governance Review
<b>F</b>	<b>Other Investors</b>		
F.1	Investing/ Divesting Decisions	Yes	The extensive nature of the information given in the annual report assists the shareholders in carrying out adequate analysis when making their decisions.
F.2	Shareholder Voting	Yes	Proxy Form
<b>G</b>	<b>Internet of Things and Cyber-security</b>	<b>Yes</b>	<b>Corporate Governance Review - Section 7</b>
<b>H</b>	<b>Environmental, Societal, and Governance (ESG)</b>	<b>Yes</b>	<b>Corporate Governance Review - Section 8</b>
H.1	ESG Reporting	Yes	Corporate Governance Review - Section 8

**Disclosures Specified by section 7.6 of the Listing Rules of the Colombo Stock Exchange**

1. Disclosures specified by section 7.6 of the Listing Rules of the Colombo Stock Exchange are contained in this Annual Report.
2. There is no evidence of the book value being substantially different from the market value of land and other fixed assets of the Company or its subsidiaries.

# AUDIT COMMITTEE REPORT

## Purpose of the committee

The Audit Committee acts as a sub-committee to the Main Board to assist in overseeing financial and related functions in order to ensure that financial reports give a true and fair view of the Company transactions and position in complying with reporting standards, while safeguarding the interests of the stakeholders.

## Composition of the Committee

### Committee Members

#### Mr. R. N. Asirwatham Chairman

Non-Executive Independent Director

#### Mr. Wickrema Senaka Weerasooria Member

Non-Executive Independent Chairman

#### Dr. Prathap Ramanujam Member

Non-Executive Independent Director

#### Secretary to the Committee Mr. Majintha Illankone

Group Internal Auditor

### Regular attendance by Invitation

#### Mr. Chan Kong Meng, Lawrence

Executive Director and Group General Manager

#### Mr. Tan Beng Chuan

Executive Director and Group General Manager (Former)

#### Mr. Sanjeewa Perera

General Manager

#### Mr. Akram Ansar

Assistant General Manager - Finance

The Committee comprises of three (3) Non-Executive Independent Directors complying with Listing Rule No 7.10.6 of the Colombo Stock Exchange. The Group's Internal Auditor functions as the Secretary to the Committee.

## Financial Acumen of the Committee

The Audit committee possesses the necessary financial acumen to review, understand and interpret financial and other related information to identify any deviation or non-

compliance with the reporting requirements or misuse of the Company assets. The Chairman of the Committee, Mr. R. N. Asirwatham is a fellow member of the Institute of Chartered Accountants of Sri Lanka (CASL) and profiles of each committee members are given on pages 12 to 13.

## Role and Responsibility of the Committee

The Audit Committee reports to the Board.

The key functions of the Committee are to assist the Board in the following:

1. Preparation, fair presentation and adequate disclosures in the financial statements of the Company and the Group, in accordance with the Sri Lanka Accounting Standards;
2. Ensure compliance with financial reporting requirements and information requirements of the Companies Act and other relevant financial reporting related regulations;
3. Review processes to ensure the adequacy of CGE's internal controls and risk management procedures to meet the requirements of the Sri Lanka Auditing Standards;
4. Assessing the Company's ability to continue as a going - concern in the foreseeable future;
5. Evaluate the adequacy and performance of the Company's internal audit function;
6. Ensure independence and performance of the Company's external audit function;
7. Establish procedures to identify, monitor and manage significant business and financial risks;
8. Assistance in Performing special investigations and any other assignments.

## Meetings

The Audit Committee met four (4) times during the year.

Members' attendance to the meetings held during the year ended 31 December 2020 are given below;

Members	Attended / Eligible to Attend
Mr. R. N. Asirwatham	4/4
Mr. Wickrema Senaka Weerasooria	4/4
Dr. Prathap Ramanujam	4/4

## AUDIT COMMITTEE REPORT (CONTD.)

### Activities in 2020

#### 1. Financial reporting

The Committee reviewed and discussed the Group's draft quarterly reports with the Management and their explanatory notes for any deviation before presenting to the Board for publication. In this connection, the Committee partnered with the Board in ensuring that the financial and non - financial information that is reported to the stakeholders is a fair assessment of the position of the Company. Also, the Committee reviewed the Audited Financial Report for the year ended 2020 including Independent Auditors' report thereon and recommended it to the Board for circulation.

#### Salient Features of the Review

- The evaluation of the appropriateness of Accounting Standards and the Policies adopted by the Company in the preparation and presentation of Financial Statements while considering completeness and consistency.
- Compliance with the relevant reporting standards, laws and regulations.
- Assessing the adequacy and validity of the estimates and judgments made by the Management on significant and complex accounting transactions and regulatory pronouncements and understanding their impact on the Financial Statements.
- Assessing the company's ability to continue as a going concern in the foreseeable future.
- Discussion of Key Audit matters pertaining to the preparation of financial statements and evaluation of the extent of internal and external auditors' involvement.
- Assessing the follow-up actions taken by the Management to enhance the fair presentation of Financial Reports.

#### 2. Internal Controls and Risk Management

The Committee is responsible for reviewing the adequacy and effectiveness of internal controls and risk management procedures adopted by the Company. Accordingly, risk-mitigating strategies are recommended and implemented by the Committee based on the related findings in order to overcome internal and external threats from the environment.

The Committee also reports on regulatory matters that may have a significant impact on the Financial Statements, non-compliance with the relevant ethical guidelines and misappropriation of assets. Furthermore, the Committee reviews the Group's Whistle Blowing Policy and discusses with the Management on the changes and improvements where necessary.

Accordingly, the Company is able to safeguard the investment of the Shareholders and meet the expectations of other stakeholders.

#### 3. Internal Audit

The Committee is responsible for evaluating the effectiveness of the internal audit function and provides appropriate recommendations for improvement. Therefore, internal auditors have direct access to the Audit Committee and submit their reports to the Committee quarterly. Accordingly, the committee discussed the audits carried out by the internal audit department and the audit findings together with management action plans. The adequacy of the scope and appropriateness of the judgements made by the internal auditors are also discussed.

#### 4. External Audit

The Committee reviews the independence, performance and objectivity of the external auditors and is further responsible for:

- Making recommendations to the Board regarding the appointment, re-appointment and removal of the external auditors at the Annual General Meeting;
- Approving the remuneration and terms of the external auditor's engagement;
- Discussion and review of the external audit's scope and plan including the coordination with internal; audit prior to the commencement of external audit;
- Discussion with the external auditors and management on the key audit findings and their recommendations;
- Discussion of the Company's annual financial statements;
- Review of the non-audit services provided by the external auditors, evaluate the impact on objectivity and independence and disclose the basis for such determinations.

## AUDIT COMMITTEE REPORT (CONTD.)

As far as the Audit Committee is aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company, other than the matters disclosed in the Report of the Board of Directors on the State of Affairs of the Company and the Auditors also do not have any interest in the Company.

The Committee assessed the Auditor's willingness to continue in office in terms of re-appointment. Accordingly, the Committee recommended to re-appoint the Auditors and to authorise the Directors to determine their remuneration at the Annual General Meeting to be held on 19 May 2021 complying with the code of best practices issued by CASL & SEC.

### **Compliance and Other Responsibilities**

The committee is held responsible for compliance with applicable laws and regulations and reports to the board regarding committee activities on a regular basis. Accordingly the committee:

- Reviews the effectiveness of the system of monitoring and compliance with the applicable laws and regulations by the Group;
- Obtains regular updates regarding compliances from the Management;
- Monitors and evaluates letters received from regulatory institutions and follow-up actions taken by the Management.

### **Evaluation of the Functions of the Committee**

The functions of the Audit Committee are evaluated by the Board throughout the year. The Board has concluded that the Committee has fulfilled its responsibilities to the complete satisfaction of the Board and seeks the continued support of the Committee in future in achieving the expectations of the stakeholders.

### **R. N. Asirwatham**

Chairman, Audit Committee

# REMUNERATION COMMITTEE REPORT

## Purpose of the Committee

The Remuneration Committee is a sub-committee of the Main Board and provides formal and transparent policy on the remuneration of individual Directors of the Board. The Committee has acted within the parameters set out in its Terms of Reference in order to avoid potential conflicts of interest. Hence no Director is involved in deciding his own remuneration.

## Composition of the Committee

The Remuneration Committee consists of the following members whose profiles are given on pages 12 to 13.

## Committee Members

### Mr. Wickrema Senaka Weerasooria Chairman

Non-Executive Independent Chairman

### Dr. Prathap Ramanujam Member

Non-Executive Independent Director

### Mr. R. N. Asirwatham Member

Non-Executive Independent Director

## Secretary to the Committee Mr. Waruna B. Jayathilaka

Assistant General Manager - Human Resources and Administration

## Regular attendance by Invitation

### Mr. Chan Kong Meng, Lawrence

Executive Director and Group General Manager

### Mr. Tan Beng Chuan

Executive Director and Group General Manager (Former)

### Mr. Sunil Leeniyagoda

Group Treasurer

### Mr. Sanjeewa Perera

General Manager

The Committee comprises of three (3) Non-Executive Independent Directors as required by rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange.

## Meetings

The Remuneration Committee met two (2) times during the year. This was in line with the requirement laid out in the Code of Best Practice on Corporate Governance that the Remuneration Committee shall meet at least twice a year to discuss matters in relation to the remuneration policies.

Attendance of members at meetings held during the year ended 31 December 2020 is given below:

Members	Attended / Eligible to Attend
Mr. Wickrema Senaka Weerasooria	2/2
Dr. Prathap Ramanujam	2/2
Mr. R. N. Asirwatham	2/2

The committee covered the following key areas during the meetings:

- Remuneration of the Chairman, Chief Executive Officer, Executive Directors, Non-Executive Directors and Non-Executive Independent Directors;
- Incentives to personnel stated above.

## Remuneration Policy

The remuneration policy is designed to attract and retain highly qualified, innovative and experienced persons to the Board, and reward them in line with industry norms. These compensation packages provide compensation appropriate for the Group and are commensurate with the level of expertise and contribution of each Director in relation to business performance and stakeholder returns.

## Disclosure

The total sum that was paid as Directors Remunerations in the year under review is set out in Note 32.1 to the Financial Statements.

**Wickrema Senaka Weerasooria**  
Chairman, Remuneration Committee

# NOMINATION COMMITTEE REPORT

The Nomination Committee is entrusted with reviewing the composition of the Board while facilitating a formal and transparent procedure for all new appointments.

## Composition of the Committee

The Nomination Committee consists of the following members whose profiles are given on pages 12 to 13.

### Committee Members

#### Mr. Wickrema Senaka Weerasooria Chairman

Non-Executive Independent Chairman

#### Mr. Cheng Chih Kwong, Primus Member

Executive Director and Chief Executive Officer

#### Dr. Prathap Ramanujam Member

Non-Executive Independent Director

#### Mr. R. N. Asirwatham Member

Non-Executive Independent Director

### Secretary to the Committee

#### Mr. Waruna B. Jayathilaka

Assistant General Manager - Human Resources and Administration

### Regular attendance by Invitation

#### Mr. Chan Kong Meng, Lawrence

Executive Director and Group General Manager

#### Mr. Tan Beng Chuan

Executive Director and Group General Manager (Former)

#### Mr. Sanjeewa Perera

General Manager

The Committee, as of the end of 2020, consisted of four (4) members including three (3) Non-Executive Independent Directors and one (1) Executive Director of the Company. The Non-Executive Independent Chairman is the Chairman of the Committee.

## Meetings

The Nomination Committee met one (1) time during the year.

Attendance of members at meetings held during the year ended 31 December 2020 is given below:

Members	Attended / Eligible to Attend
Mr. Wickrema Senaka Weerasooria	1/1
Mr. Cheng Chih Kwong, Primus	Nil
Dr. Prathap Ramanujam	1/1
Mr. R. N. Asirwatham	1/1

## Terms of Reference

The Committee has terms of reference, dealing with its authority and duties, which is carefully designed to discharge the Committee's purpose, duties and responsibilities.

The Committee has acted within the parameters set by its terms of reference including the following:

- Review the structure, size, composition and competencies of the Board;
- Evaluate the independence of the Non- Executive Directors and performance of the Board;
- That no member of the Nomination Committee is involved in deciding his own appointment.

## Activities in 2020

During the year, the Committee recommended one Executive Director to be appointed to the Board. The detail of the appointment is available in the information pertaining to the Board of Directors on page 13.

## Wickrema Senaka Weerasooria

Chairman, Nomination Committee

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Board formed the Related Party Transactions Review Committee (RPTRC) to oversee the Group's Related Party Transactions (RPTs) on behalf of the Board. The Committee also function on behalf of the Board in complying with the Listing Rules of the Colombo Stock Exchange and with the Code of Best Practices on Related Party Transactions ("the Code") issued by the Securities and Exchange Commission of Sri Lanka. The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka.

## Composition of the Committee

The Related Party Transactions Review Committee (RPTRC) consists of the following members whose profiles are given on pages 12 to 13.

### Committee Members

#### Mr. Wickrema Senaka Weerasooria Chairman

Non-Executive Independent Chairman

#### Dr. Prathap Ramanujam Member

Non-Executive Independent Director

#### Mr. R. N. Asirwatham Member

Non-Executive Independent Director

#### Mr. Chan Kong Meng, Lawrence Member

Executive Director and Group General Manager

#### Mr. Tan Beng Chuan Member

Executive Director and Group General Manager (Former)

### Secretary to the Committee

#### Mr. Majintha Illankone

Group Internal Auditor

### Regular attendance by Invitation

#### Mr. Sanjeewa Perera

General Manager

#### Mr. Akram Ansar

Assistant General Manager - Finance

The Committee comprises of three (3) Non-Executive Independent Directors and an Executive Director complying with the Listing Rule No. 9.2.2 of the Colombo Stock Exchange. The Group's Internal Auditor functions as the Secretary to the Committee.

## New Appointment to the Committee

During the reporting period, with effect from 1st November 2020, Mr. Chan Kong Meng, Lawrence was appointed to the Related Party Transactions Review Committee in place of Mr. Tan Beng Chuan.

## Meetings

The RPTRC met four (4) times during the year.

Members' attendance to the meetings held during the year ended 31 December 2020 is given below:

Members	Attended / Eligible to Attend
Mr. Wickrema Senaka Weerasooria	4/4
Dr. Prathap Ramanujam	4/4
Mr. R. N. Asirwatham	4/4
Mr. Tan Beng Chuan	3/3
Mr. Chan Kong Meng, Lawrence	1/1

## Policies and Procedures

In order to enhance transparency and good governance, the members of the Board of Directors of the Company have been identified as Key Management Personnel (KMP). In accordance with the Related Party Transactions Policy, declarations were obtained from each KMP for the purpose of identifying any RPTs that were carried out by the Company and to comply with the disclosure requirements, if any.

## Responsibilities

The Committee's key focus is to review all proposed Related Party Transactions (RPT) prior to entering into or completion of the transaction according to the procedures laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange and the responsibilities of the Committee remained unchanged.

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT (CONTD.)

### Functions of the Committee

The key function of the Committee is to ensure on behalf of the Board, that all RPTs of the Company and its listed subsidiaries are consistent with the Code of Best Practices on Related Party Transactions.

#### This includes the following functions:

- Adopting policies and procedures to ensure that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders;
- Reviewing and overseeing existing policies and procedures for RPTs;
- Reviewing in advance all proposed RPTs of the Company except those explicitly exempted in the Code;
- Determining whether RPTs that to be entered into by the Company require the approval of the Board or shareholders of the Company;
- Establishing procedures to identify and report recurrent and non-recurrent RPTs and obtain required approvals from the Board or Shareholders of the Company;
- Ensuring that no Director of the Company participates in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee;
- If there is any potential conflict in any related party transaction, the Committee may recommend the creation of a special committee (including an independent consultant, if necessary) to review and approve the proposed related party transaction;
- Meeting with the Management, Internal Auditors/ External Auditors as necessary to carry out the assigned duties;
- Reviewing the transfer of resources, services or obligations between related parties regardless of whether a price is charged;
- Reviewing the economic and commercial substance of both recurrent/non-recurrent related party transactions;
- Share information with the Audit Committee as

necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions;

- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the Code are made in a timely and detailed manner;
- Updating the Board on RPTs of the Group on a quarterly basis.

### Activities during 2020

- Disclosures in relation to post quarter confirmations and proposed transaction confirmation were obtained and such disclosures were reviewed by the Committee in quarterly meetings.
- The Committee also ensured that its members did not have any conflicts of interest with regard to the proposed related party transactions.

The RPTRC convenes quarterly. The minutes of all meetings are properly documented and communicated to the Board of Directors.

### Declaration

A declaration by the Board of Directors as an affirmative statement of compliance with the rules set out in the CSE Listing Rules 9.3.2 (d) pertaining to RPTs is given in page 48 of this Annual Report.

### Wickrema Senaka Weerasooria

Chairman, Related Party Transactions Review Committee

# ENTERPRISE RISK MANAGEMENT REVIEW

Ceylon Grain Elevators PLC recognises that effective risk management is critical to enable to meet its strategic objectives. Given the acceptable risk parameters set by the Company, ERM is an ongoing process that has been adopted across the entire organisation by the Management in setting its strategy and is designed to identify events that may have the potential to affect its ability to manage risks. ERM provides reasonable assurance regarding the achievement of financial and non-financial strategic objectives of the Group.

Proactive and effective identification, evaluation and management of risks are an essential and supportive element in the sustainable value creation process of the Group which ensures continuity of operations and achievement of financial, operational and social objectives of the Group.

## Risk Awareness Culture in CGE

CGE has recognised that people cannot be expected to avoid risks if they are not aware of and educated on risks. In this regard, embedding the Risk Management Framework into the organisational culture plays a vital role. The Company has taken steps to communicate to all levels across the business on our risk management philosophy and expectations from our people in the organisation. Consequently, the risk management process is driven through a combination of 'top-down' (driven by the Board) and 'bottom-up' (originating from the business unit levels i.e. employees at farms and plants) initiatives. A few of the numerous initiatives taken to educate people are given below:

- Discussion of risks and risk responses with employees;
- Induction session for new employees;
- Encourage employees to consult with higher Management as appropriate when new risk events are identified;
- Communicate ERM policies, procedures and standards across the entity regularly;
- Conducting awareness workshops and training on risk management to enhance the understanding and give the people a stake in the management of the risks of the Company.

## Risk Governance



## The Board

The Board has the overall responsibility for risk management and ensures risk management is embedded in all processes and activities of the business. The Board creates a risk awareness culture and guides the Audit Committee, senior management, and employees to formulate appropriate strategies, policies and procedures on risk management and internal controls, by analysing the risk profiles of the entity and determining the Risk Appetite of the entity.

