



A N N U A L R E P O R T 2 0 2 2

A Legacy of Responsibility

CEYLON GRAIN ELEVATORS PLC

A Legacy of Responsibility

Ceylon Grain Elevators PLC, with a defining presence of over four decades has focused on creating value for its stakeholders. With a trusted presence the Company has established itself as the largest integrated feed business in the country. Leading the way we have over the years reinforced our presence with a legacy of responsibility, with a commitment towards excellence and value.

Demonstrating resilience amidst a challenging business environment the Company maintains its unequivocal commitment to maintain consistent quality and value adding a greater impetus to the food industry in Sri Lanka.

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A LEGACY OF AN EVOLUTIONARY JOURNEY

Looking back on our evolutionary journey since 1982, we have come a long way to be the largest operator in Sri Lanka's poultry industry. Today, we have diversified our offering from our core business of feed milling to poultry farming, sale of poultry equipment and veterinary vaccines. We have served our customers with loyalty by raising our standards of product quality, whilst upgrading our technology and streamlining processes. We strive ahead to be an integrated feed milling business contributing to the agriculture and livestock production of our nation.

OUR CORE VALUES

Our Vision

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

Our Mission

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

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.

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.

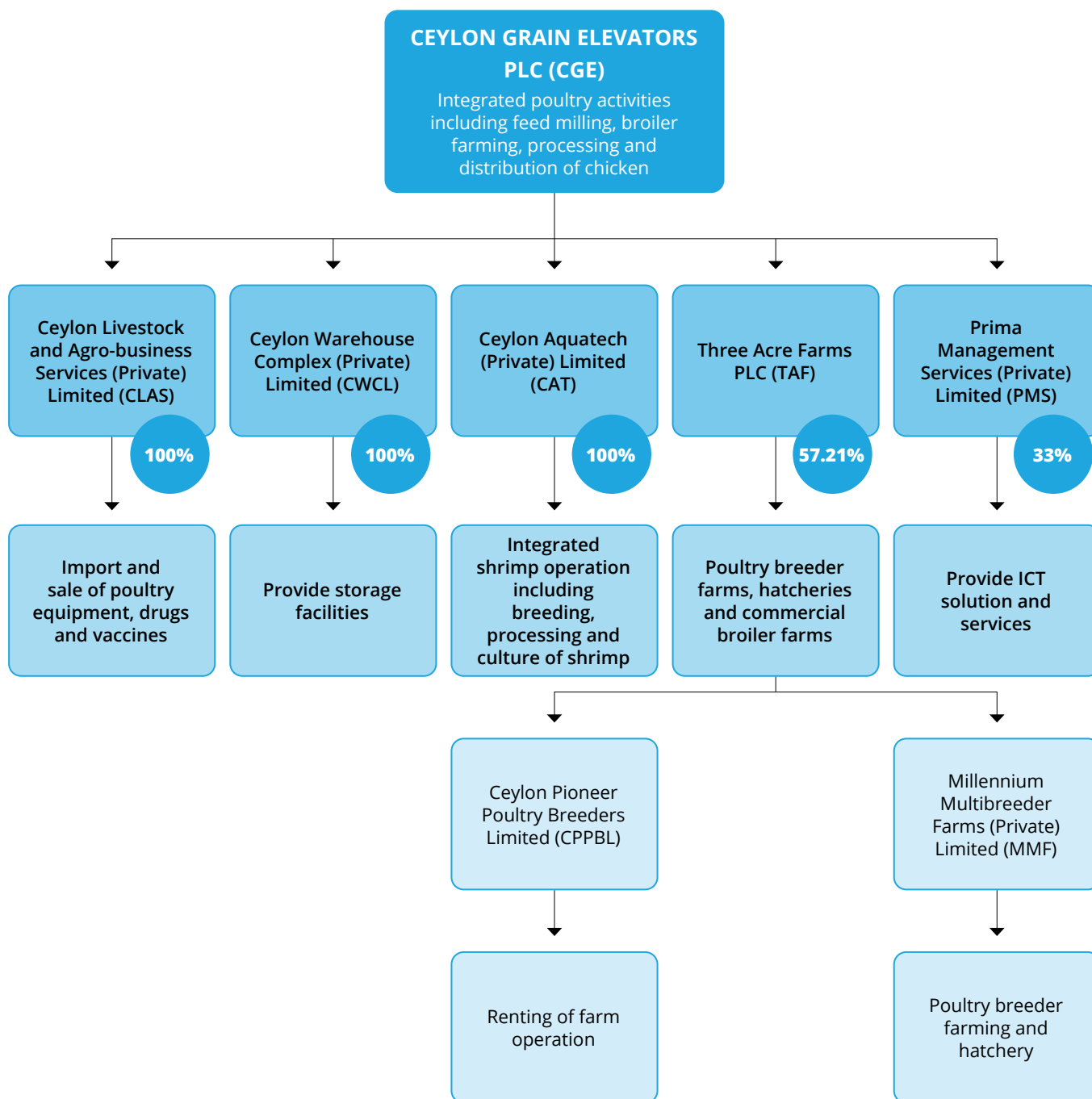
OUR HISTORY

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 four 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, provide warehouse facilities, produce aqua feed and provide a state-of-the-art laboratory and consultancy service to customers and farmers throughout the Island.

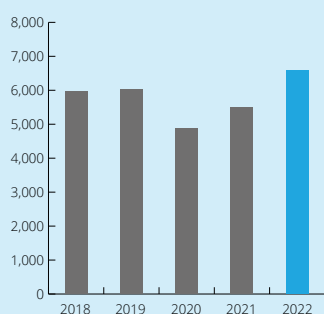
GROUP STRUCTURE



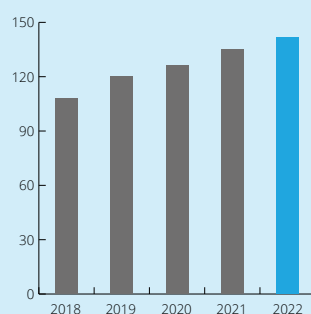