## Audit Committee

The Audit Committee reviews the effectiveness of the risk management process and internal controls, including the systems established to identify, assess, and monitor the overall exposure to risks and ensures that these identified risks are within the Risk Appetite of the Company. Further, the Committee provides advance notice to the Board on emerging risk issues and significant changes to the risk profile of the Company.

## Senior Management

Senior Management is responsible for communicating the risk management policies and procedures to employees across the organisation and guides them in this regard. The Senior Management examines processes and

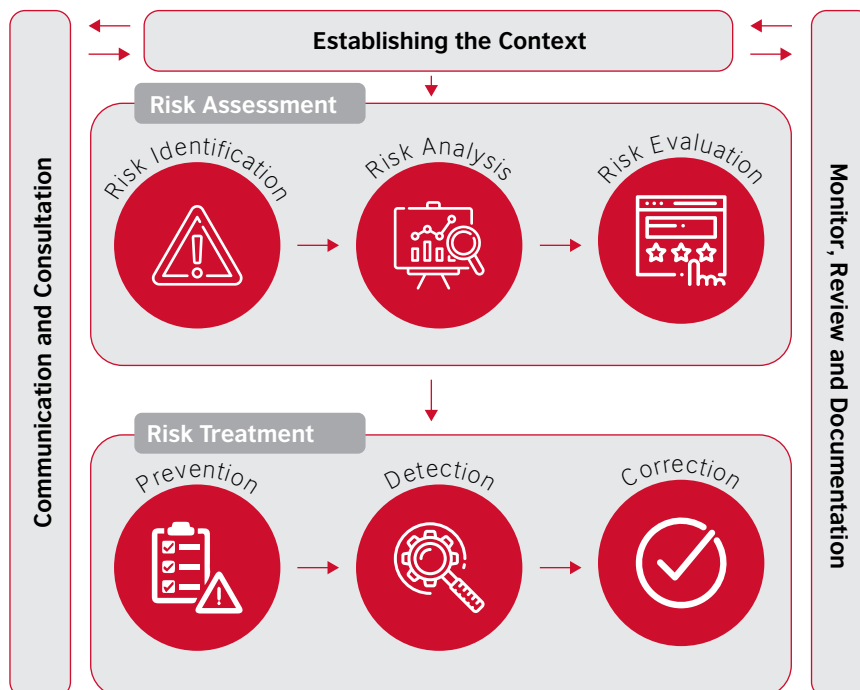
## ENTERPRISE RISK MANAGEMENT REVIEW (CONTD.)

events, uncertainties and changes in the environment that might expose the entity to situations that could seriously reduce future earnings impair its asset value or create legal, regulatory or reputational risks. They also evaluate options available to eliminate or mitigate risks and implement risk management strategies within the Group. Senior Management is also accountable for monitoring and reporting potential risks and their impact on the business to the Board.

### Employees

Employees play a significant role in risk management. They are informed on a timely basis by way of formal document and training set by the Management to be on the alert and detect conditions and events that may result in unfavourable repercussions to the organisation. Employees are tasked with the responsibility to report on the failure of existing risk controls and inefficient work conditions and to cooperate with the Management in achieving risk management objectives.

### Risk Management Framework (RMFW)



Being a business that operates in the poultry industry, CGE is exposed to a myriad of risks and uncertainties in its day to day operations. To overcome these risks, the Management has developed a Risk Management Framework, which enables and assists them to identify all potential risks related to the environment, business operations and products. The Management evaluates the impact on the business by considering both financial and non-financial factors and takes necessary precautionary actions to overcome the threat posed by those risks. The

impacts of such identified risks are assessed in terms of potential loss or damage.

The RMFW emphasises the importance of proper management and systems in the Company for internal controls. The objective is to implement policies, procedures, processes and systems to assess, detect, prevent, correct and report matters relating to the continued effectiveness of the framework.

## ENTERPRISE RISK MANAGEMENT REVIEW (CONTD.)

The risk management process identifies risks, evaluates them by mapping them and assessing the potential impact and identifies mitigating action following a rigorous review and monitoring process.

### Risk Appetite

Risk Appetite is the aggregate amount and type of risks the entity is willing to accept in different aspects of the business in achieving its strategic objectives.

The Company has set clear guidance on the identification of risks that are embedded within the processes and activities and has accordingly prioritised them based on the level of impact on the business. As a result, the Company is aiming to achieve the following benefits:

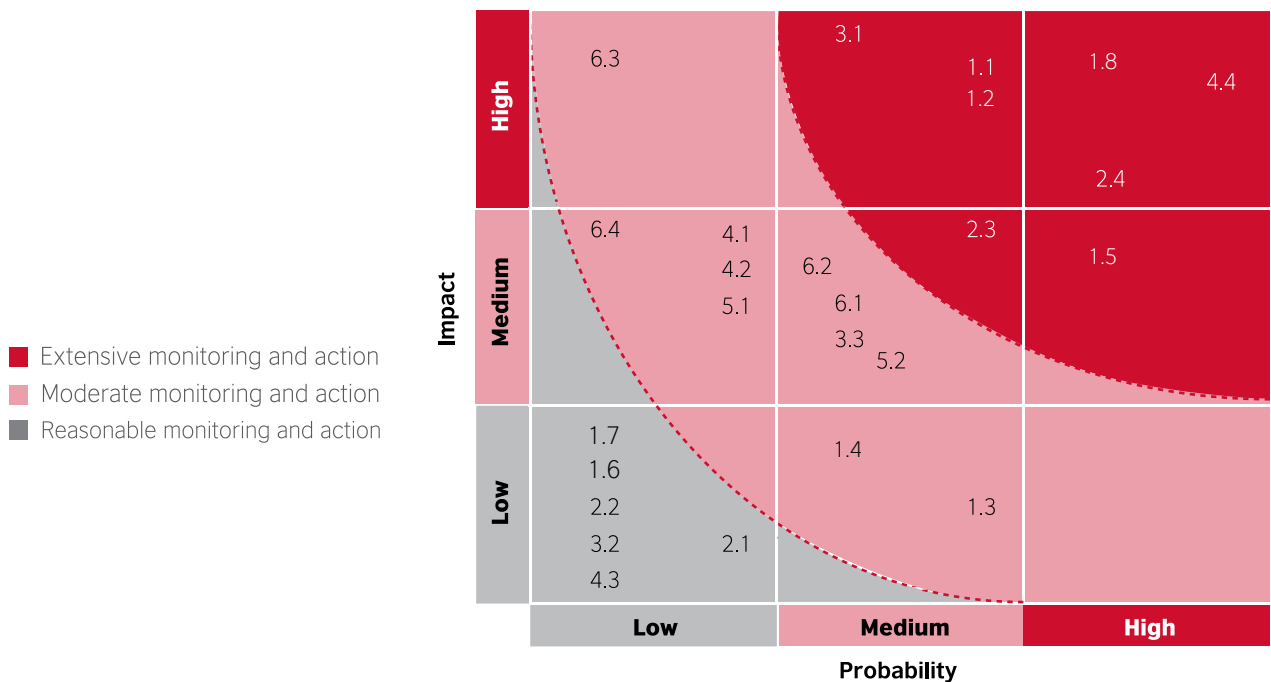
- Develop a common understanding of risks across the organisation and manage risks effectively;
- Achieve competitive advantage through better understanding and managing risks effectively;
- Cost-saving through better management of internal resources;
- Support the Board in decision making by providing insights;
- Create an environment promoting sustainable, long term growth in the entity.

### Risk Evaluation

- Each risk is evaluated in terms of probability of occurrence and business impact of event/events.
- Probability of occurrence is evaluated based on experience, industry conditions and the mitigating controls that are in place. A rating of 1-3 has been assigned for high, medium and low for the likelihood of occurrence.
- The impact of the event is evaluated by determining the estimated loss it would cause and the extent of the business impact. A rating of 1-3 has been assigned for high, medium and low for impact for each risk.

Upon assessment of the likelihood of occurrence and the extent of the business impact of each risk, it is plotted in the following matrix to identify the nature and extent of action required. A ranking of high, moderate, low is assigned based on the risk factor derived through probability and impact.

Risk Heat Map



## ENTERPRISE RISK MANAGEMENT REVIEW (CONTD.)

### Risks and Challenges

The risks and challenges mentioned below are related to the six Capitals as detailed i.e. Financial, Human, Natural, Social & Relationship, Manufactured and Intellectual and stand as the backdrop to the decision-making process and strategy formulation of the Company.

As a result of the uncertainty brought about by COVID-19, the Company has intensified its agile risk management strategies.

Impacted Capital	No	Risk statement	Risk mitigating strategy	Risk Factor
Financial Capital	1.1	Sourcing of raw materials at the right time, right quantity and at the expected standard of quality	Having multiple sources both locally and internationally Continuous research and development on alternative raw materials Obtaining the import permits from the Government on time	High
	1.2	Frequent changes in government policies	Periodic evaluation and adaptation of regulations and policies	High
			Seek independent professional advice as necessary.	High
	1.3	Interest rate fluctuations	Maintaining an appropriate combination of investment.	Medium
	1.4	Threat of substitutes	Carrying out promotional activities and engaging in product development	Medium
	1.5	Exchange rate fluctuations	Timely monitoring of international transactions and effective treasury function	High
			Sourcing of local substitute materials	
	1.6	Credit risk arises from credit exposure to customers on unsecured debts	Timely assessment of customer creditworthiness	Low
Age analysis of debtors Set credit controls over the value, terms of credit and maintain proper documentation				
1.7	Availability of sufficient funds to settle dues	A strong relationship with banks to ensure that urgent borrowing needs are met at short notice.	Low	
1.8	Price volatility	Continuous market surveillance	High	
Human Capital	2.1	Recruiting and retaining employees	Development of a Competency Matrix and skill pool.	Low
			Maintain and update the succession plan	
			Adoption of HR best practices	
			Conducting employee satisfaction surveys	

## ENTERPRISE RISK MANAGEMENT REVIEW (CONTD.)

Impacted Capital	No	Risk statement	Risk mitigating strategy	Risk Factor
	2.2	Losses from low productivity and low employee engagement	Open-door policy to discuss grievances Livelihood development programmes	Low
	2.3	Sourcing of skilled labour	Agreements with outsourced labour suppliers	High
	2.4	Employee health and safety	Health and safety guidelines were issued in adherence to government regulations. Required Personal Protection Equipment (PPE) and disinfectants are made available to employees and visitors to the premises Following Good Hygiene practices including extensive cleaning regimes and hand-sanitising stations.	High
<b>Natural Capital</b>	3.1	Natural catastrophes adversely affecting the operations of the Company	Building environmentally controlled houses. Obtaining insurance coverage. Establishing industry best practices.	High
	3.2	Waste and disposal management	Adoption of a central drain system, incineration, disposal of liquid waste through dilutive and cleansed processes	Medium
	3.3	Negative impact on the environment due to its operations	Giving due consideration to environmental factors in decision making Obtaining all required approvals for business operations Promoting awareness of the importance of minimizing the carbon footprint. Promoting energy-saving initiatives	Low
<b>Social and Relationship Capital</b>	4.1	Loss of customers	Conducting customer satisfaction surveys Awareness programs for customers Effective brand marketing initiatives	Medium
	4.2	Loss of suppliers	Conducting supplier grading surveys Periodic evaluation of satisfaction levels of the Principals.	Medium
	4.3	Procurement and supply chain management	Develop and maintain long term business relationships	Low
	4.4	Regulatory risk	Ensure that all relevant statutes that the Company has to comply with have been identified and updated as and when necessary	High

## ENTERPRISE RISK MANAGEMENT REVIEW (CONTD.)

Impacted Capital	No	Risk statement	Risk mitigating strategy	Risk Factor
<b>Manufactured Capital</b>	5.1	Machine breakdown and system failures	<u>Continuous check-ups and upgrades</u> <u>Adherence to a maintenance plan</u> Evaluation of man-hours and machine hours	Medium
	5.2	Damage to physical assets due to an act of strike, riot and civil commotion	Obtaining insurance coverage	Medium
<b>Intellectual Capital</b>	6.1	Reputational risk	<u>Adhere to corporate governance principles</u> <u>Adoption of ethical practices in supply chain and manufacturing processes</u> CSR activities	Medium
	6.2	Loss of data through system breaches. Cyber-security risk & system breakdowns in the IT systems and disruption to operations	<u>Controls over IT infrastructure and data. Regular back-up of data</u> <u>Continuous training for employees on information security.</u> <u>Availability of a disaster recovery plan</u> Upgrading of preventive software on a timely basis.	Medium
	6.3	Product quality risk	<u>Monitoring and updating the processes regularly</u> <u>Continuous quality checks</u> Conduct tests on the input of raw materials and experimental farm tests	Medium
	6.4	Risk of technological obsolescence	Regular investment in new technology	Medium

# FINANCIAL CALENDAR

Financial year ended

31 December 2020

## Announcements of the results to the Colombo Stock Exchange

<b>1st Quarter End</b>	31 March 2020
Publication of Interim Financial Statements	11 June 2020

<b>2nd Quarter End</b>	30 June 2020
Publication of Interim Financial Statements	13 August 2020

<b>3rd Quarter End</b>	30 September 2020
Publication of Interim Financial Statements	12 November 2020

<b>4th Quarter End</b>	31 December 2020
Publication of Interim Financial Statements	25 February 2021

<b>Annual Report</b>	
Publication of Annual Report for 2019	29 May 2020
Publication of Annual Report for 2020	22 April 2021

<b>Meetings</b>	
37th Annual General Meeting	29 June 2020
38th Annual General Meeting	19 May 2021

# 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 2020. The details set out herein provide pertinent information required by the Companies Act No.7 of 2007, Listing Rules issued by the Colombo Stock Exchange and are guided by recommended best accounting practices.

## 1. Principal Activities

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 providing warehouse facilities.

## 2. Review of Performance for the year ended 31 December 2020 and Future Developments

A review of the Company's performance during the year, with comments on financial results for the year ended 31 December 2020 and future developments are contained in the Chairman's Review (pages 8 to 9) and Chief Executive Officer's Review (pages 10 to 11). 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 54 to 110.

## 4. Independent Auditor's Report

The Independent Auditor's Report on the Financial Statements is given on pages 50 to 53.

## 5. Accounting Policies

The accounting policies adopted in preparation of Financial Statements are given on pages 58 to 72. 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 2020 is given in Note 32 - Related Party Transactions, to the Financial Statements.

## 9. Corporate Donations

Donations made by the Company amounted to Rs.25,500/- (2019 - Rs.74,733/-). No donations were made for political purposes.

## 10. Directorate

The names of the Directors who hold office as at 31 December 2020 are given below;

Mr. Wickrema Senaka Weerasooria	- Non-Executive Independent Chairman
Mr. Cheng Chih Kwong, Primus	- Executive Director and Chief Executive Officer
Mr. Chan Kong Meng, Lawrence	- Executive Director and Group General Manager
Mr. Cheng Eng Loong	- Non-Executive Director
Mr. Cheng Koh Chuen, Bernard	- Non-Executive Director
Dr. Prathap Ramanujam	- Non-Executive Independent Director
Mr. R. N. Asirwatham	- Non-Executive Independent Director

Mr. Tan Beng Chuan, Executive Director and Group General Manager retired with effect from 31 October 2020 and Mr. Chan Kong Meng, Lawrence was appointed as an Executive Director and Group General Manager with effect from 1 November 2020.

The Board wishes to place on record the Company's sincere appreciation to Mr. Tan Beng Chuan, Executive Director and Group General Manager for his valuable contribution extended to the Company during his tenure on Board.

## REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY (CONTD.)

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.

In accordance with the provisions of Article 95 of the Articles of Association of the Company, Mr. Chan Kong Meng, Lawrence retires and being eligible offers himself for re-election.

A resolution for the re-appointment of Mr. Cheng Chih Kwong, Primus who is 72 years of age, will be proposed at the Annual General Meeting in terms of section 211 of the Companies Act No.7 of 2007. Mr. Cheng Chih Kwong, Primus's re-appointment is recommended by the Directors.

A resolution for the re-appointment of Mr. R. N. Asirwatham who is 78 years of age, will be proposed at the Annual General Meeting in terms of section 211 of the Companies Act No.7 of 2007. Mr. R. N. Asirwatham's re-appointment is recommended by the Directors.

A resolution for the re-appointment of Dr. Prathap Ramanujam who is 72 years of age, will be proposed at the Annual General Meeting in terms of section 211 of the Companies Act No.7 of 2007. Dr. Prathap Ramanujam's re-appointment is recommended by the Directors.

### 11. Directors' Shareholding

	As at 31/12/2020	As at 31/12/2019
Mr. Wickrema Senaka Weerasooria	2,800	2,800
Mr. Cheng Chih Kwong, Primus	397	397
Mr. Chan Kong Meng, Lawrence	Nil	Nil
Mr. Cheng Koh Chuen, Bernard	Nil	Nil
Mr. Cheng Eng Loong	Nil	Nil
Dr. Prathap Ramanujam	Nil	Nil
Mr. R. N. Asirwatham	Nil	Nil

### 12. Auditors

The Financial Statements for the year ended 31 December 2020 have been audited by Messrs. KPMG, Chartered Accountants, who express their willingness to continue in office. In accordance with the Companies Act No.7 of 2007, a resolution relating to their re-appointment and authorizing the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Details of Audit fees are set out in Note 05 - Operating Profit of the Financial Statement. 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. Turnover

Group turnover amounted to Rs.18,463 Million (2019 - Rs. 17,713 Million) and the Company turnover amounted to Rs.17,933 Million (2019 - Rs. 17,331 Million)

### 14. Dividends

The Directors declared a First Interim Dividend of Rs. 4.50 per share for the financial year ended 31 December 2020 which was paid on 3 December 2020.

The Directors declared a Second Interim Dividend of Rs 9.00 per share for the financial year ended 31 December 2020 which was paid on 25 February 2021.

## REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY (CONTD.)

The Directors declared a Final Dividend of Rs. 4.50 per share for the year ended 31 December 2020, which will be paid on 4 May 2021.

### 15. Investments

Details of investments held by the Company are disclosed in Note 16 - Investment in Associate Company and Note 17 - 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 15 - 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 2020 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 of the Company as at 31 December 2020 amounted to Rs. 3,524 Million (2019 - Rs. 3,401 Million)

and the Group reserves amounted to Rs. 6,556 Million (2019 - Rs. 6,179 Million). The movement of reserves is shown in the Statement of Changes In Equity on page 56.

### 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 in contributing to 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 made to hire the best talent from external sources and continue to maintain the highest standards of the industry. The Human Resource Headcount is considered as a key indicator and recruitment is based on annual manpower planning and 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 performance.

The significant material issues pertaining to employees and industrial relations are disclosed in Note 27 - Contingent Liabilities.

### 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, market price, net asset per share and information on share trading is given on page 111.

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

	2020	2019
Market price per share as at 31 December	111.00	68.50
Highest share price	114.90	74.90
Lowest share price	36.00	42.50
Net asset per share	75.69	73.65
Basic earnings per share	11.40	8.45
Dividend per share (proposed/paid)	18.00	4.50
Dividend payout ratio (%)	157.89	53.25
Price earnings ratio	9.74	8.11

## REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY (CONTD.)

### 26. Shareholding

The number of registered shareholders of the Company as at 31 December 2020 was 4,883. The distribution and analysis of shareholding are given on pages 113 to 114.

### 27. Major Shareholders

The twenty major shareholders of the Company as at 31 December 2020, together with analysis are given on page 114.

### 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, minimizing any adverse effects to the environment. Recycling of waste is carried out wherever possible. Employees are provided with all personal protective equipment for health and well-being which are our prime concerns. Firefighting and safety systems are in place to safeguard the Company's best interests.

### 30. Corporate Governance / Internal Control

The Corporate Governance and Internal Control Policies of the Company are given on pages 14 to 30.

### 31. Contingent Liabilities

Contingent liabilities as at 31 December 2020 are set out in Note 27 - Contingent liabilities to the Financial Statements.

### 32. Related Party Transactions

The Company's transactions with Related Parties, given in Note 32 to the Financial Statements, have complied with Colombo Stock Exchange Listing Rule 9.3.2 and the Code of Best Practices on Related Party Transactions under the Securities Exchange Commission Directive issued under section 13(c) of the Securities Exchange Commission Act.

### 33. Going Concern

The Board adopts a going concern basis in the preparation of Financial Statements since the Company holds adequate resources to continue its operations in the foreseeable future.

### 34. Annual General Meeting

The 38th 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 Wednesday, 19 May 2021 at 10.30 a.m.

By Order of the Board of  
**Ceylon Grain Elevators PLC**

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

(Sgd.)  
**R. N. Asirwatham**  
Non- Executive Independent Director

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

Colombo, Sri Lanka.  
22 April 2021

# 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 pages 50 to 53.

The Companies Act No.7 of 2007 requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the status 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 appropriate accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whatever applicable accounting standards have been followed, subject to any material departures as explained in the Financial Statements;
- 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 of anything that might affect the financial position of the Company and the Group and to ensure that the Financial Statements comply with the Sri Lanka Financial Reporting Standards, Companies Act and the Listing Rules of the Colombo Stock Exchange.

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 and 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.

As required by Section 56 (2) of the Companies Act No.7 of 2007, the Board of Directors has authorised the distribution of dividend, being satisfied, based on information available to it, that the Company would satisfy the Solvency Test after such distributions, in accordance with section 57 of the Companies Act No.7 of 2007 and have sought, a Certificate of Solvency from its Auditors.

## 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.

By Order of the Board of  
**Ceylon Grain Elevators PLC**

(Sgd.)

**Wickrema Senaka Weerasooria**

Non-Executive Independent Chairman

(Sgd.)

**R. N. Asirwatham**

Non-Executive Independent Director

Colombo, Sri Lanka.  
22 April 2021

# INDEPENDENT AUDITOR'S REPORT



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
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## To the Shareholders of Ceylon Grain Elevators PLC

Report on the Audit of the Financial Statements

### Opinion

We have audited the 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 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, set out on pages 58 to 110.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for Opinion

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

### Key Audit Matters

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

## Key Audit Matters

### 1. Measurement of biological assets

Refer Note 3.8 Significant Accounting Policy and Note 18 to the Financial Statements.

#### Risk Description

The carrying value of bearer and consumable biological assets measured at fair value less cost to sell, is Rs.647 Million and Rs.23 Million respectively as at 31 December 2020, with a gain arising from changes in fair value less costs to sell recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income amounting to Rs.32 Million.

The Group's consumable biological assets comprise of Hatchable eggs and commercial Day Old Chicks (DOCs).

The Group has identified grandparent, parent and livestock as bearer biological assets as they are self-regenerating.

Management performed an internal valuation of the biological assets of the Group as at reporting date.

The calculation of the fair value involves a significant judgments and assumptions particularly in respect of DOC yield, DOC selling price, selecting appropriate discount rate and mortality.

We focused on this area because the valuation of biological assets is complex, involved significant management estimates and dependent on certain key assumptions, which require the exercise of significant judgments and are subject to an inherent risk of error or potential management bias.

#### Our responses

Our audit procedures included:

- Understanding, evaluating and testing the key internal controls over the valuation of biological assets.
- On sample basis, testing the capitalised amounts and reasonableness of the inputs used in valuation of biological assets.
- Evaluating the reasonableness of cash flows and related assumptions associated with deriving the fair value of breeder biological assets.
- Challenging the key assumptions used in the valuation, in particular the discount rate, DOC yield, DOC market price and mortality.
- Challenging the methodologies adopted in the valuation of biological assets with reference to the requirements of the accounting standards.
- Assessing the adequacy of the related disclosures in the financial statements and consistency with the accounting policies.

## INDEPENDENT AUDITOR'S REPORT (CONTD.)



### 2. Carrying value of inventories

Refer Note 3.9 Significant Accounting Policy & Note 20 to the Financial Statements

Risk Description	Our responses
<p>The Inventory balance comprise of raw materials, packing materials, finished goods, general items, poultry items, drugs and vaccines, petroleum products and engineering items which forms a significant part of the Group's assets, amounting to Rs.3,624 Million as at 31 December 2020.</p> <p>Carrying value of inventories is identified as a Key Audit Matter because establishing a provision for slow-moving, obsolete and damaged inventory and valuation of inventories involve significant judgments and assumptions exercised by the management.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding over the supply chain and testing selected key controls over recognition and measurement of inventory and inventory provisioning.</li> <li>• On sample basis, testing the net realisable value by comparing the actual cost with relevant market data.</li> <li>• For a sample of warehouses, attending the physical stock take procedures or reconciling third party confirmations with the accounting records of the Group.</li> <li>• Gaining an understanding of the movements in the inventory for the year and assess the adequacy of the provision for non-moving and slow moving inventory.</li> <li>• Assessing whether the Group's accounting policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgment and estimation made in respect of inventory provisioning</li> </ul>

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we

conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related

## INDEPENDENT AUDITOR'S REPORT (CONTD.)



to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## INDEPENDENT AUDITOR'S REPORT (CONTD.)



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3707.

A handwritten signature in black ink, appearing to be 'KPMG'.

### CHARTERED ACCOUNTANTS

Colombo, Sri Lanka  
22 April 2021

# 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	
		2020	2019	2020	2019
<b>Revenue</b>	4 (b)	18,462,998	17,713,305	17,932,753	17,331,487
Cost of sales		(16,360,364)	(15,932,877)	(16,594,690)	(16,338,967)
<b>Gross profit</b>		2,102,634	1,780,428	1,338,063	992,520
Other operating income	8	21,848	48,697	254,740	161,527
Selling and distribution expenses		(230,754)	(233,150)	(223,402)	(202,294)
Administrative expenses		(377,952)	(370,209)	(362,761)	(344,203)
<b>Operating profit</b>	5	1,515,776	1,225,766	1,006,640	607,550
Interest income		341,049	368,051	112,604	112,395
Net finance costs	9	(179,081)	(101,595)	(164,985)	(86,700)
Share of profit of equity - accounted investees, net of tax	16(a)	14,580	6,384	-	-
<b>Profit before tax</b>		1,692,324	1,498,606	954,259	633,245
Taxation	10	(421,450)	(268,753)	(269,975)	(126,306)
<b>Profit after tax</b>		1,270,874	1,229,853	684,284	506,939
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Actuarial loss arising from defined benefit obligation	26	(39,834)	(1,985)	(30,299)	(4,222)
Taxation on other comprehensive income	25	9,861	874	8,484	1,182
<b>Total other comprehensive expense</b>		(29,973)	(1,111)	(21,815)	(3,040)
<b>Total comprehensive income for the year</b>		1,240,901	1,228,742	662,469	503,899
<b>Profit attributable to :</b>					
Equity holders of the parent		943,813	899,183	684,284	506,939
Non-controlling interest		327,061	330,670	-	-
		1,270,874	1,229,853	684,284	506,939
<b>Total comprehensive income attributable to :</b>					
Equity holders of the parent		917,239	897,235	662,469	503,899
Non-controlling interest		323,662	331,507	-	-
		1,240,901	1,228,742	662,469	503,899
<b>Earnings Per Share - Basic and Diluted (Rs.)</b>	11	15.73	14.99	11.40	8.45

The notes on pages 58 to 110 form an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

# STATEMENT OF FINANCIAL POSITION

All amounts in Sri Lankan Rupees thousands  
As at 31 December

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	2,573,866	2,804,901	1,012,850	1,102,658
Improvements over leased land and buildings	13	135,122	142,527	135,122	142,527
Right-of-use assets	14 (a)	678,096	709,072	565,626	591,431
Intangible assets	15	32,330	25,077	32,330	25,077
Investment in associate company	16	62,694	48,114	33	33
Investment in subsidiary companies	17	-	-	301,625	301,625
Biological assets	18	647,194	593,972	-	-
Deferred tax assets	25 (1)	21,172	-	21,172	-
<b>Total non-current assets</b>		<b>4,150,474</b>	<b>4,323,663</b>	<b>2,068,758</b>	<b>2,163,351</b>
<b>Current assets</b>					
Biological assets	18	23,264	20,484	-	-
Inventories	20	3,624,211	3,169,067	3,470,538	3,053,246
Trade and other receivables	21	629,787	732,421	540,586	583,709
Amount due from related companies	19	7,411	99	42,028	1,961
Current tax receivable		10,596	10,596	7,469	7,469
Cash and cash equivalents	22	5,574,923	4,375,190	1,977,123	1,484,598
<b>Total current assets</b>		<b>9,870,192</b>	<b>8,307,857</b>	<b>6,037,744</b>	<b>5,130,983</b>
<b>Total assets</b>		<b>14,020,666</b>	<b>12,631,520</b>	<b>8,106,502</b>	<b>7,294,334</b>
<b>EQUITY</b>					
Stated capital	29	1,017,996	1,017,996	1,017,996	1,017,996
Retained earnings		6,555,874	6,178,635	3,523,538	3,401,069
<b>Total equity attributable to equity holders of the parent</b>		<b>7,573,870</b>	<b>7,196,631</b>	<b>4,541,534</b>	<b>4,419,065</b>
<b>Non-controlling interest</b>	30	<b>2,055,639</b>	<b>1,842,801</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>9,629,509</b>	<b>9,039,432</b>	<b>4,541,534</b>	<b>4,419,065</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities	25 (2)	245,578	293,140	-	28,856
Employee benefits	26	173,583	116,618	138,040	93,771
Lease liabilities	14 (b)	548,394	533,947	462,239	448,605
<b>Total non-current liabilities</b>		<b>967,555</b>	<b>943,705</b>	<b>600,279</b>	<b>571,232</b>
<b>Current liabilities</b>					
Trade and other payables	23	1,952,353	1,324,035	1,257,282	818,726
Amount due to related companies	24	1,261,803	1,126,437	1,532,186	1,318,419
Lease liabilities	14 (b)	209,446	197,911	175,221	166,892
<b>Total current liabilities</b>		<b>3,423,602</b>	<b>2,648,383</b>	<b>2,964,689</b>	<b>2,304,037</b>
<b>Total liabilities</b>		<b>4,391,157</b>	<b>3,592,088</b>	<b>3,564,968</b>	<b>2,875,269</b>
<b>Total equity and liabilities</b>		<b>14,020,666</b>	<b>12,631,520</b>	<b>8,106,502</b>	<b>7,294,334</b>
Net asset per share (Rs.)	36	126.23	119.94	75.69	73.65

The notes on pages 58 to 110 form an integral part of these 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

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

(Sgd.)

**Wickrema Senaka Weerasooria**

Non-Executive Independent Chairman

(Sgd.)

**R. N. Asirwatham**

Non-Executive Independent Director

22 April 2021

Colombo

# STATEMENT OF CHANGES IN EQUITY

All amounts in Sri Lankan Rupees thousands

## GROUP

	Attributable to equity holders of the parent			Non-controlling interest	Total equity
	Stated capital	Retained earnings	Total		
<b>Balance as at 1 January 2019</b>	1,017,996	5,461,400	6,479,396	1,556,631	8,036,027
Profit for the year	-	899,183	899,183	330,670	1,229,853
<b>Other comprehensive income</b>					
Actuarial loss from defined benefit obligation, net of tax	-	(1,948)	(1,948)	837	(1,111)
<b>Distribution to owners</b>					
Dividend paid	-	(180,000)	(180,000)	(45,337)	(225,337)
<b>Balance as at 31 December 2019</b>	1,017,996	6,178,635	7,196,631	1,842,801	9,039,432
<b>Balance as at 1 January 2020</b>	1,017,996	6,178,635	7,196,631	1,842,801	9,039,432
Profit for the year	-	943,813	943,813	327,061	1,270,874
<b>Other comprehensive income</b>					
Actuarial loss from defined benefit obligation, net of tax	-	(26,574)	(26,574)	(3,399)	(29,973)
<b>Distribution to owners</b>					
Dividend paid	-	(540,000)	(540,000)	(110,824)	(650,824)
<b>Balance as at 31 December 2020</b>	1,017,996	6,555,874	7,573,870	2,055,639	9,629,509

## COMPANY

	Stated capital	Retained earnings	Total equity
<b>Balance as at 1 January 2019</b>	1,017,996	3,077,170	4,095,166
Profit for the year	-	506,939	506,939
<b>Other comprehensive income</b>			
Actuarial loss from defined benefit obligation, net of tax	-	(3,040)	(3,040)
<b>Distribution to owners</b>			
Dividend paid	-	(180,000)	(180,000)
<b>Balance as at 31 December 2019</b>	1,017,996	3,401,069	4,419,065
<b>Balance as at 1 January 2020</b>	1,017,996	3,401,069	4,419,065
Profit for the year	-	684,284	684,284
<b>Other comprehensive income</b>			
Actuarial loss from defined benefit obligation, net of tax	-	(21,815)	(21,815)
<b>Distribution to owners</b>			
Dividend paid	-	(540,000)	(540,000)
<b>Balance as at 31 December 2020</b>	1,017,996	3,523,538	4,541,534

The retained earnings represent reserves available for distribution.

The notes on pages 58 to 110 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# STATEMENT OF CASH FLOWS

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

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
<b>Cash flows from operating activities</b>					
Profit before tax		1,692,324	1,498,606	954,259	633,245
<b>Adjustments for:</b>					
Depreciation	12	307,444	284,116	173,410	157,655
Depreciation of improvements over leased land and buildings	13	7,405	8,657	7,405	8,657
Amortisation of right-of-use assets	14(a)	30,976	30,976	25,805	25,805
Amortisation of intangible assets	15	11,118	17,369	11,118	17,369
Usage of biological assets	18	565,635	563,513	-	-
Impairment provision on property, plant and equipment	12	40,781	-	-	-
Loss / (profit) on disposal of property, plant and equipment	8	734	(4,011)	714	130
Change in fair value less cost to sell on biological assets	18	(32,229)	(24,993)	-	-
Impairment provision on amount due from related companies		-	-	568	579
Dividend income	8	-	-	(198,195)	(112,245)
Exchange loss / (gain)	9	62,971	(5,128)	66,749	(2,964)
Interest income		(341,049)	(368,051)	(112,604)	(112,395)
Interest expense	9	116,110	106,723	98,236	89,664
Provision for doubtful debts		4,313	600	4,313	600
(Reversal of) / provision for slow moving and obsolete items		(12,223)	12,600	(9,860)	8,100
Share of profit of associate	16(a)	(14,580)	(6,384)	-	-
<b>Changes in working capital</b>					
- trade and other receivables		(10,474)	55,528	(46,870)	80,773
- inventories		(442,921)	1,064,138	(407,432)	1,065,876
- trade and other payables		398,117	(269,648)	304,366	(243,976)
- amount due from related companies		(7,312)	(99)	(40,635)	(473)
- amount due to related companies		135,366	(457,406)	213,767	(475,039)
Employee benefits	26	26,020	25,022	20,296	19,018
<b>Cash generated from operations</b>					
		2,538,526	2,532,128	1,065,410	1,160,379
Exchange (loss) / gain		(61,155)	4,755	(64,933)	2,591
Interest received		355,903	376,330	123,612	111,812
Interest paid		(3,197)	(1,328)	(2,842)	(1,256)
Lease liability paid		(88,747)	(88,526)	(75,247)	(75,026)
Employee benefits paid		(8,889)	(11,565)	(6,326)	(9,576)
Tax paid		(156,181)	(214,498)	(102,657)	(46,266)
<b>Net cash generated from operating activities</b>					
		2,576,260	2,597,296	937,017	1,142,658
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	12	(118,015)	(437,318)	(84,407)	(366,848)
Purchase of intangible assets	15	(18,371)	(17,888)	(18,371)	(17,888)
Proceeds from disposal of property, plant and equipment		91	4,269	91	8
Proceeds from dividend income		-	-	198,195	112,245
Purchase of biological assets	18	(589,408)	(579,160)	-	-
<b>Net cash (used in) / generated from investing activities</b>					
		(725,703)	(1,030,097)	95,508	(272,483)
<b>Cash flows from financing activities</b>					
Dividend paid		(650,824)	(225,337)	(540,000)	(180,000)
<b>Net cash used in financing activities</b>					
		(650,824)	(225,337)	(540,000)	(180,000)
<b>Increase in cash and cash equivalents</b>					
		1,199,733	1,341,862	492,525	690,175
<b>Movements in cash and cash equivalents</b>					
At the beginning of the year		4,375,190	3,033,328	1,484,598	794,423
Increase in cash and cash equivalents		1,199,733	1,341,862	492,525	690,175
<b>Cash and cash equivalents as at 31 December</b>					
	22	5,574,923	4,375,190	1,977,123	1,484,598

The notes on pages 58 to 110 form an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1. Reporting entity

Ceylon Grain Elevators PLC (the 'Company') is a "Quoted Public Company" with limited liability, incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at No.15, Rock House Lane, Colombo - 15, Sri Lanka.

The Company was listed on the Colombo Stock Exchange on 01 January 1984.

#### Ultimate Parent

The Ultimate Parent of the Company is Prima Limited, Singapore, holds 45.45 % of the issued share capital of the Company.