FINANCIAL HIGHLIGHTS

		Group		
		2022	2021	Change
Operating Results				
Revenue	Rs. Mn	17,888.0	24,055.5	(26%)
Operating profit	Rs. Mn	5,258.0	1,461.1	260%
Profit for the year	Rs. Mn	1,017.0	1,707.7	(40%)
Earnings per share (EPS)	Rs.	12.25	21.63	(43%)
Return on shareholders' fund (ROE)	%	9.52	5.86	79%
Financial Position Strength				
Total assets	Rs. Mn	15,344.4	19,343.1	(21%)
Total debts	Rs. Mn	536.5	Nil	100%
Shareholders' fund (Equity)	Rs. Mn	10,968.9	10,390.9	6%
No. of shares in issues	Mn	60.0	60.0	-
Net assets per share	Rs.	141.39	134.81	5%
Current ratio	No. of times	3.67	1.94	89%

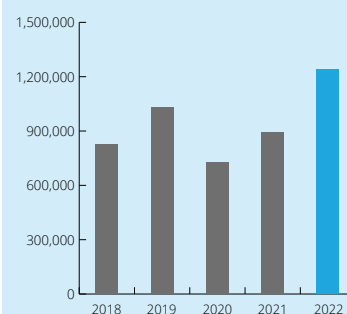
Value Added (Rs. Mn)



Net Assets Per Share (Rs.)



Net Cash Used in Investing Activities (Rs. '000)



OUR MILESTONES

1982

Incorporation of Ceylon Grain Elevators

1984

The Company was listed on the Colombo Stock Exchange

First invoiced sale of Animal Feed

1992

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

Bonus issue of 1-for-3 share capitalising Rs. 50.0 Mn from capital reserves

Right issue of Rs.10.0 Mn ordinary shares for a premium of Rs. 35/- per share raising CGE's capital to Rs. 300.0 Mn

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. 150.0 Mn from share premium

Right issue of 15.0 Mn ordinary shares at a premium of Rs. 15/- per share to raise CGE's issued capital to Rs. 600.0 Mn

1995

Ceylon Aquatech (Private) Limited was incorporated to venture further into integrated shrimp business

1996

Acquisition of Bulathsinhala and Halwathura Farms

1987

Breeder Farm Project at Kosgama started production of Commercial Day-Old Chicks

1991

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

1993

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

1998

Agreement signed between SLPA and CWCL to reclaim land from the seabed at Mutwal, adjacent to CGE factory



1999

Incorporation of Millennium Multibreeder Farms (Private) Limited, a wholly-owned subsidiary of TAF

First commercial shrimp feed plant established in Sri Lanka. Launched "PRIMA SUPER SHRIMP FEEDS"