### 1.2. Financial Statements

The Financial Statements of the Group for the year ended 31 December 2020 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 Agro-business Services (Private) Limited
- Ceylon Warehouse Complex (Private) Limited
- Ceylon Aquatech (Private) Limited

All subsidiaries of the Company have been incorporated in Sri Lanka.

#### Associate

- Prima Management Services (Private) Limited

The Financial Statements of the Group entities are prepared to a common financial year ending 31 December using uniform accounting policies.

### 1.3. Principal activities and nature of the operations

The principal place of business, principal business activities of the Company, subsidiaries and associate are as follows;

Entity	Principal Place of Business	Principal Business Activities
<b>The Company</b>		
Ceylon Grain Elevators PLC	Sri Lanka	Manufacturing and selling of poultry feed and other animal feed, poultry processing and distribution, importing and selling of drugs and vaccines.
<b>Subsidiaries</b>		
Ceylon Livestock and Agro-business Services (Private) Limited	Sri Lanka	Importing and sale of poultry equipment, drugs and vaccines.
Ceylon Warehouse Complex (Private) Limited	Sri Lanka	Provision of warehouse facilities
Ceylon Aquatech (Private) Limited	Sri Lanka	Integrated shrimp operation including breeding, processing and culture of shrimp.
Three Acre Farms PLC	Sri Lanka	Operating of poultry breeder farming, raising of grandparent and parent stocks and hatcheries, hatching and selling of Day Old Chicks, operations of commercial farms.
Millennium Multibreeder Farms (Private) Limited	Sri Lanka	Operating of poultry breeder farming and hatcheries, hatching and selling of Day Old Chicks.
Ceylon Pioneer Poultry Breeders Limited	Sri Lanka	Renting of farm operation
<b>Associates</b>		
Prima Management Services (Private) Limited	Sri Lanka	Provision of ICT solution and services

There were no significant changes in the nature of the principle business activities of the Group and the Company during the financial year under review.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 1.4. Approval of Financial Statements by Directors

The Financial Statements were authorised for issue by the Board of Directors on 22 April 2021.

These Financial Statements include the following components:

- A Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review. Refer page 54;
- A Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end. Refer page 55;
- A Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company. Refer page 56;
- A Statement of Cash Flows providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and utilisation of those cash flows. Refer page 57;
- Notes to the financial statements comprising significant accounting policies and other explanatory information. Refer page 58 to 110.

### 1.5. Responsibility for the Financial Statements

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

## 2. BASIS OF PREPARATION

### 2.1. Statement of compliance

The Financial Statements have been prepared and present fairly in accordance with Sri Lanka Accounting Standards (SLFRS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007 and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE).

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

### 2.2. Basis of measurement

The 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 3.11 - Employee Benefits and Note 3.8 - Biological Assets to the Financial Statements.

### 2.3. Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency, rounded to the nearest thousand, unless otherwise stated.

### 2.4. Significant accounting estimates, judgements and assumptions

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS) require Management to make judgements, 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. Underlying estimates, judgements, assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised prospectively.

### A. Judgement

#### Going concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's/ Company's ability to continue as a going concern. Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis. (Please refer the Note 38 - Disclosures on Coronavirus ( COVID - 19 ) Pandemic)

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

- Note 3.5.5 - Depreciation
- Note 3.6 - Leases
- Note 3.7 - Intangible assets
- Note 3.8 - Biological assets
- Note 3.4.4 - Impairment
- Note 3.11.3 - Measurement of defined benefit obligation
- Notes 3.12 and 3.23 - Provisions, commitments and contingencies
- Note 3.18 - Taxation

#### 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 Group 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 liabilities 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 at its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group 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 18 - Biological Assets.

### 2.5. Use of materiality, offsetting and rounding

#### 2.5.1. 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.

Notes to the Financial Statements are presented in a systematic manner which ensure the understandability and comparability of Financial Statements of the Group.

Understandability of the Financial Statements is not compromised by observing material information or by aggregating material items that have different nature of functions.

#### 2.5.2. Offsetting

Assets and liabilities and income and expenses in the Financial Statements are not set-off unless regained by Sri Lanka Accounting Standards.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 2.5.3. Rounding

The amounts in the Financial Statements have been rounded off to the nearest rupees thousands, except where otherwise indicated.

### 2.5.4. Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle and held primarily for the purpose of trading

Or

Is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle and is held primarily for the purpose of trading and is due to be settled within twelve months after the reporting period

Or

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements and have been applied consistently by Group entities. The Group has initially adopted Definitions of a Business (Amendments of SLFRS 3) and Interest Rate Benchmark Reform (Amendments to SLFRS 9, LKAS 39 and SLFRS 7) from 1 January 2020. A number of other new standards are also effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.

The Group applied Definitions of a Business (Amendments of SLFRS 3) to business combinations whose acquisitions dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out in Note 3.1.

## 3.1. Basis of consolidation

### 3.1.1. Business combinations

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

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

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 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

consolidation are shown in the 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 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 are 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 Group Financial Statements from the date that control commences, until the date that control ceases.

### 3.1.4. Loss of control

When the Group loses control over subsidiary, 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.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Company (parent) in the form of cash, dividend or repayment of loans and advances.

### 3.1.5. Interest in equity accounted investee

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 Group 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 Group 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 into the respective functional currencies of the Group at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Non-monetary assets and liabilities dominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognised in profit or loss except the differences arising on re-translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

### 3.3. Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the "Indirect Method" of preparing cash flows in accordance with Sri Lanka Accounting Standards - LKAS 7 on Statement of Cash Flows, whereby operating activities, investing activities and financing activities are separately recognised.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

### 3.4. Financial instruments

#### 3.4.1. Recognition and initial measurement

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

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

#### 3.4.2. Classification and subsequent measurement

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

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

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

#### Financial assets - Business model assessment

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would

not meet this condition. In making this assessment, the Group considers:

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

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

### 3.4.3. Financial assets - Subsequent measurement and gains and losses

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 3.4.4. Impairment

#### 3.4.4.1. Non-derivative financial assets

##### Financial instruments and contract assets

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

##### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

##### Credit-impaired financial assets

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market to a security because of financial difficulties.

##### Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

##### Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures to recovery of amounts due.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 3.5. 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.

#### 3.5.1. 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.

#### 3.5.2. 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.

#### 3.5.3. 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.

#### 3.5.4. De-recognition

The carrying amount of an item of property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from de-recognition

of an item of property, plant and equipment is included in profit or loss when the item is de-recognised. 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 de-recognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is de-recognised.

#### 3.5.5. 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	10 - 20 years
Leasehold building and improvements	10 - 20 years
Plant and machinery	10 - 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 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 3.5.6. 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.

### 3.6. Leases

The Group applied SLSRS 16 using the modified retrospective approach.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease of the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of a identified asset, the Group uses the definition of a lease in SLFRS 16.

#### As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the lease of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognised a right of use asset and a lease liability at the lease commencement date. The right-of-use assets is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimates of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right of use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of lease term or the cost of the right of use asset reflects that the Group will exercise a purchase option. In that case the right of use asset will be depreciated

over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present values of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the assets leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in substance fixed payments;
- Variable lease payments that depend on a n index or a rate, initially measured using the index or rate as at commencement date;
- Amounts expected to be payable under residual value guaranteed;
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise and extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payments.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded as profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in right-of-use assets and lease liabilities in the Statement of Financial Position.

### Short term leases and leases of low-value assets

The Group has elected not to recognise right of use assets and lease liabilities of leases of low-value assets and short-term leases. The Group recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 3.7. Intangible assets

#### 3.7.1. Basis of recognition

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

#### 3.7.2. Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent measurement is carried at cost less accumulated amortisation and accumulated impairment losses, if any.

#### 3.7.3. 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.

#### 3.7.4. 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	3-10 years
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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### 3.8. 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.

The Group has identified grandparent and parent and 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.

### 3.9. Inventories

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

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

- All inventory items except finished goods and work-in-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.

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

### 3.10. Stated Capital

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 3.11. Employee benefits

#### 3.11.1. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus 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.

#### 3.11.2. 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 (EPF).

##### (b) Employees' Trust Fund

The Group contributes 3 % of the salary of each employee to the Employees' Trust Fund (ETF). These obligations come within the scope of a defined contribution plan as per LKAS -19 on 'Employee Benefits'. Obligations for contributions to defined contribution plans are recognised in profit or loss as the related service is provided.

#### 3.11.3. 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 portions of the increased benefits related to past service by employees are 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 Group 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 Group 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 3.12. 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.

### 3.13. Trade and other payables

Trade payables are the aggregate amount of obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year and non-interest bearing.

### 3.14. Revenue

#### Sales of goods

Revenue is recognised when 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.

Revenue is measured net of returns, trade discounts and volume rebates. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

#### Rendering of services

The Group recognises revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services.

#### Rental income

The Group earns revenue from renting of its warehouse facilities. Rental income is recognised on a straight-line basis over the period of rental contracts. When the customer initially enters into a rental contract, the Group usually receives an advance or a deposit or both which is recognised as a liability. The advance is recognised

as revenue with the passage of time while deposit is refunded to the customer in accordance with the rental contract on termination.

#### 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.

#### Dividend income

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

### 3.15. Expenses

Expenses are recognized in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

For the presentation of the Statement of Profit or Loss the Directors are of the opinion that the function of the expenses method present fairly the elements of the Group's performance, and hence such a presentation method is adopted.

Preliminary and pre-operational expenditure is recognized in the statement of profit or loss.

Repairs and renewals are charged to the Statement of Profit or Loss in the year in which the expenditure is incurred.

### 3.16. Interest income

Finance income comprises of interest income on funds invested. Interest income is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 3.17. Finance income/(costs)

Finance costs comprise interest expense on borrowings and leases, unwinding of discounts on provisions and fair value losses on financial assets at fair value through profit or loss and impairment losses recognised on financial assets (other than trade receivables).

Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

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. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets.

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.

### 3.18. 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 carrying 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.

#### Transfer Pricing

As prescribed in the Inland Revenue Act No. 24 of 2017 and the Gazette notifications issued on transfer pricing, companies in the Group have complied with the Arm's Length Principles relating to transfer pricing.

### 3.19. 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(geographical segment), which is subject to risks and rewards that are different from those of other segments.

### 3.20. Earnings per share

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 3.21. Events 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.

### 3.22. Comparative figures

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

### 3.23. Commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. The Company's share of any contingencies of a subsidiary for which the Company is also liable, severally or otherwise, are also included with appropriate disclosures.

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.

### 3.24. New standards and interpretations not yet adopted as at reporting date

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has

not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

- Onerous Contracts - Cost of fulfilling a contract (Amendments to LKAS 37);
- Interest Rate Benchmark Reform - Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4, SLFRS 16);
- Other standards
  - Covid-19 Related Rent Concessions (Amendments to SLFRS 16)
  - Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)
  - Reference to Conceptual Framework (Amendments to SLFRS 3)
  - Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)
  - Annual improvements to SLFRS standards 2018 - 2020, which are not effective as at reporting date

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands  
For the year ended 31 December 2020

### 4. SEGMENT INFORMATION

#### (a) Business segments

The Group has three main business segments which offers different products and services and are managed separately since it requires different technology and resources.

Business segments	Operations
Milling and farming	Manufacturing and selling of poultry feed, other animal feed, poultry processing, importing and selling drugs and vaccines.
Poultry breeding and commercial	Breeding of commercial Day Old Chicks and broiler farming and provision of hatchery services.
Others	Provision of warehouse facilities (rental) and trading.

There are varying levels of integration between segments which includes transfer of raw materials and shared services. The inter-segment transactions are carried out under normal commercial terms.

The Group's operating environment that affect the segments are discussed under the Chairman's Review and Chief Executive Officer's Review (pages 8 to 11).

The information relevant to each business segment is set out below and it is used to measure performance since management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in same segment.

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.

#### (b) Sales are made up as follows :

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
Milling and farming		19,303,878	20,128,913	19,303,878	20,128,913
Poultry breeding and commercial		2,733,109	2,912,012	-	-
Others		126,623	142,513	-	-
		22,163,610	23,183,438	19,303,878	20,128,913
Elimination / adjustment		(2,293,826)	(2,655,722)	-	-
		19,869,784	20,527,716	19,303,878	20,128,913
Sales taxes	4 (c)	(1,406,786)	(2,814,411)	(1,371,125)	(2,797,426)
		18,462,998	17,713,305	17,932,753	17,331,487

#### (c) Sales taxes

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
Nation Building Tax		-	303,204	-	319,905
Value Added Tax		1,406,786	2,511,207	1,371,125	2,477,521
		1,406,786	2,814,411	1,371,125	2,797,426

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands

### 4. SEGMENT INFORMATION (Contd.)

#### (d) Business Segments

For the year ended 31 December 2020

	Milling and farming	Poultry breeding and commercial	Others	Elimination / adjustment	Group
Sales to outsiders	16,995,585	1,433,498	33,915	-	18,462,998
Inter segmental sales	937,168	1,299,611	92,708	(2,329,487)	-
<b>Total revenue</b>	<b>17,932,753</b>	<b>2,733,109</b>	<b>126,623</b>	<b>(2,329,487)</b>	<b>18,462,998</b>
Operating income	1,006,640	695,526	12,215	(198,605)	1,515,776
Finance income	112,604	206,059	22,386	-	341,049
Net finance (costs) / income	(164,985)	1,832	(17,272)	1,344	(179,081)
Share of profit of equity accounted investee, net of tax	-	-	-	14,580	14,580
Profit before tax	954,259	903,417	17,329	(182,681)	1,692,324
Taxation	(269,975)	(139,077)	(12,259)	(139)	(421,450)
<b>Profit for the year</b>	<b>684,284</b>	<b>764,340</b>	<b>5,070</b>	<b>(182,820)</b>	<b>1,270,874</b>
<b>Other comprehensive income</b>					
Actuarial loss arising from defined benefit obligation - net of tax	(21,815)	(7,943)	(215)	-	(29,973)
<b>Total comprehensive income for the year</b>	<b>662,469</b>	<b>756,397</b>	<b>4,855</b>	<b>(182,820)</b>	<b>1,240,901</b>

For the year ended 31 December 2019

	Milling and farming	Poultry breeding and commercial	Others	Elimination / adjustment	Group
Sales to outsiders	16,419,996	1,279,453	13,856	-	17,713,305
Inter segmental sales	911,491	1,272,746	107,951	(2,292,188)	-
<b>Total revenue</b>	<b>17,331,487</b>	<b>2,552,199</b>	<b>121,807</b>	<b>(2,292,188)</b>	<b>17,713,305</b>
Operating income	607,550	666,141	64,720	(112,645)	1,225,766
Finance income	112,395	226,114	29,542	-	368,051
Net finance (costs) / income	(86,700)	467	(16,972)	1,610	(101,595)
Share of profit of equity accounted investee, net of tax	-	-	-	6,384	6,384
Profit before tax	633,245	892,722	77,290	(104,651)	1,498,606
Taxation	(126,306)	(119,948)	(22,499)	-	(268,753)
<b>Profit for the year</b>	<b>506,939</b>	<b>772,774</b>	<b>54,791</b>	<b>(104,651)</b>	<b>1,229,853</b>
<b>Other comprehensive income</b>					
Actuarial (loss) / gain arising from defined benefit obligation - net of tax	(3,040)	1,956	(27)	-	(1,111)
<b>Total comprehensive income for the year</b>	<b>503,899</b>	<b>774,730</b>	<b>54,764</b>	<b>(104,651)</b>	<b>1,228,742</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands

### 4. SEGMENT INFORMATION (Contd.)

#### (e) Business segments

As at 31 December 2020

	Milling and farming	Poultry breeding and commercial	Others	Elimination / adjustment	Group
Segment assets	8,064,441	5,422,549	772,340	(308,769)	13,950,561
Associate	33	-	-	62,661	62,694
Inter segment assets	42,028	267,463	11,400	(313,480)	7,411
<b>Total assets</b>	<b>8,106,502</b>	<b>5,690,012</b>	<b>783,740</b>	<b>(559,588)</b>	<b>14,020,666</b>
Segment liabilities	3,294,586	874,598	229,977	(8,004)	4,391,157
Inter segment liabilities	270,382	11,400	122,278	(404,060)	-
<b>Total liabilities</b>	<b>3,564,968</b>	<b>885,998</b>	<b>352,255</b>	<b>(412,064)</b>	<b>4,391,157</b>
Capital expenditure	102,778	33,608	-	-	136,386
Depreciation / amortisation	180,815	117,135	16,899	-	314,849
Amortisation of right-of-use assets	25,805	2,382	5,171	(2,382)	30,976
Amortisation of intangible assets	11,118	-	-	-	11,118

As at 31 December 2019

	Milling and farming	Poultry breeding and commercial	Others	Elimination / adjustment	Group
Segment assets	7,292,340	4,827,041	775,077	(311,151)	12,583,307
Associate	33	-	-	48,081	48,114
Inter segment assets	1,961	179,388	20,656	(201,906)	99
<b>Total assets</b>	<b>7,294,334</b>	<b>5,006,429</b>	<b>795,733</b>	<b>(464,976)</b>	<b>12,631,520</b>
Segment liabilities	2,683,167	690,013	229,065	(10,157)	3,591,968
Inter segment liabilities	192,102	9,804	90,013	(291,919)	120
<b>Total liabilities</b>	<b>2,875,269</b>	<b>699,817</b>	<b>319,078</b>	<b>(302,076)</b>	<b>3,592,088</b>
Capital expenditure	384,736	70,470	-	-	455,206
Depreciation / amortisation	166,312	108,623	17,838	-	292,773
Amortisation of right-of-use assets	25,805	2,381	5,171	(2,381)	30,976
Amortisation of intangible assets	17,369	-	-	-	17,369

## NOTES TO THE 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	
		2020	2019	2020	2019
Directors' emoluments	32.1	5,580	4,520	2,790	2,260
Auditor's remuneration					
- Audit service		7,222	7,222	4,378	4,378
- Other services		1,218	2,220	710	814
Legal fees		3,239	4,647	2,229	2,997
Depreciation on property, plant and equipment	12	307,444	284,116	173,410	157,655
Depreciation of improvements over leased land and buildings	13	7,405	8,657	7,405	8,657
Amortization of right-of-use-assets	14	30,976	30,976	25,805	25,805
Amortization of intangible assets	15	11,118	17,369	11,118	17,369
Usage of biological assets	18	565,635	563,513	-	-
Staff expenses	7	1,429,977	1,311,812	918,027	920,090
Provision for doubtful debts		4,313	600	4,313	600
(Reversal of) / provision for slow moving and obsolete items		(12,223)	12,600	(9,860)	8,100
Provision for impairment of property, plant and equipment	12	40,781	-	-	-

### 6. TEMPORARY CESSATION OF OPERATION

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	
	2020	2019
Property, plant and equipment	11,148	54,008
Total assets	11,251	54,138
Total liabilities	(90,834)	(94,997)
Net liabilities	(79,583)	(40,859)

### 7. STAFF EXPENSES

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
Salaries and wages		1,337,394	1,224,465	847,999	854,785
Social security costs		282	316	190	210
Defined contribution plans		66,281	62,009	49,542	46,077
Employee benefits	26	26,020	25,022	20,296	19,018
		1,429,977	1,311,812	918,027	920,090

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 7. STAFF EXPENSES (Contd.)

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
The average number of employees as at the year end:					
- Full time		761	759	504	486
- Part time		648	677	212	396
		1,409	1,436	716	882

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

### 8. OTHER OPERATING INCOME

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

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
Sundry income		31,134	19,693	57,827	49,991
Dividend income		-	-	198,195	112,245
Impairment provision on property, plant and equipment	12	(40,781)	-	-	-
Impairment provision on amount due from related parties		-	-	(568)	(579)
Change in fair value less cost to sell on biological assets	18	32,229	24,993	-	-
(Loss) / profit on disposal of property, plant and equipment		(734)	4,011	(714)	(130)
		21,848	48,697	254,740	161,527

### 9. NET FINANCE COSTS

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
Interest on lease liability	14(b)	112,913	105,395	95,394	88,408
Foreign exchange transaction loss / (gain)		62,971	(5,128)	66,749	(2,964)
Interest expense on bank borrowings		3,197	1,328	2,842	1,256
		179,081	101,595	164,985	86,700

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 10. TAXATION

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
Current tax		425,340	290,303	263,229	131,494
Under provision in respect of previous year		980	40,349	980	34,694
Dividend tax on inter company dividend		54,003	23,158	47,310	14,828
Deferred tax release recognised in profit or loss	25	(58,873)	(85,057)	(41,544)	(54,710)
		421,450	268,753	269,975	126,306

Current tax has been computed in accordance with the provisions of Inland Revenue Act No. 24 of 2017.

Company	Category	Tax rate (%)		Tax loss carried forward (Rs.)	
		2020	2019	2020	2019
Ceylon Grain Elevators PLC	Manufacturing	28	28	Nil	Nil
Ceylon Livestock and Agrobusiness Services (Private) Limited	Trading	28	28	Nil	Nil
Ceylon Warehouse Complex (Private) Limited	Storage facility	28	28	Nil	Nil
Ceylon Aquatech (Private) Limited	Other sources	28	28	26,533,408	25,896,974
Three Acre Farms PLC	Poultry farming	14	14	Nil	Nil
Millennium Multibreeder Farms (Private) Limited	Poultry farming	14	14	Nil	Nil
Ceylon Pioneer Poultry Breeders Limited	Other sources	28	28	223,265,158	224,280,353

As instructed by the Ministry of Finance, The Departments of Inland Revenue has issued a notice No. PM/IT/2020-03 (Revised) date 8 April 2020, proposing to amend the existing Inland Revenue Act, No 24 of 2017 effective from 1 January 2020. Proposed notice also Provides concessionary tax rate and income tax exemptions to agro-processing & manufacturing and agro-farming respectively.

The bill approving the budget proposal to change income tax rate from 28% to proposed concessionary tax rate was passed in parliament and is pending future legal proceedings to be completed to make the proposed concessionary tax rates substantively enacted.

Since the proposed amendment has not been substantively enacted at the end of the reporting period, the income tax provision of the Group for 2020 is calculated based on the tax rates specified in the inland Revenue Act No. 24 of 2017.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 10. TAXATION (Contd.)

	GROUP		COMPANY	
	2020	2019	2020	2019
Profit before tax	1,692,324	1,498,606	954,259	633,245
Share of profit of associate	(14,580)	(6,384)	-	-
	1,677,744	1,492,222	954,259	633,245
Add: disallowable expenses	1,524,916	1,296,822	627,996	516,808
Deduct: allowable expenses	(1,522,198)	(1,650,576)	(754,043)	(792,827)
<b>Assessable income from business</b>	<b>1,680,462</b>	<b>1,138,468</b>	<b>828,212</b>	<b>357,226</b>
Add: interest income	332,354	368,051	111,891	112,395
Deduct: tax loss claimed	(1,015)	-	-	-
Deduct: qualifying payments	-	(5,376)	-	-
<b>Taxable income</b>	<b>2,011,801</b>	<b>1,501,143</b>	<b>940,103</b>	<b>469,621</b>
Income tax using the domestic corporation tax rate				
at 14%	138,143	130,819	-	-
at 28%	287,197	159,484	263,229	131,494
<b>Current tax</b>	<b>425,340</b>	<b>290,303</b>	<b>263,229</b>	<b>131,494</b>
Under provision in respect of previous year	980	40,349	980	34,694
Deferred tax release recognised in profit or loss	(58,873)	(85,057)	(41,544)	(54,710)
Dividend tax on intercompany dividend	54,003	23,158	47,310	14,828
	421,450	268,753	269,975	126,306

The Group's effective tax rate for the year 2020 is 26% (2019 - 26%)

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

### 11. EARNINGS PER SHARE - BASIC AND DILUTED

Earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in outstanding during the year.

	GROUP		COMPANY	
	2020	2019	2020	2019
Net profit attributable to shareholders	943,813	899,183	684,284	506,939
Weighted average number of ordinary shares (thousands)	60,000	60,000	60,000	60,000
Basic earnings per share (Rs.)	15.73	14.99	11.40	8.45

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 12. PROPERTY, PLANT AND EQUIPMENT

(a) GROUP	As at 01.01.2020	Additions / WIP transfer	Disposals/ Write off	Impairments	As at 31.12.2020
<b>Cost</b>					
Land	418,300	-	-	-	418,300
Building	1,188,695	33,290	-	(40,781)	1,181,204
Leasehold buildings and improvements	679,551	-	(145)	-	679,406
Plant and machinery, electrical and farm equipment	2,241,202	32,176	(4,069)	-	2,269,309
Furniture, fittings and office equipment	194,755	14,116	(1,791)	-	207,080
Motor vehicles	213,183	21,710	(821)	-	234,072
Capital work-in-progress	31,114	16,723	-	-	47,837
	4,966,800	118,015	(6,826)	(40,781)	5,037,208

	As at 01.01.2020	Charge over the year	Disposals/ Write off	As at 31.12.2020
<b>Depreciation</b>				
Building	275,498	72,994	-	348,492
Leasehold buildings and improvements	255,387	24,960	(38)	280,309
Plant and machinery, electrical and farm equipment	1,311,100	179,536	(3,446)	1,487,190
Furniture, fittings and office equipment	150,711	15,946	(1,696)	164,961
Motor vehicles	169,203	14,008	(821)	182,390
	2,161,899	307,444	(6,001)	2,463,342

	As at 01.01.2020	As at 31.12.2020
<b>Carrying amount</b>		
Land	418,300	418,300
Building	913,197	832,712
Leasehold buildings and improvements	424,164	399,097
Plant and machinery, electrical and farm equipment	930,102	782,119
Furniture, fittings and office equipment	44,044	42,119
Motor vehicles	43,980	51,682
Capital work in progress	31,114	47,837
	2,804,901	2,573,866

Reconciliation of the carrying amount of property, plant and equipment as at 31.12.2019.

	Carrying amount as at 01.01.2019	Additions / WIP transfer	Depreciation charge for the year	Disposal/ write-off	Carrying amount as at 31.12.2019
Property, plant and equipment	2,651,957	437,318	(284,116)	(258)	2,804,901

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands  
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### 12. PROPERTY, PLANT AND EQUIPMENT (Contd.)

(b) COMPANY	As at 01.01.2020	Additions / WIP transfer	Disposals/ Write off	As at 31.12.2020
<b>Cost</b>				
Land	40,314	-	-	40,314
Building	39,118	-	-	39,118
Leasehold buildings and improvements	153,342	-	(145)	153,197
Plant and machinery, electrical and farm equipment	1,345,266	23,542	(3,847)	1,364,961
Furniture, fittings and office equipment	183,687	14,053	(1,791)	195,949
Motor vehicles	112,353	21,710	(821)	133,242
Capital work-in-progress	17,493	25,102	-	42,595
	1,891,573	84,407	(6,604)	1,969,376

	As at 01.01.2020	Charge over the year	Disposals/ Write off	As at 31.12.2020
<b>Depreciation</b>				
Building	7,396	1,607	-	9,003
Leasehold buildings and improvements	14,371	10,701	(38)	25,034
Plant and machinery, electrical and farm equipment	539,595	135,375	(3,244)	671,726
Furniture, fittings and office equipment	141,353	15,733	(1,696)	155,390
Motor vehicles	86,200	9,994	(821)	95,373
	788,915	173,410	(5,799)	956,526

	As at 01.01.2020	As at 31.12.2020
<b>Carrying amount</b>		
Land	40,314	40,314
Building	31,722	30,115
Leasehold buildings and improvements	138,971	128,163
Plant and machinery, electrical and farm equipment	805,671	693,235
Furniture, fittings and office equipment	42,334	40,559
Motor vehicles	26,153	37,869
Capital work-in-progress	17,493	42,595
	1,102,658	1,012,850

Reconciliation of the carrying amount of property, plant and equipment as at 31.12.2019.

	Carrying amount as at 01.01.2019	Additions / WIP transfer	Depreciation charge for the year	Disposal/ write-off	Carrying amount as at 31.12.2019
Property, plant and equipment	893,603	366,848	(157,655)	(138)	1,102,658

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 12. PROPERTY, PLANT AND EQUIPMENT (Contd.)

#### (c) Freehold Land carried at cost (Rs) :

Name of the Company	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 - 27.00 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		
	Ittapana farm, Mahagoda, Ittapana	31 A - 1 R - 28.10 P	71,640,983		
			308,701,292		
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	54 A - 1 R - 36.18 P	11,068,865		
			11,068,865		
<b>Total</b>			<b>418,299,480</b>		

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 12. PROPERTY, PLANT AND EQUIPMENT (Contd.)

#### (d) Freehold Building carried at cost (Rs) :

Name of the Company	Location	Number of Buildings	Cost
Ceylon Grain Elevators PLC	Attanagalla farm, Attanagalla	56	39,117,706
			39,117,706
Three Acre Farms PLC	Meegoda farm, Meegoda	75	174,495,552
	Kosgama farm, Aluthambalama, Kosgama	52	57,741,461
	Halwathura farm, Halwathura	60	74,409,186
	Bulathsinhala farm, Agaloya, Bulathsinhala	98	212,993,791
	Hijra farm - A, Pagoda, Beruwala	71	209,470,194
	Hijra farm - B, Beruwala	46	38,717,159
	Makuluwatta farm, Waga	36	69,447,700
			837,275,043
Ceylon Pioneer Poultry Breeders Limited	Nillambe Farm, Office Junction, Galaha	3	6,567,387
	Aswatta Farm, Kosgama	45	51,085,000
			57,652,387
Millennium Multibreeder Farms (Private) Limited	Wewelpanawa Farm, Wewelpanawa	45	231,565,950
			231,565,950
Ceylon Aquatech (Private) Limited	Chilaw farm	32	56,374,600
			56,374,600
<b>Total</b>			<b>1,221,985,686</b>

#### (e) Capital work-in-progress

Capital work-in-progress includes the construction of capital assets which mainly consists of buildings and plant and machinery.

#### (f) Capitalised borrowing costs

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2020 (2019 – Nil).

#### (g) Fully depreciated but still in use

The cost of fully depreciated property, plant and equipment of the Group and the Company which are still in use amounted to,

	GROUP		COMPANY	
	2020	2019	2020	2019
Fully depreciated property, plant and equipment (Rs.)	1,130,739,620	923,304,178	378,937,868	332,123,539

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 12. PROPERTY, PLANT AND EQUIPMENT (Contd.)

#### (h) Property, plant and equipment pledged as security for liabilities

There were no items of Property, Plant and Equipment pledged as securities for liabilities as at the reporting date (2019 - Rs. Nil).

#### (i) Title restriction on property, plant and equipment

There were no restrictions existed on the title of the Property, Plant and Equipment of the Group as at the reporting date.

#### (j) Permanent fall in value of property, plant and equipment

	GROUP		COMPANY	
	2020	2019	2020	2019
Provision for impairment on property, plant and equipment (Rs.)	40,780,738	-	-	-

Above impairment in property, plant and equipment is pertaining to freehold buildings of Ceylon Aquatech (Private) Limited.

### 13. IMPROVEMENTS OVER LEASED LAND AND BUILDINGS

	GROUP		COMPANY	
	2020	2019	2020	2019
Balance at the beginning of the year	142,527	151,184	142,527	151,184
Depreciation for the year	(7,405)	(8,657)	(7,405)	(8,657)
Balance at the end of the year	135,122	142,527	135,122	142,527

#### Head Office Premises - Colombo 15

Pursuant to the agreement entered into with the Government and Sri Lanka Ports Authority (SLPA), the Company obtained the leasehold rights of the land and buildings at No. 15, Rock House Lane, Colombo 15. The said leasehold rights are disclosed in Note 14 - Lease Arrangements.

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 (the current status of lease agreements disclosed in Note 28 - Commitments, to the Financial Statements)

Improvements made to leasehold land and buildings are recognised herein.

### 14. LEASE ARRANGEMENTS

Information about leases for which the group is lessee, is presented below.

#### (a) Right-of-use assets

	GROUP		COMPANY	
	2020	2019	2020	2019
Balance at the beginning of the year	709,072	-	591,431	-
Additions during the year	-	740,048	-	617,236
Amortisation recognised in the Statement of Profit or Loss	(30,976)	(30,976)	(25,805)	(25,805)
Balance at the end of the year	678,096	709,072	565,626	591,431

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 14. LEASE ARRANGEMENTS (Contd.)

#### (b) Lease liabilities

	GROUP		COMPANY	
	2020	2019	2020	2019
Balance at the beginning of the year	731,858	-	615,497	-
Additions during the year	-	715,362	-	602,488
Interest amortised recognised in the Statement of Profit or Loss	112,913	105,395	95,394	88,408
Payment recognised in the Statement of Cash Flows	(88,747)	(88,526)	(75,247)	(75,026)
Exchange translation recognised in the Statement of Profit or Loss	1,816	(373)	1,816	(373)
Balance at the end of the year	757,840	731,858	637,460	615,497

#### (c) Maturity analysis of lease liabilities

	GROUP		COMPANY	
	2020	2019	2020	2019
Due within one year	209,446	197,911	175,221	166,892
Due after one year	548,394	533,947	462,239	448,605
	757,840	731,858	637,460	615,497

### 15. INTANGIBLE ASSETS

- (a) The intangible assets consists with computer software and server software which purchased from associated company, Prima Management Services (Private) Limited.

	GROUP		COMPANY	
	2020	2019	2020	2019
<b>Cost</b>				
Balance at the beginning of the year	157,250	139,362	157,250	139,362
Additions during the year	18,371	17,888	18,371	17,888
Balance at the end of the year	175,621	157,250	175,621	157,250
<b>Amortisation</b>				
Balance at the beginning of the year	(132,173)	(114,804)	(132,173)	(114,804)
Amortisation for the year	(11,118)	(17,369)	(11,118)	(17,369)
Balance at the end of the year	(143,291)	(132,173)	(143,291)	(132,173)
Carrying amount	32,330	25,077	32,330	25,077

#### (b) Fully amortised but still in use

	GROUP		COMPANY	
	2020	2019	2020	2019
Fully amortised intangible assets (Rs.)	105,248,597	97,679,722	105,248,597	97,679,722

#### (c) Intangible assets pledged as security for liabilities

There were no items of intangible assets pledged as securities for liabilities as at the reporting date (2019 - Rs. Nil)

#### (d) Title restriction on intangible assets

The company has perpetual copyright to use these computer software.

- (e) There are no significant intangible assets controlled by the entity but not recognised as assets because they did not meet recognition criteria or because they were acquired or generated before SLFRS 3 - Business Combinations, was effective.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 16. INVESTMENT IN ASSOCIATE COMPANY

	GROUP		COMPANY	
	2020	2019	2020	2019
Prima Management Services (Private) Limited	62,694	48,114	33	33
	62,694	48,114	33	33

#### (a) Prima Management Services (Private) Limited

	GROUP	
	2020	2019
Balance at the beginning of the year	48,114	41,730
Share of profit after tax	14,580	6,384
Less: Share of Dividend distributed	-	-
Balance at the end of the year	62,694	48,114

#### (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.

	2020	2019
<b>Statement of financial position</b>		
Total assets	294,999	196,980
Total liabilities	(106,917)	(52,637)
Net assets	188,082	144,343
<b>Statement of comprehensive income</b>		
Revenue	321,660	261,760
Profit	43,740	19,152

#### (c) Share of profit of associate company

	Group's share of profit after tax	
	2020	2019
Prima Management Services (Private) Limited	14,580	6,384
	14,580	6,384

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands  
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### 16. INVESTMENT IN ASSOCIATE COMPANY (Contd.)

#### (d) Investment in associate company - unquoted

	GROUP				COMPANY			
	No of shares	Holding %	2020	2019	No of shares	Holding %	2020	2019
Prima Management Services (Private) Limited (PMS)	3,334	33%	62,694	48,114	3,334	33%	33	33
Net book value as at 31 December	-	-	62,694	48,114	-	-	33	33
Share of movement in equity value	-	-	-	-	-	-	-	-
Equity value in investments	-	-	62,694	48,114	-	-	33	33

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

### 17. INVESTMENTS IN SUBSIDIARY COMPANIES

	NOTES	2020	2019
Investment in subsidiary company - quoted	17 (a)	148,625	148,625
Investments in subsidiary companies - unquoted	17 (b)	213,000	213,000
Investments in subsidiary companies - cost		361,625	361,625
Provision for impairment		(60,000)	(60,000)
		301,625	301,625

An impairment assessment was carried out as at 31 December 2020 and it was concluded that net realisable value of all the investment included under unquoted investments exceed its carrying value except for Ceylon Aquatech (Private) Limited. Based on an assessment made for impairment, the provision provided as above considered to be adequate as at the reporting date.

#### (a) Investment in subsidiary company - quoted

	No of shares	Company holding %	Group holding %	2020	2019
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				2,328,960	1,570,600

#### (b) Investments in subsidiary companies - unquoted

	No of shares	Company holding %	Group holding %	2020	2019
Ceylon Warehouse Complex (Private) Limited	15,000,002	100%	100%	150,000	150,000
Ceylon Aquatech (Private) Limited	6,000,002	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 FINANCIAL STATEMENTS (CONTD.)