Construction of New Silos – CWCL

2010

ISO Quality Management System certification (ISO 9001: 2008)

2013

Addition of a new feed mill line

2019

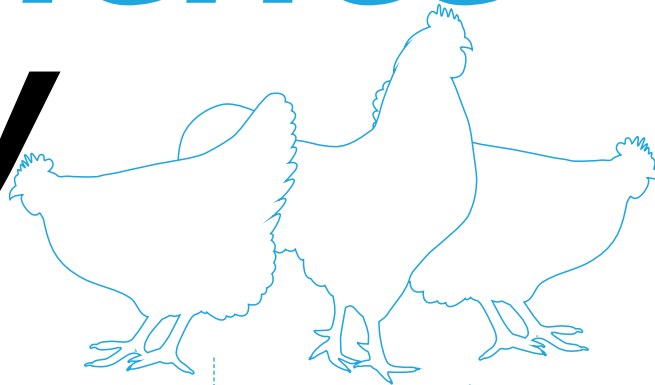
Installation of Corn Dryer

Chicken Processing Plant at Seeduwa obtained BOI Status

2003

Acquisition of Hijra Farms

Excellence Story

**2006**

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

2017

Fully taking over the operation of poultry processing plant

2007

Commencement of Environment Controlled House projects at Commercial Farms

2018

Construction of state-of-the art cold room in Poultry Processing Plant

2009

Implementation of ERP System

Freehold ownership of Ittapana land to increase the capacity of Breeder Farms

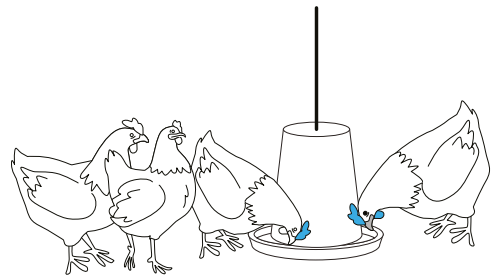
OUR PRODUCT PORTFOLIO

The nutrition value along with competitive price is the main reason for the increased demand in chicken every year. Thus, we guaranteed the nutrition value of Prima Chicken as we are the pioneer in the integrated poultry business. With the increase in demand over the last few decades the consumer preferences have also evolved. In order to meet these customer expectations value added poultry products have been introduced in frozen and chilled forms.

Augmented with five key attributes and available in a wide array of products to suit modern lifestyles, Prima Chicken provides goodness to everyone.

Feed

Recognised as a pioneer in the feed manufacturing sector, CGE specializes in producing a range of feed products to our customers. We provide a wide variety of feed ranging from poultry feed, cattle feed, horse feed and aqua feed. Poultry feed the highest volume contributor consists of three sub-categories of feed consisting of broiler feed, layer feed and breeder feed. Broiler feed is the highest volume contributor. Over the years we have focused on enhancing the cattle feed range to meet the dynamic needs of the market.

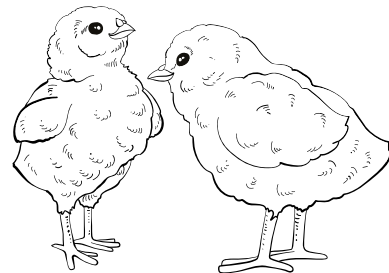


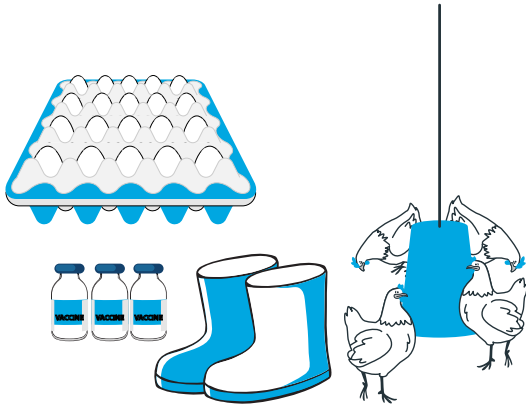
Chicken

Chicken is considered a source of vital protein and nutrition. The nutrition value of Prima Chicken has been guaranteed as we are the pioneer in the integrated poultry industry.

Day-Old Chicks

The 'Farmer's Choice' brand is synonymous with high quality and is recognised as the preferred brand among farm animals who are bred across the island. Broiler and layer chicks are provided under Prima quality chicks and have been recognised and well accepted from diverse sectors.



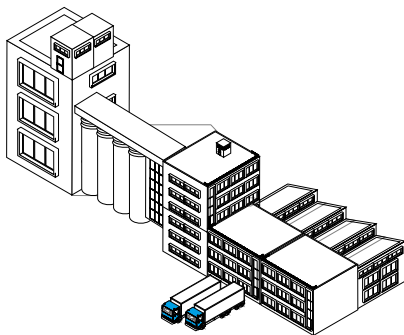


Poultry Equipment, Drugs & Vaccines

CGE with the objective of expanding its product portfolio ventured into the supply of high-quality poultry vaccines, medicines and equipment. To fill a market gap in the fast-developing poultry industry the Company partnered with world leading poultry vaccines and manufacturers such as Elanco Animal Health, USA and medicines from Better Pharm Co. Ltd. which is a reputed Southeast Asian brand. The Company has strengthened its product portfolio further with the distribution of specialised poultry equipment.

Laboratory Services

We possess a state-of-the-art laboratory and offer consultancy services to customers and farmers throughout the island in order to develop and build the poultry industry know how of the country.



Warehousing Facility

The Company hires its warehouse and storage space to third parties. Our warehousing and silo facilities are built with the aim of preserving the quality of materials.

A LEGACY OF FOUR DECADES OF STEADFAST LEADERSHIP

Recognised as a leading integrated poultry and animal feed supplier, CGE has consistently maintained its leadership position over four decades. We have carved a unique identity and is known as a trusted corporate entity delivering value to all stakeholders despite the dynamics and complexities which engulfed the operating environment. Our strong work ethic is defined by our commitment to achieve a healthy financial performance while protecting our natural resources and ecosystems.

CHAIRMAN'S MESSAGE

“The Company posted a total revenue of Rs. 17.89 Bn, a commendable achievement in the turbulent backdrop - although a negative growth of 26% compared to the prior year.”

Dear Valued Shareholders,

Welcome to Ceylon Grain Elevators PLC's fortieth Annual General Meeting, marking four decades of excellence and legacy in responsibly serving Sri Lanka and its people with high-quality nutrition. I take pleasure in sharing with you the audited Financial Statements for the financial year ended 31 December 2022 and explain how the Company weathered the many adversities that defined it.

TURBULENT TIMES

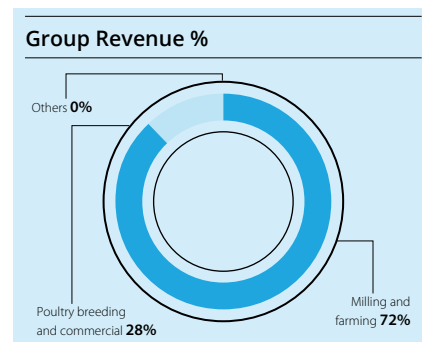
The financial year under review was marked by many challenges across the socio-economic and political aspects of Sri Lanka. The country's fragile economy affected by chronic anomalies such as a widening trade deficit, fiscal deficit and unsustainable debt levels suffered further deterioration. The culmination of this economic debacle was the Government of Sri Lanka suspending the servicing of its international debt, and the Country being classified as Restricted Default status by international rating agencies. All key macroeconomic factors such as GDP growth, inflation, exchange rate, interest rates and market liquidity

of local as well as foreign currency which are inter-dependent worsened during the year severely impacting the entire economy.

The poultry and farming sector was no exception, with the severe hardships affecting smooth operations of the sector. The impact was wide-ranging with both production and demand being affected. As a business operation reliant on imported raw materials, we were impeded by the scarcity of imported inputs due to various import restrictions and foreign currency liquidity shortages. Consumer demand also saw fluctuations as the consumer's purchasing power was negatively affected by rising inflation and additional taxes.

RESILIENCE OF OUR BUSINESS MODEL

An operating environment of this nature demands the highest degree of resilience in business models. Ceylon Grain Elevators PLC withstood the challenges of the year, continuing its operations uninterrupted despite the many shortages and scarcities, attributable to its time-



tested business processes, prudent leadership, quality of human capital and strong intellectual know-how gathered over forty years of navigating various economic cycles. The Company posted a total revenue of Rs. 17.89 Bn, a commendable achievement in the turbulent backdrop - although a negative growth of 26% compared to the prior year. Total comprehensive income for the year was Rs. 1.04 Bn, again a drop of 40% over 2021. Total comprehensive income was negatively affected by large costs which saw an exponential increase over 2021 due to high inflation and depreciating Sri Lankan Rupee.