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### 17. INVESTMENTS 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
	2020	Movement	2019	
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%	Provides 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.

### 18. BIOLOGICAL ASSETS

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
Fair value less cost to sell at the beginning of the year		614,456	573,816	-	-
Additions during the year		589,408	579,160	-	-
Usage for the year	5	(565,635)	(563,513)	-	-
Change in fair value less cost to sell		32,229	24,993	-	-
Fair value less cost to sell at the end of the year		670,458	614,456	-	-
Non-current		647,194	593,972	-	-
Current		23,264	20,484	-	-
		670,458	614,456	-	-

#### (a) Biological assets

A biological asset 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 Commercial Day Old Chicks have been identified as consumable biological assets.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 18. BIOLOGICAL ASSET (Contd.)

#### (b) Measurement of fair value

(i) *Fair value hierarchy*

The fair value measurement of livestock have been categorized 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) recognized in respect of level 3 fair values.

	GROUP		COMPANY	
	2020	2019	2020	2019
Change in fair value less cost to sell included in 'Other Income'				
Biological assets - Non-current	32,229	24,991	-	-
Biological assets - Current	-	2	-	-
	32,229	24,993	-	-

(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
<b>Biological assets</b>	<b>Discounted Cash Flows</b>	DOC yield	The FV will; - increase when DOC yield increased - decrease when DOC yield decreased
Bearer biological assets comprises Broiler Grandparent, 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 selling price	- increase when selling price increased - decrease when selling price decreased
		Discounting rate	- increase when discounting rate decreased - decrease when discounting rate increased
		Mortality	- Increase when mortality rate decreased - decrease when mortality rate increased

#### Consumable Biological Assets

Consumable biological assets comprise of Hatchable Eggs and Commercial Day Old Chicks (DOCs). DOCs are fair valued at the market price and cost is approximated as fair value for Hatchable Eggs as no or only little biological change was observed as at the year end.

#### (c) Risk management strategy related to the 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 FINANCIAL STATEMENTS (CONTD.)

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### 18. BIOLOGICAL ASSET (Contd.)

- (d) None of the Biological assets are pledged as security for facilities obtained by the Group or the Company from banks as at 31st December 2020. ( 2019 - Nil )
- (e) There were no restrictions existed on the title of the Biological Assets of the Group as at the reporting date.

### 19. AMOUNT DUE FROM RELATED COMPANIES

	GROUP		COMPANY	
	2020	2019	2020	2019
Ceylon Livestock and Agrobusiness Services (Private) Limited	-	-	5,088	-
Ceylon Warehouse Complex (Private) Limited	-	-	26,609	-
Ceylon Aquatech (Private) Limited	-	-	90,581	90,013
Ceylon Pioneer Poultry Breeders Limited	-	-	2,920	1,757
Ceylon Agro-Industries Limited	7,411	99	7,411	204
	7,411	99	132,609	91,974
Less: Provision for receivables	-	-	(90,581)	(90,013)
	7,411	99	42,028	1,961

Provision have been made for receivables from Ceylon Aquatech (Private) Limited amounting to Rs. 90,581,308/- (2019 - Rs. 90,013,433/-). The movement in provision for receivables disclosed in Note 31.1 - Financial instruments.

### 20. INVENTORIES

	GROUP		COMPANY	
	2020	2019	2020	2019
Raw materials and consumables	2,484,793	2,070,462	2,350,969	1,946,800
Goods in transit	929,583	831,817	929,583	831,817
Finished goods				
- Feeds	55,938	45,551	55,938	45,551
- Chicken	25,326	119,467	-	119,467
Out grower stock (work-in-progress)	176,808	162,230	176,807	162,230
	3,672,448	3,229,527	3,513,297	3,105,865
Less: Provision for slow moving and obsolete items	(48,237)	(60,460)	(42,759)	(52,619)
Total inventories at the lower of cost and net realisable value	3,624,211	3,169,067	3,470,538	3,053,246

None of the inventories are pledged as security for facilities obtained by the Group or the Company from bank as at 31 December 2020.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 21. TRADE AND OTHER RECEIVABLES

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
Trade receivables		616,747	638,814	607,365	598,794
Less: Provision for doubtful debts		(187,785)	(183,472)	(182,278)	(177,965)
		428,962	455,342	425,087	420,829
Prepayments		26,830	23,215	25,398	22,095
Other receivables	21 (a)	173,995	253,864	90,101	140,785
		629,787	732,421	540,586	583,709

The movement in provision for doubtful debt disclosed in Note 31.1 - Financial instruments.

#### (a) Other receivables

	GROUP		COMPANY	
	2020	2019	2020	2019
Deposits and advances	47,548	63,930	37,777	40,293
Staff loans	719	726	180	180
Other receivables	125,728	189,208	52,144	100,312
	173,995	253,864	90,101	140,785

### 22. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2020	2019	2020	2019
Cash at bank	690,262	145,179	549,397	121,639
Short term bank deposits	4,879,657	4,222,791	1,423,376	1,356,394
Cash in hand	5,004	7,220	4,350	6,565
	5,574,923	4,375,190	1,977,123	1,484,598

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

Bank overdrafts that are repayable on demand and forming an integral part of the Group's cash management as included as a component cash and cash equivalents for the purpose of the Statement of Cash Flows.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 23. TRADE AND OTHER PAYABLES

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
Trade payables		379,478	153,460	325,092	119,368
Accrued expenses		550,748	445,523	271,904	240,130
Dividend payable		5,707	5,576	4,097	3,999
Other payables	23 (a)	1,016,420	719,476	656,189	455,229
		1,952,353	1,324,035	1,257,282	818,726

#### (a) Other payables

	GROUP		COMPANY	
	2020	2019	2020	2019
Deposit and advances	57,573	93,491	30,955	44,505
Government taxes	569,321	327,753	333,428	186,756
Staff related expenses	389,526	298,232	291,806	223,968
	1,016,420	719,476	656,189	455,229

### 24. AMOUNT DUE TO RELATED COMPANIES

	GROUP		COMPANY	
	2020	2019	2020	2019
Prima Ceylon (Private) Limited	235,803	145,769	235,803	145,769
Prima Management Services (Private) Limited	9,901	4,849	9,901	4,729
Hapiways Management Services Pte Limited	1,016,099	975,819	1,016,099	975,819
Three Acre Farms PLC	-	-	239,642	100,182
Millennium Multibreeder Farms (Private) Limited	-	-	30,741	80,963
Ceylon Warehouse Complex (Private) Limited	-	-	-	9,106
Ceylon Livestock and Agrobusiness Services (Private) Limited	-	-	-	1,851
	1,261,803	1,126,437	1,532,186	1,318,419

### 25. DEFERRED TAXATION

The Management has measured the deferred tax assets and liabilities by applying the rates which have been substantially enacted by the Inland Revenue Act, No 24 of 2017 as at the reporting period in accordance with LKAS - 12 paragraph 46.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 25. DEFERRED TAXATION (Contd.)

#### 25.1 Deferred tax asset

The gross movement on the deferred tax asset account is as follows:

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
Balance at the beginning of the year		-	-	-	-
Deferred tax release recognised in profit or loss	10	21,172	-	21,172	-
Deferred tax release recognised in other comprehensive income		-	-	-	-
Balance at the end of the year		21,172	-	21,172	-

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

GROUP/COMPANY	2020		2019	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
Property, plant and equipment	473,591	132,605	-	-
Defined benefit obligation	(138,040)	(38,651)	-	-
Provision for slow moving and obsolete items	(42,759)	(11,973)	-	-
Provision for staff related expenses	(282,900)	(79,212)	-	-
Right-of-use assets and lease liabilities	(85,505)	(23,941)	-	-
	(75,613)	(21,172)	-	-

#### 25.2 Deferred tax liability

The gross movement on the deferred tax liability account is as follows:

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
Balance at the beginning of the year		293,140	379,071	28,856	84,748
Deferred tax release recognised in profit or loss	10	(37,701)	(85,057)	(20,372)	(54,710)
Deferred tax release recognised in other comprehensive income		(9,861)	(874)	(8,484)	(1,182)
Balance at the end of the year		245,578	293,140	-	28,856

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 25. DEFERRED TAXATION (Contd.)

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

GROUP	2020		2019	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
Property, plant and equipment	1,045,750	190,177	1,681,346	358,283
Biological assets - Non current	647,194	90,607	593,972	83,156
Defined benefit obligation	(35,542)	(5,095)	(116,618)	(29,514)
Tax loss	(38,068)	(10,659)	(68,184)	(19,091)
Provision for slow moving and obsolete items	(5,478)	(767)	(60,460)	(15,831)
Provision for staff related expenses	(95,380)	(13,688)	(286,671)	(70,364)
Right-of-use assets and lease liabilities	(17,848)	(4,997)	(48,210)	(13,499)
	1,500,628	245,578	1,695,175	293,140

COMPANY	2020		2019	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
Property, plant and equipment	-	-	503,180	140,891
Defined benefit obligation	-	-	(93,771)	(26,256)
Provision for slow moving and obsolete items	-	-	(52,619)	(14,733)
Provision for staff related expenses	-	-	(214,181)	(59,971)
Right-of-use assets and lease liabilities	-	-	(39,552)	(11,075)
	-	-	103,057	28,856

The deferred tax liability is arrived by applying the income tax rate applicable for the source of income of the Company and its subsidiaries as follows;

	2020	2019
Ceylon Grain Elevators PLC	28%	28%
Three Acre Farms PLC	14%	14%
Millennium Multibreeder Farms (Private) Limited	14%	14%
Ceylon Warehouse Complex (Private) Limited	28%	28%
Ceylon Aquatech (Private) Limited	28%	28%
Ceylon Pioneer Poultry Breeders Limited	28%	28%

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 25. DEFERRED TAXATION (Contd.)

#### 25.4 Unrecognized deferred tax asset

Deferred tax asset have not been recognized on tax losses carried forward for following company, since it is not probable that future taxable profit will be available against which the Company can utilise the benefit there on.

	2020	2019
<b>Ceylon Pioneer Poultry Breeders Limited</b>		
Tax losses carried forward	185,277	181,993
Tax effect there on 28%	51,878	50,958
<b>Ceylon Aquatech (Private) Limited</b>		
Tax losses carried forward	26,453	-
Tax effect there on 28%	7,407	-

### 26. EMPLOYEE BENEFITS

	GROUP		COMPANY	
	2020	2019	2020	2019
Balance at the beginning of the year	116,618	101,176	93,771	80,107
Provisions made during the year	65,854	27,007	50,595	23,240
Benefits paid by the plan	(8,889)	(11,565)	(6,326)	(9,576)
Balance at the end of the year	173,583	116,618	138,040	93,771

#### Movement in the present value of the defined benefit obligations

Balance at the beginning of the year	116,618	101,176	93,771	80,107
Benefits paid by the plan	(8,889)	(11,565)	(6,326)	(9,576)
Current service cost	13,192	13,893	9,982	10,206
Interest on obligation	12,828	11,129	10,314	8,812
Actuarial loss during the year	39,834	1,985	30,299	4,222
Balance at the end of the year	173,583	116,618	138,040	93,771

#### The amounts recognised in the Statement of Financial Position are as follows:

Present value of unfunded obligations	173,583	116,618	138,040	93,771
Recognised liability for defined benefit obligations	173,583	116,618	138,040	93,771

#### Expense recognised in the Statement of Profit or Loss

Current service cost	13,192	13,893	9,982	10,206
Interest on obligation	12,828	11,129	10,314	8,812
	26,020	25,022	20,296	19,018

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 26. EMPLOYEE BENEFITS (Contd.)

Movement by 1%	GROUP		COMPANY	
	2020	2019	2020	2019
<b>Expense recognised in the Statement of Other Comprehensive Income</b>				
Actuarial loss/(gain) during the year	315	1,985	(395)	4,222
Change in actuarial assumption	39,519	-	30,694	-
	39,834	1,985	30,299	4,222

The provision for retiring gratuity for the year is based on the actuarial valuation made on 31 December 2020.

The actuarial valuation was carried out by professionally qualified actuary Mr. Piyal S Gunathilake of Piyal S Goonetilleke Associates for retiring gratuity for employees as at 31 December 2020.

The liability is not externally funded.

#### Actuarial assumptions

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

	GROUP / COMPANY	
	2020	2019
Discount rate	7.97%	11.00%
Future salary increases	10.00%	10.00%

#### Actuarial assumptions

Future mortality is based on published statistics and mortality tables.

The average life expectancy of an individual retiring at age 60.

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

#### 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	2020		2019	
	Increase	Decrease	Increase	Decrease
<b>Movement by 1%</b>				
Discount rate	(17,382)	20,346	(7,208)	6,563
Future salary scale	19,125	(16,742)	6,738	(7,521)

COMPANY	2020		2019	
	Increase	Decrease	Increase	Decrease
<b>Movement by 1%</b>				
Discount rate	(13,711)	15,996	(5,581)	5,093
Future salary scale	15,016	(13,189)	5,247	(5,841)

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 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 the case is pending before the Supreme court.

#### (b) A 3175 - Inter Company Employees Union Vs. CGE and Subsidiaries ('the Group')

##### Supreme Court Case No. SC (SPL) LA 215/20

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, the Group took up a preliminary objection that Composite 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/A 796/2007). Court of Appeal delivered its judgment on 18 May 2010 rejecting the appeal filed by the Group. Accordingly, the case was taken up for hearing before the Industrial Court.

After a lengthy trial at the Industrial Court, the Award was gazetted on 16 January 2018 directing the Group to reinstate the employees with back-wages.

The Company filed a Writ Application under case number CA (Writ) 134/18 in the Court of Appeal to quash the said award of the Industrial Court. On 2 September 2020 order of the Court of Appeal was delivered dismissing the above Writ Application filed by the Company.

Being aggravated by the said Court of Appeal decision the Company filed an Appeal under case No. SC (SPL) LA 215/20 in Supreme Court. The case is due to be taken up for support on 2 August 2021.

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

Employees who worked under Labour Contractor, Global Engineering & Supplies were also involved in the strike. This case was also 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.

This dispute was referred to 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 against the said decision of Industrial Court to the Court of Appeal, by way of a Writ Application. Court of Appeal delivered its judgment by rejecting the appeal filed by CGE and referring the case back to the Industrial Court for hearing.

While the matter was pending before the Industrial Court, one of the Arbitrators was passed away in the year 2019 where the proceedings were temporarily terminated as a result until a new arbitrator appoints. However, Hon. Minister of labour has withdrawn the said reference and referred the matter as a fresh dispute to Industrial Court in the case bearing No. A 44/2020. The Industrial Court is of the view that the Hon. Minister's withdrawal of the previous reference was wrong and the matter has been referred back to the Minister for a fresh decision. Therefore, once the Minister makes a decision, a date will be notified to start the matter.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### 28. COMMITMENTS

#### (a) Capital commitments

No significant capital commitments outstanding as at the reporting date.

#### (b) Operating commitments

Operating commitments arising from contractual lease arrangements as follows;

	Within one year	Within 1-5 years	More than 5 years	Total
Ceylon Grain Elevators PLC	75,214	300,855	1,203,419	1,579,488
Ceylon Warehouse Complex (Private) Limited	13,500	54,000	216,000	283,500
	88,714	354,855	1,419,419	1,862,988

- (c) The agreement has been inked for another period of 30 years effective from 12 September 2012 between the Company and Divisional Secretariat of Colombo for use of land and buildings at No. 15, Rock House Lane, Colombo 15.

The agreement for related leases with Sri Lanka Ports Authority yet to be finalised as at the reporting date.

- (d) The Company is the Parent Company of Ceylon Aquatech (Private) 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 company, CGE has no intention or inclination of withdrawing their support or reducing the scale of operations of the above company in the forthcoming 12 months.

### 29. STATED CAPITAL

	COMPANY	
	2020	2019
Ordinary shares - issued and fully paid (Nos.)	60,000,000	60,000,000
Issued and fully paid (Rs.)	1,017,996	1,017,996

None of the shares held by neither the Company on its own nor its subsidiaries or associate.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share individual present at meeting of the shareholders or one vote per share in the case of a poll.

### 30. NON - CONTROLLING INTERESTS

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

	GROUP	
	2020	2019
Balance at the beginning of the year	1,842,801	1,556,631
Share of net profit of subsidiaries	327,061	330,670
Share of other comprehensive income of subsidiaries	(3,399)	837
Dividend paid	(110,824)	(45,337)
Balance at the end of the year	2,055,639	1,842,801

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### 30. NON - CONTROLLING INTERESTS (Contd.)

#### (b) NCI Percentage for the period ended 31 December

	Principal place of business	Operating Segment	Ownership interest held by NCI	
			2020	2019
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	1,929,618	1,962,327
Current assets	3,760,394	3,044,102
Non-current liabilities	(212,905)	(209,388)
Current liabilities	(673,093)	(490,429)
Net assets	4,804,014	4,306,612
<b>Carrying amount of NCI</b>	<b>2,055,637</b>	<b>1,842,801</b>

##### Statement of Profit or Loss and Other Comprehensive Income

Revenue	2,733,109	2,252,199
Profit for the year	764,340	772,774
Other comprehensive (expense) / income for the year, net of tax	(7,943)	1,956
<b>Total Comprehensive Income</b>	<b>756,397</b>	<b>774,730</b>
Profit attributable to NCI	327,061	330,670
Other comprehensive (expenses) / income attributable to NCI, net of tax	(3,399)	837
<b>Total comprehensive income attributable to NCI</b>	<b>323,662</b>	<b>331,507</b>
Net cash generated from operating activities	653,854	598,473
Net cash used in investing activities	(266,589)	(277,977)
Net cash used in financing activities	(110,824)	(45,337)
<b>Net increase in cash and cash equivalent</b>	<b>276,441</b>	<b>275,159</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands  
As at 31 December 2020

### 31. FINANCIAL INSTRUMENTS

The Group has and exposure to the following risks arising from financial instruments;

- Credit risk
- Liquidity risk
- Market risk
  - Currency risk
  - Interest rate risk
  - Equity price risk

#### Risk management framework

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. The Group Audit Committee assists the Board in its oversight role by internal audit which undertakes both regular and ad-hoc reviews of risk management policies and procedures and the results of which are reported to the Audit Committee.

#### Financial Instruments - Statement of Financial Position

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
<b>Financial Assets</b>					
Measured at amortised cost					
Trade and other receivables	21	602,957	709,206	515,188	561,614
Amount due from related companies	19	7,411	99	42,028	1,961
		610,368	709,305	557,216	563,575
Cash and cash equivalents	22	5,574,923	4,375,190	1,977,123	1,484,598
		6,185,291	5,084,495	2,534,339	2,048,173
<b>Financial Liabilities</b>					
Other financial liabilities					
Amount due to related companies	24	1,261,803	1,126,437	1,532,186	1,318,419
Trade and other payables	23	807,901	550,759	651,950	391,840
		2,069,704	1,677,196	2,184,136	1,710,259

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands  
As at 31 December

### 31. FINANCIAL INSTRUMENTS (Contd.)

#### Financial Instruments - Statement of Profit or Loss

	2020		2019	
	Gain / income	Losses / expenses	Gain / income	Losses / expenses
<b>GROUP</b>				
Other financial liabilities				
Interest bearing instruments	341,049	1,851	368,051	1,328
<b>Total</b>	<b>341,049</b>	<b>1,851</b>	<b>368,051</b>	<b>1,328</b>
<b>COMPANY</b>				
Other financial liabilities				
Interest bearing instruments	112,604	2,841	112,395	1,256
<b>Total</b>	<b>112,604</b>	<b>2,841</b>	<b>112,395</b>	<b>1,256</b>

#### 31.1 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.

##### (a) 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	
		2020	2019	2020	2019
Amount due from related companies	19	7,411	99	132,609	91,974
Trade and other receivables	21	602,957	709,206	515,188	561,614
Cash and cash equivalents	22	5,574,923	4,375,190	1,977,123	1,484,598
		6,185,291	5,084,495	2,624,920	2,138,186

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands  
As at 31 December

### 31. FINANCIAL INSTRUMENTS (Contd.)

#### (b) Impairment losses

(i) The aging of trade and other receivables at the reporting date was;

	2020		2019	
	Gross	Impairment	Gross	Impairment
<b>GROUP</b>				
Not past due	410,144	-	461,067	-
Post due 0 - 30 days	156,481	-	183,097	-
Past due 31 - 365 days	7,650	-	9,520	-
More than one year	216,467	187,785	238,994	183,472
	790,742	187,785	892,678	183,472
<b>COMPANY</b>				
Not past due	338,872	-	354,841	-
Post due 0 - 30 days	142,790	-	154,790	-
Past due 31 - 365 days	4,485	-	4,972	-
More than one year	210,960	182,278	224,976	177,965
	697,467	182,278	739,579	177,965

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Balance at the beginning of the year	183,472	182,872	177,965	177,365
Impairment loss recognised	4,313	600	4,314	600
Balance at the end of the year	187,785	183,472	182,279	177,965

Impairment of trade receivables for year 2020 and 2019 was calculated based on 'Expected Credit Loss' (ECL) model.

(ii) The aging of amount due from related companies at the reporting date was;

	2020		2019	
	Gross	Impairment	Gross	Impairment
<b>COMPANY</b>				
Not past due	-	-	-	-
Past due 0 - 365 days	42,028	-	1,961	-
More than 365 days	90,581	(90,581)	90,013	(90,013)
	132,609	(90,581)	91,974	(90,013)

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Balance at the beginning of the year	-	-	90,013	89,434
Impairment loss recognised	-	-	568	579
Balance at the end of the year	-	-	90,581	90,013

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands  
As at 31 December 2020

### 31. FINANCIAL INSTRUMENTS (Contd.)

#### 31.2 Liquidity risk

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

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligation associated with its financial liabilities that are settled by delivering cash or another financial asset. To measure and mitigate liquidity risk, Group will closely monitor its net operating cash flow, maintained a level of cash and cash equivalent and secured committed funding facilities from financial institutions.

#### As at 31 December 2020

	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 Years	More than 5 years
<b>GROUP</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	807,901	(807,901)	(807,901)	-	-	-	-
Amount due to related companies	1,261,803	(1,261,803)	(1,261,803)	-	-	-	-
	2,069,704	(2,069,704)	(2,069,704)	-	-	-	-
<b>COMPANY</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	651,950	(651,950)	(651,950)	-	-	-	-
Amount due to related companies	1,532,186	(1,532,186)	(1,532,186)	-	-	-	-
	2,184,136	(2,184,136)	(2,184,136)	-	-	-	-

#### As at 31 December 2019

	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 Years	More than 5 years
<b>GROUP</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	550,759	(550,759)	(550,759)	-	-	-	-
Amount due to related companies	1,126,437	(1,126,437)	(1,126,437)	-	-	-	-
	1,677,196	(1,677,196)	(1,677,196)	-	-	-	-
<b>COMPANY</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	391,840	(391,840)	(391,840)	-	-	-	-
Amount due to related companies	1,318,419	(1,318,419)	(1,318,419)	-	-	-	-
	1,710,259	(1,710,259)	(1,710,259)	-	-	-	-

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 FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands  
As at 31 December 2020

### 31. FINANCIAL INSTRUMENTS (Contd.)

#### 31.3 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.

Market risk comprise of the following types of risk:

- Currency risk
- Interest Rate Risk
- Equity Price Risk

#### (a) Currency risk

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. The Group is exposed to currency risk on sales, purchase and investments that are denominated in a currency other than functional currency which is Sri Lankan Rupees (LKR).

#### Exposure to currency risk

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

#### GROUP

	2020		2019	
	USD	EUR	USD	EUR
Cash and cash equivalents	1,334,124	-	181,163	-
Trade payables	(90,807)	7,948	42,523	-
Amount due to related company	(5,436,592)	-	(5,370,445)	-
Total Exposure	(4,193,275)	7,948	(5,146,759)	-

#### COMPANY

	2020		2019	
	USD	EUR	USD	EUR
Cash and cash equivalents	209,780	-	111,294	-
Trade payables	(105,934)	7,948	42,523	-
Amount due to related company	(5,436,592)	-	(5,370,445)	-
Total Exposure	(5,332,746)	7,948	(5,216,628)	-

The principal exchange rates used by the Group for conversion of foreign currency balances and transactions for the year ended 31 December are as follows:

	Average Rate		Reporting Date Spot Rate	
	2020	2019	2020	2019
USD	186.14	179.02	186.90	181.70
EUR	214.09	200.24	229.42	203.67

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands  
As at 31 December 2020

### 31. FINANCIAL INSTRUMENTS (Contd.)

#### Foreign currency sensitivity

The impact to the profit & loss, equity and related current assets and liabilities due to the change in USD by 1% as at 31 December as follows;

	Change in USD/LKR by 1% (Rs. '000)			
	GROUP		COMPANY	
	Appreciation	Depreciation	Appreciation	Depreciation
Cash and cash equivalents	13,341	(13,341)	2,098	(2,098)
Trade payables	(915)	915	(915)	915
Amount due to related company	(54,366)	54,366	(54,366)	54,366
	(41,940)	41,940	(53,183)	53,183

#### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the risk of changes in market interest rates primarily relates to the Group's Investments with variable interest rates. The Group does not have any variable rate long term borrowing as at the reporting date, which results material interest rate. At the reporting date the interest rate profile of the Group's interest bearing financial instruments were:

	Carrying amount			
	GROUP		COMPANY	
	2020	2019	2020	2019
<b>Fixed rate instruments</b>				
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
	-	-	-	-
<b>Variable rate instruments</b>				
Financial assets	4,879,657	4,222,791	1,423,376	1,356,394
Financial liabilities	-	-	-	-
	4,879,657	4,222,791	1,423,376	1,356,394

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands  
As at 31 December 2020

### 31. FINANCIAL INSTRUMENTS (Contd.)

#### Interest rate sensitivity

The impact to the profit & loss, equity and related current assets and liabilities due to the change in interest rate by 1% as at 31 December as follows;

	Change in interest rate by 1% (Rs. '000)			
	GROUP		COMPANY	
	+ 1%	- 1%	+ 1%	- 1%
Cash at bank	6,903	(6,903)	5,494	(5,494)
Short term bank deposits	48,797	(48,797)	14,234	(14,234)
	55,700	(55,700)	19,728	(19,728)

#### (c) Equity Price Risk

The Group has adopted the policy that its investment in subsidiaries are recorded at cost as per LKAS 27 and 28 standards and therefore are scoped out from the Sri Lanka Accounting Standards, SLFRS 9 - Financial Instruments.

A sensitivity analysis of the above has not been carried out as the Group's exposure to such is not material.

#### Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business. Capital consist of ordinary share, retained earnings and non-controlling interest of the group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary share holders.

### 32. RELATED PARTY TRANSACTIONS

#### 32.1 Key management personnel information

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as well as the subsidiaries, directly or indirectly. All the members of the Board of Directors of the Company have been classified as KMP of the Company. Compensation paid to key management personnel on behalf of the companies are as follows:

	NOTES	GROUP		COMPANY	
		2020	2019	2020	2019
Short-term employee benefits	5	5,580	4,520	2,790	2,260
Post employment benefits		-	-	-	-
		5,580	4,520	2,790	2,260

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands  
As at 31 December 2020

### 32. RELATED PARTY TRANSACTIONS (Contd.)

There were no loans given to the Directors of the company during the financial year or as at the reporting date.

Mr. Wickrema Senaka Weerasooria, Mr. Cheng Chih Kwong, Primus, Mr. Chan Kong Meng, Lawrence, Mr. Cheng Koh Chuen, Bernard, Mr. Cheng Eng Loong, Dr. Prathap Ramanujam and Mr. R. N. Asirwatham, the directors of the Company are also the directors of the following companies as set out below and with transaction in Note 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. Chan Kong Meng, Lawrence Mr. Cheng Koh Chuen, Bernard Dr. Prathap Ramanujam Mr. R. N. Asirwatham	CGE sells feeds, veterinary drugs and medicine to TAF. Also company purchases broiler DOC and culled birds from TAF. CGE provides management service, Lab service and rent out farm to TAF.
Ceylon Pioneer Poultry Breeders Limited (CPPBL) Subsidiary	Mr. Cheng Chih Kwong, Primus Mr. Chan Kong Meng, Lawrence	No inter-company transactions have been carried out during the year
Ceylon Aquatech (Private) Limited (CAT) Subsidiary	Mr. Cheng Chih Kwong, Primus Mr. Chan Kong Meng, Lawrence	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. Chan Kong Meng, Lawrence	CLAS supplies poultry equipment to the Company. Also company provides management services to CLAS.
Ceylon Warehouse Complex (Private) Limited (CWCL) Subsidiary	Mr. Cheng Chih Kwong, Primus Mr. Chan Kong Meng, Lawrence	CWCL provides storage facilities to the Company. Also company provides management services to CWCL.
Millennium Multibreeder Farms (Private) Limited (MMF) Subsidiary	Mr. Cheng Chih Kwong, Primus Mr. Chan Kong Meng, Lawrence	CGE sells feed, veterinary drugs and medicine to MMF. Also company purchases broiler DOC and culled birds from MMF. CGE provides management service and Lab service to MMF.
Prima Ceylon (Private) Limited (PCL) Group Company	Mr. Cheng Chih Kwong, Primus Mr. Chan Kong Meng, Lawrence	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	CGE purchase of all kind of imported raw materials, feed additives, spare parts and other significant imports from HMS. Also HMS provides consultation services to CGE.
Ceylon Agro-Industries Limited (CAI) Group Company	Mr. Wickrema Senaka Weerasooria Mr. Cheng Chih Kwong, Primus Mr. Chan Kong Meng, Lawrence Mr. Cheng Koh Chuen, Bernard	CGE sells processed chicken to CAI. Also the Company purchases Value Added Products (VAP) and raw materials from CAI.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

### 32. RELATED PARTY TRANSACTIONS (Contd.)

#### 32.2 Recurrent related party transactions

The Group has a related party relationship with its subsidiaries, associates and related group companies as disclosed in note number 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 2020.

#### (a) Transactions with Subsidiaries

	CWCL		CLAS		CAT		TAF		MMF		CPPBL		Total 2020	Total 2019
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%		
Sale of goods	-	-	-	-	-	-	689,197	3.8%	249,963	1.4%	-	-	939,160	911,491
Purchase of goods	-	-	384	0.0%	-	-	460,610	2.6%	184,527	1.0%	-	-	645,521	699,790
Sale of services	13,562	0.1%	300	0.0%	-	-	8,177	0.0%	2,462	0.0%	-	-	24,501	32,848
Purchase of services	90,624	0.5%	-	-	-	-	654,474	3.6%	-	-	-	-	745,098	677,871
Recovery of expenses	-	-	-	-	-	-	14,096	-	4,699	-	-	-	18,795	14,099
Settlement of third party dues	7,892	-	2,409	-	598	-	249,180	-	9,112	-	1,163	-	270,354	242,994
Funds received / (paid)	(103,800)	-	(4,590)	-	30	-	(51,395)	-	36,604	-	-	-	(123,151)	(255,246)

#### Transactions with Group Companies

GROUP	HMS		CAI		PCL		Total 2020	Total 2019
	Value	%	Value	%	Value	%		
Sale of goods	-	-	115,189	0.6%	7,850	0.0%	123,039	112,235
Purchase of goods	7,946,712	43.0%	12,131	0.1%	2,170,431	11.8%	10,129,274	9,237,755
Sale of services	-	-	-	-	-	-	-	539
Purchase of services	44,694	0.2%	980	0.0%	-	-	45,674	45,526
Recovery of expenses	17	-	6,111	-	17,852	-	23,980	54,595
Funds received / (paid)	(7,950,934)	-	96,821	-	(2,265,808)	-	(10,119,921)	(10,040,465)

COMPANY	HMS		CAI		PCL		Total 2020	Total 2019
	Value	%	Value	%	Value	%		
Sale of goods	-	-	115,189	0.6%	7,850	0.0%	123,039	112,235
Purchase of goods	7,925,548	42.9%	11,790	0.1%	2,170,431	11.8%	10,107,769	9,222,193
Sale of services	-	-	-	-	-	-	-	539
Purchase of services	44,694	0.2%	980	0.0%	-	-	45,674	45,526
Recovery of expenses	17	-	6,111	-	17,852	-	23,980	54,595
Funds received / (paid)	(7,929,770)	-	97,294	-	(2,265,808)	-	(10,098,284)	(10,024,881)

"Value " represent aggregate transaction value with same related during the period.

"% " represent the aggregate transaction value as a percentage of gross revenue/income.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

### 32. RELATED PARTY TRANSACTIONS (Contd.)

#### (c) Transactions with Associate

GROUP	PMS		2020	2019
	Value	%		
Purchase of services	89,666	0.5%	89,666	45,413
Funds paid	91,651		91,651	52,681

COMPANY	PMS		2020	2019
	Value	%		
Purchase of services	89,666	0.5%	89,666	45,291
Funds paid	91,651		91,651	52,660

(d) The receivables from related companies and payables to related companies on sale/purchase of goods/services are set out in note 19 and 24 respectively. These receivables and payables are unsecured, interest free and have no fixed repayment terms.

(e) The subsidiary companies utilise certain 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.

#### (f) Terms and Conditions for recurrent transactions with related parties

All related party transactions are carried out in the normal course of business. All related party outstanding balances at the year-end are unsecured and are to be settled in cash. The Group does not have any material commitments to related parties.

### 32.3 Non-recurrent related party transactions

There were no non-recurrent related party transactions exceeding the threshold for the period ended 31 December 2020.

### 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 declared a second interim dividend of Rs. 9.00 per share for the financial year ended 31 December 2020 on 3 February 2021 which was paid on 25 February 2021.

The Directors declared a final dividend of Rs. 4.50 per share for the year ended 31 December 2020 on 8 April 2021 which will be paid on 4 May 2021.

### 34. COMPARATIVE INFORMATION

The comparative information has been reclassified where ever necessary to confirm with the current years classification in order to provide a better presentation.

### 35. DIRECTORS' RESPONSIBILITY

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

### 36. NET ASSET PER SHARE

	GROUP		COMPANY	
	2020	2019	2020	2019
Net asset attributable to ordinary shareholders	7,573,870	7,196,631	4,541,534	4,419,065
Weighted average number of ordinary shares in issue (thousands)	60,000	60,000	60,000	60,000
Net asset per share (Rs.)	126.23	119.94	75.69	73.65

### 37. DIVIDEND PER SHARE

	COMPANY	
	2020	2019
First interim dividend (Rs. 4.50 per share, paid on 3 December 2020)	270,000	-
Second interim dividend (Rs. 9.00 per share, paid on 25 February 2021)	540,000	-
Final dividend (Rs. 4.50 per share)*	270,000	270,000
Total dividend	1,080,000	270,000
Weighted average number of ordinary shares in issue (thousands)	60,000	60,000
Dividend per share (Rs.)	18.00	4.50

\* Current years' final dividend will be paid in the next financial year.

### 38. DISCLOSURE ON CORONAVIRUS (COVID-19) PANDEMIC

Following the spread of global pandemic COVID-19 in Sri Lanka and due to impose of quarantine curfew and lockdown, the Group business operations were affected from Mid-March to Mid-May 2020. The Group operations have been continued under many difficulties and limited capacity since the Group business is classified as an essential service. Further to that, the operation of the feed mill had stopped from 1 November to 6 November 2020 with the identification of four cases of COVID-19 infectees by on-site regular PCR tests. A back-up production team was placed to take over the feed mill production activities upon commencement of operations from 7 November 2020. However, operations of poultry farms and poultry processing in Seeduwa remained fully operational throughout the year 2020.

Management is in the opinion that the Group operation will be at the full capacity level in the FY 2021 but expected to be cognizant of challenges arising from macro and microeconomic factors. The shortages in local and imported raw materials and inflating prices could increase the cost of purchases and will impact the Group financials.

The Group has evaluated its financial position and tested for any material impairment due to the effects of COVID-19. The Group is satisfied that there were no indications that required to make an adjustment into financial statements. The Company had strong net asset values and cash position and availability of banking facilities to continue its business operations.

The Company imports a considerable amount of raw materials which are subject to the risk of foreign exchange rate increase which adversely affects the cost of production. The upward trends in exchange rates will impact the Group's profitability and pressure on future competition under the prevailing economic uncertainties.

The health and wellbeing of our employees, customers and other affected parties are paramount and we have established several protocols to protect them and to minimise contact. We are prioritising those that are most susceptible to Covid-19 including those with underlying health conditions. Travel by our customers and suppliers, in line with government restrictions, is strictly managed as are visitors to, and movements within, our facilities together with extensive cleaning regimes and hand-sanitising stations. We have plans in place to respond to any virus spread within our facilities.

While there is uncertainty over the extent of the impact and longevity of the Covid-19 outbreak, the Group have so far coped well with the challenges and are confident that through our operating model and financial strength we are well placed. Nevertheless, Group envisages that no impact on the Group business continuity and expect to manage supply chain challenges effectively to provide continuous resource requirements for production.

# FIVE YEAR FINANCIAL SUMMARY

All amounts in Sri Lankan Rupees thousands

For the years ended 31 December	2020	2019	2018	2017	2016
<b>GROUP</b>					
<b>Operating results for the period</b>					
Revenue	18,462,998	17,713,305	17,085,577	15,154,866	14,521,693
Operating profit	1,515,776	1,225,766	1,325,734	1,101,962	1,809,253
Interest income	341,049	368,051	373,889	293,310	151,187
Net finance costs	(179,081)	(101,595)	(123,163)	(4,054)	(8,526)
Share of profit of equity accounted investee	14,580	6,384	9,779	8,406	6,494
Profit before taxation	1,692,324	1,498,606	1,586,239	1,399,624	1,958,408
Taxation	(421,450)	(268,753)	(375,329)	(329,688)	(276,692)
Profit from ordinary activities	1,270,874	1,229,853	1,210,910	1,069,936	1,681,716
Non - controlling interest	(327,061)	(330,670)	(320,415)	(279,757)	(347,807)
<b>Profit attributable to the Group</b>	<b>943,813</b>	<b>899,183</b>	<b>890,495</b>	<b>790,179</b>	<b>1,333,909</b>

## Financial Position as at 31 December

Stated capital	1,017,996	1,017,996	1,017,996	1,017,996	1,017,996
Retained earnings	6,555,874	6,178,635	5,461,400	4,694,462	4,048,476
Non - controlling interest	2,055,639	1,842,801	1,556,631	1,266,750	1,026,343
Non - current liabilities	967,555	943,705	480,247	442,479	284,445
	10,597,064	9,983,137	8,516,274	7,421,687	6,377,260
Intangible assets	32,330	25,077	24,558	39,445	45,821
Property, plant and equipment and investments	2,730,160	2,947,428	2,803,141	2,818,897	2,515,194
Right-of-use assets	678,096	709,072	-	-	-
Investment in an associate company	62,694	48,114	41,730	31,951	24,145
Biological assets	647,194	593,972	555,918	501,110	473,534
Current assets	9,870,192	8,307,857	8,145,822	6,779,348	5,386,832
Current liabilities	(3,423,602)	(2,648,383)	(3,054,895)	(2,749,064)	(2,068,266)
	10,597,064	9,983,137	8,516,274	7,421,687	6,377,260

## COMPANY

### Key Ratios and other information

Basic earnings per share (Rs.)	11.40	8.45	9.60	7.51	13.63
Dividends per share (Rs.)	18.00	4.50	3.00	2.00	2.50
Dividends pay out ratio (%)	157.89	53.25	31.25	26.63	18.34
Market price per share (Rs.)	111.00	68.50	59.50	66.10	82.90
Price earnings ratio (No. of times)	9.74	8.11	6.20	8.80	6.08
Debt / equity ratio (No. of times)	-	-	-	-	-
Interest cover (No. of times)	299.57	575.56	549.21	138.79	367.45
Net asset per share (Rs.)	75.69	73.65	68.25	60.70	55.62
Current ratio (No. of times)	2.04	2.23	2.06	1.99	2.40
Shares traded	27,300,900	6,885,334	7,039,013	12,946,790	32,287,273
US \$ Exchange rate - (average)	186.14	179.02	164.04	153.19	147.16
US \$ Exchange rate - (year end spot)	186.90	181.70	182.75	153.42	150.10

# STATEMENT OF VALUE ADDED

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

	2020	2019	2018	2017	2016
<b>Value Added</b>					
Revenue	19,869,784	20,527,716	19,933,520	17,682,512	16,919,727
Cost of materials and services	(15,368,662)	(14,905,609)	(14,376,404)	(12,944,436)	(11,482,948)
<b>Value added by operations</b>	<b>4,501,122</b>	<b>5,622,107</b>	<b>5,557,116</b>	<b>4,738,076</b>	<b>5,436,779</b>
Other income	30,400	23,703	33,911	41,600	29,738
Interest income	341,049	368,051	373,889	293,310	151,187
Share of profit of associate	14,580	6,384	9,779	8,406	6,494
<b>Total value added</b>	<b>4,887,151</b>	<b>6,020,245</b>	<b>5,974,695</b>	<b>5,081,392</b>	<b>5,624,198</b>

	2020	%	2019	%	2018	%	2017	%	2016	%
<b>Value Distribution</b>										
Employees										
Salaries, wages, other benefits	1,429,977	29.26	1,311,812	21.79	1,301,961	21.79	1,047,451	20.61	1,105,664	19.66
Government										
Income tax	480,323	9.83	353,810	5.88	353,699	5.92	180,176	3.55	215,799	3.84
Sales tax	1,406,786	28.79	2,814,411	46.75	2,847,943	47.67	2,527,646	49.74	2,398,034	42.64
Capital providers and creditors										
Interest expenses	3,197	0.06	1,328	0.02	1,222	0.02	3,013	0.06	2,356	0.04
NCI	323,662	6.62	331,507	5.51	320,106	5.36	280,707	5.53	348,312	6.19
Shareholders										
Dividend	1,080,000	22.10	270,000	4.48	180,000	3.01	120,000	2.36	150,000	2.67
<b>Value distributed</b>	<b>4,723,945</b>	<b>96.66</b>	<b>5,082,868</b>	<b>84.43</b>	<b>5,004,931</b>	<b>83.77</b>	<b>4,158,993</b>	<b>81.85</b>	<b>4,220,165</b>	<b>75.04</b>
<b>Value Retained</b>										
Depreciation and amortization	325,967	6.67	310,142	5.15	262,826	4.40	246,413	4.85	215,693	3.83
Reserves	(162,761)	(3.33)	627,235	10.42	706,938	11.83	675,986	13.30	1,188,340	21.13
<b>Value retained within the business</b>	<b>163,206</b>	<b>3.34</b>	<b>937,377</b>	<b>15.57</b>	<b>969,764</b>	<b>16.23</b>	<b>922,399</b>	<b>18.15</b>	<b>1,404,033</b>	<b>24.96</b>

# SHAREHOLDER INFORMATION

## Analysis Of Shareholders According To The Number Of Shares As At 31 December 2020

Shareholdings	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	3,476	871,971	1.45	22	11,224	0.02	3,498	883,195	1.47
1,001 - 10,000	1058	3,999,664	6.67	23	100,801	0.17	1,081	4,100,465	6.84
10,001 - 100,000	261	7,586,081	12.64	13	428,989	0.71	274	8,015,070	13.35
100,001 - 1,000,000	22	4,477,197	7.46	3	1,031,786	1.73	25	5,508,983	9.19
Over 1,000,000	2	6,776,437	11.29	3	34,715,850	57.86	5	41,492,287	69.15
	4,819	23,711,350	39.51	64	36,288,650	60.49	4,883	60,000,000	100.00

## Categories of shareholders as at 31 December

	Number of Shareholders	2020 Number of Ordinary Shares	Percentage	Number of Shareholders	2019 Number of Ordinary Shares	Percentage
Individual	4,621	11,432,772	19.05	4,416	9,728,616	16.21
Institutional	262	48,567,228	80.95	286	50,271,384	83.79
	4,883	60,000,000	100.00	4,702	60,000,000	100.00
Less: Shares held by non-public holders						
Ultimate parent company	(1)	(27,270,800)		(1)	(27,270,800)	
Directors	(2)	(3,197)		(2)	(3,197)	
	(3)	(27,273,997)	(45.46)	(3)	(27,273,997)	(45.46)
Total representing the public holding	4,880	32,726,003	54.54	4,699	32,726,003	54.54

## Float Adjusted Market Capitalisation

The float adjusted market capitalisation as at 31 December 2020 was Rs. 3,632 Million under Option 5 of Section 7.13.1(a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

## SHAREHOLDER INFORMATION (CONTD.)

### List of 20 Major Shareholders Based on their Shareholdings

	31 December 2020		31 December 2019	
	Number of Shares	Percentage	Number of Shares	Percentage
1 Prima Limited, Singapore	27,270,800	45.45	27,270,800	45.45
2 Employee's Provident Fund	5,350,549	8.92	5,350,549	8.92
3 Supra Limited, Hong Kong	5,179,797	8.63	5,179,797	8.63
4 Eka Limited	2,265,253	3.78	2,265,253	3.78
5 J. B. Cocoshell (Private) Limited	1,425,888	2.38	480,878	0.80
6 E. W. Balasuriya & Co. (Private) Limited	610,072	1.02	439,329	0.73
7 Hatton National Bank PLC - Senfin Growth Fund	553,952	0.92	-	-
8 Mellon Bank N.A-Acadian Frontier Markets Equity Fund	467,536	0.78	523,037	0.88
9 Hallsville Trading Group Incorporation	394,250	0.66	307,847	0.51
10 Commercial Bank of Ceylon PLC / Sithijaya Fund Limited	375,973	0.63	408,464	0.68
11 Mr. S. Vamathevan	289,213	0.48	-	-
12 Commercial Bank of Ceylon PLC A/C No. 04	250,000	0.42	250,000	0.42
13 Insite Holdings (Private) Limited	200,000	0.33	-	-
14 Mr. D. A. Cabral	200,000	0.33	-	-
15 People's Leasing & Finance PLC / Hi Line Trading (Private) Limited	178,244	0.30	259,857	0.43
16 Mr. H. A. Cabral	170,000	0.28	-	-
17 Bank of Ceylon A/C Ceybank Century Growth Fund	156,250	0.26	-	-
18 Mr. G. D. M. Ranasinghe	150,000	0.24	-	-
19 DFCC Bank PLC A/C 1	148,997	0.25	-	-
20 People's Leasing & Finance PLC / Mrs. L. R. De Silva	145,624	0.24	-	-
Total	45,782,398	76.30	42,735,811	71.23

# 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.

## Amortisation

The systematic allocation of the depreciable amount of an asset over its useful life.

## Asset Turnover

Revenue including equity accounted investees divided by average total assets.

## Average Revenue per Employee

Net Turnover over number of employees at the year end.

## Average Profit per Employee

Net Profit after Tax over number of employees at the year end.

## Capital Employed

Shareholders' Funds plus Debt.

## Cash Ratio

Cash and Cash Equivalents over Current Liabilities.

## Capital Expenditure

The total of additions to Property, Plant & Equipment.

## 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.

## Current Service Cost

The increase in the present value of the defined benefit obligations resulting from employee service in the current period.

## Debt / Equity Ratio (Gearing)

Debt as a percentage of Shareholders' Funds.

## Dividend Cover

Earnings per share over dividend per share.

## Dividend 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.

## Equity Multiplier

Total Assets over Shareholders' Funds.

## Gross Profit Ratio

Gross profit divided by Revenue.

## Gearing

Proportion of total interest bearing borrowings to capital employed.

## 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.

## 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 Profit Margin

Profit after tax attributable to equity holders of the parent divided by total revenue.

## Operating Profit Margin

Operating profit divided by Turnover.

## 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.

## Related Parties

Parties where one party has the ability to control the other party or exercise significance influence over the other party in making financial or operational decisions, directly or indirectly.

## 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.

## Working Capital

Capital required to finance the day-to-day operations (Current Assets minus Current Liabilities).

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 38th Annual General Meeting of the Company will be held on Wednesday, 19 May 2021 at the Sri Lanka Foundation Institute Auditorium, No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 7 at 10.30 a.m. and the business to be brought before the Meeting will be:

## Ordinary Business

1. To receive and consider the Report of the Board of Directors on the State of Affairs of the Company and the Audited Financial Statements for the year ended 31 December 2020, with the Report of the Auditor's thereon.
2. 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.
3. To re-elect Mr. Chan Kong Meng, Lawrence, a Director who retires at the Annual General Meeting in terms of Article 95 of the Articles of Association of the Company.
4. To consider and if thought fit to pass the following Ordinary Resolution pertaining to the re-appointment of Mr. Cheng Chih Kwong, Primus, as a Director who is over 70 years of age, in compliance with Section 211 of the Companies Act No.7 of 2007 and whose re-appointment has been recommended by the Board of Directors.

## Ordinary Resolution

"That the age limit of 70 years referred to in Section 210 of the Companies Act, No.7 of 2007 shall not apply to Mr. Cheng Chih Kwong, Primus, a Director, who is 72 years of age (having reached 70 years of age on 30 November 2018) and accordingly that Mr. Cheng Chih Kwong, Primus be and is hereby re-appointed as a Director of the Company in terms of Section 211 of the Companies Act No.7 of 2007".

5. To consider and if thought fit to pass the following Ordinary Resolution pertaining to the re-appointment of Mr. Rajanayagam Nalliah Asirwatham, as a Director who is over 70 years of age, in compliance with Section 211 of the Companies Act No.7 of 2007 and whose re-appointment has been recommended by the Board of Directors.

## Ordinary Resolution

"That the age limit of 70 years referred to in Section 210 of the Companies Act, No.7 of 2007 shall not apply to Mr. Rajanayagam Nalliah Asirwatham, a Director, who is 78 years of age (having reached 70 years of age on 26 August 2012) and accordingly that Mr. Rajanayagam Nalliah Asirwatham be and is hereby re-appointed as a Director of the Company in terms of Section 211 of the Companies Act No.7 of 2007".

6. To consider and if thought fit to pass the following Ordinary Resolution pertaining to the re-appointment of Dr. Prathap Ramanujam, as a Director who is over 70 years of age, in compliance with Section 211 of the Companies Act No.7 of 2007 and whose re-appointment has been recommended by the Board of Directors.

## Ordinary Resolution

"That the age limit of 70 years referred to in Section 210 of the Companies Act, No.7 of 2007 shall not apply to Dr. Prathap Ramanujam, a Director, who is 72 years of age (having reached 70 years of age on 12 December 2018) and accordingly that Dr. Prathap Ramanujam be and is hereby re-appointed as a Director of the Company in terms of Section 211 of the Companies Act No.7 of 2007".

7. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors and to authorise the Directors to determine their remuneration.
8. To authorise the Directors to determine contributions to charities and other purposes.

## Special Business

9. To consider and if thought fit to pass the following resolution.

## Special Resolution

"That the existing Article No.55 be amended to read as Article No.55.(1) and the following Article be included as Article No.55.(2)

55.(2) A meeting of the shareholders may be held either -

- (1) by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or

## NOTICE OF MEETING (CONTD.)

- (2) by means of audio, or audio and visual communication by which a number of shareholders participating and constituting a quorum as per Article 55.(1) can simultaneously hear each other throughout the meeting, or by any means of virtual meeting whereby shareholders regardless of their location could connect or linkup online through video, audio or text; or
- (3) by means of a written resolution signed by the shareholders in accordance with Article 54."

BY ORDER OF THE BOARD

**(Sgd.)**

**S S P CORPORATE SERVICES (PRIVATE) LIMITED**

SECRETARIES

Colombo

22 April 2021

### **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  
 Mr. Cheng Chih Kwong, Primus  
 Mr. Chan Kong Meng, Lawrence  
 Mr. Cheng Eng Loong  
 Mr. Cheng Koh Chuen, Bernard  
 Dr. Prathap Ramanujam  
 Mr. Rajanayagam Nalliah Asirwatham

of Colombo or failing him  
 of Singapore or failing him  
 of Singapore or failing him  
 of Singapore or failing him  
 of Singapore or failing him  
 of Colombo or failing him  
 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 Wednesday, 19 May 2021, 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
<b>Ordinary business</b>		
1. To receive and consider the Report of the Board of Directors on the State of Affairs of the Company and the Audited Financial Statements for the year ended 31 December 2020, with the Report of the Auditor's thereon.	<input type="radio"/>	<input type="radio"/>
2. 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="radio"/>	<input type="radio"/>
3. To re-elect Mr. Chan Kong Meng, Lawrence a Director who retires at the Annual General Meeting in terms of Article 95 of the Articles of Association	<input type="radio"/>	<input type="radio"/>
4. To re-appoint Mr. Cheng Chih Kwong, Primus, who is over 70 years of age as a Director of the Company by passing the Ordinary Resolution set out in the Notice of Meeting.	<input type="radio"/>	<input type="radio"/>
5. To re-appoint Mr. Rajanayagam Nalliah Asirwatham, who is over 70 years of age as a Director of the Company by passing the Ordinary Resolution set out in the Notice of Meeting.	<input type="radio"/>	<input type="radio"/>
6. To re-appoint Dr. Prathap Ramanujam, who is over 70 years of age as a Director of the company, by passing the Ordinary Resolution set out in the Notice of Meeting.	<input type="radio"/>	<input type="radio"/>
7. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors and to authorise the Directors to determine their remuneration.	<input type="radio"/>	<input type="radio"/>
8. To authorise the Directors to determine contributions to charities and other purposes.	<input type="radio"/>	<input type="radio"/>
<b>Special business</b>		
9. To pass the Special Resolution set out in the Notice convening the Meeting.	<input type="radio"/>	<input type="radio"/>

As witness my/our hand/this .....day of ..... Two Thousand and Twenty One

Signature: .....

Note : Please delete the inappropriate words.

1. Instructions for completion of proxy are noted on the next page
2. A proxy needs 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.7 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 represents as that Corporation could exercise if it were an individual shareholder.

# CORPORATE INFORMATION

## Company Name

Ceylon Grain Elevators PLC

## Legal Form

A Public Quoted Company with limited liability, incorporated in Sri Lanka in 1982.

## Company Registration No.

PQ 161

## Holding Company

Prima Limited, Singapore

## 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

DFCC Vardhana Bank PLC

Cargills Bank Limited

Pan Asia Banking Corporation PLC

## Lawyers

Varners Lanka Law office

D.L. & F. De Saram

## Auditors

KPMG, 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. Chan Kong Meng, Lawrence

Executive Director and Group General Manager  
(Appointed w.e.f. 1 Nov 2020)

Mr. Cheng Koh Chuen, Bernard

Non-Executive Director

Mr. Cheng Eng Loong

Non-Executive Director

Dr. Prathap Ramanujam

Non-Executive Independent Director

Mr. R. N. Asirwatham

Non-Executive Independent Director

## Management

Mr. K. A. R. S. Perera

General Manager

Mr. Chng Sun Tick

AGM (Farms)

Mr. Akram Ansar

AGM (Finance)

Mr. Jeff Li Zhen Jie

AGM (Technical)

Mr. Lalith Abeywardena

AGM (Sales)

Mr. Sumith Peiris

AGM (Material Management)

Mr. Neil Jayaweera

AGM (Processing)

Mr. Waruna B. Jayathilaka

AGM (Human Resources and Administration)

**CEYLON GRAIN ELEVATORS PLC**

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](mailto:info.cge@prima.com.lk)