In light of, such performance of the Company and in consideration of the continued stresses seen on the macro-economic front, the Board of Directors have prudently decided not to declare any dividends for the financial year 2022. This would enable the Company to preserve its capital, which in turn will enable growth, expansion and profitability during 2023 and beyond with the envisaged gradual recovery of the economy and will translate into tangible benefits to our valued shareholders.

GOOD GOVERNANCE

One of the hallmark qualities that the Company has upheld since its inception is a strong framework of ethics and corporate governance, built on the pillars of governance, accountability and

CHAIRMAN'S MESSAGE

5%

Increase in net assets per share

As a result of the enhancement of total equity, the net asset value per share improved from Rs. 141.39 to Rs. 134.81 in 2021.

transparency. Despite the tumultuous year, we ensured full compliance with all applicable rules and regulations in terms of governance in both mandatory and voluntary aspects. The leadership at the Board level was relentless in its focus and upholding of the afore-mentioned three key pillars of governance, accountability and transparency, which enabled the Company to steer through the hardships with confidence.

RESPONSIBLE CORPORATE CITIZENRY

As we were strongly cognizant of the heightened role we can play as responsible corporate citizen in these challenging times, we channelled our resources and efforts in ensuring the well-being of our community and employees. We placed special emphasis in ensuring the well-being of our staff members as well, as they are our greatest assets and also as they were facing challenges on multiple fronts on account of the situation in the Country. We launched an internship programme during the year for qualified candidates in various fields, opening up avenues for sustainable employment and revenue generation. Adding on to the dynamism of our community empowerment, we extended support to under-15 school cricket in encouraging young talent and affording them a platform to perform in the nationally significant sport.

WAY FORWARD

Sri Lanka is at a difficult juncture. We anticipate that the hardships will prevail for an extended period before full relief and normalcy set in. But we are hopeful that such relief will set in expeditiously with the collective effort of political leadership, general public, business fraternity and the international community. In this recovery journey, Ceylon Grain Elevators PLC remains steadfast in its support to the nation and its people drawing strength from the legacy of responsibility it has shouldered over forty years of the Company's history in powering the nation with nutrition to perform.

HEART-FELT APPRECIATION

In conclusion, I wish to express my sincere thanks to all stakeholders of Ceylon Grain Elevators PLC for continuing to partner with us in our growth journey. I am fortunate to have my fellow Directors on the Board whose counsel and guidance have enabled us to weather the challenges that we face. I am impressed by the passion and commitment of the Management team and the entire staff of the Company and my deep appreciation goes to each one of them. I also wish to thank our strong and dynamic customer base for placing their trust in us in sourcing quality nutrition for a healthy lifestyle and all other stakeholders such as our suppliers, distributors, etc., for the support they extend as true partners in success.

Wickrema Senaka Weerasooria

Non-Executive Independent Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

“Ceylon Grain Elevators PLC’s legacy of responsibility and its strong business acumen gathered over decades of steadfast performance through many hardships that marked Sri Lanka’s modern history, has enabled us to successfully navigate through the financial year.”

Dear Shareholders,

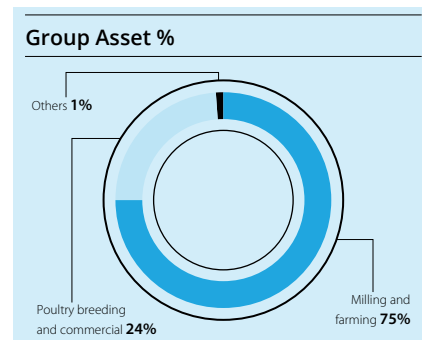
It is my pleasure to present to you the Annual Report and the Audited Financial Statements for the year ended 31 December 2022. This was undoubtedly one of the most challenging years in Sri Lanka’s history, but we can be proud of our resilience during these difficult times and in how we responded to these challenges, harnessing our knowledge and strength from four decades of experience to deliver value to all our stakeholders.

A YEAR OF UNPRECEDENTED CHALLENGES

The economic hardships that Sri Lanka was facing over the last few years due to April terror attacks in 2019 and the effects of the COVID-19 pandemic from 2020 to 2021 worsened in 2022. In April 2022, the Government of Sri Lanka suspended servicing its international debt, which followed the country being

downgraded to Restricted Default status by international rating agencies. The severe shortage of foreign currency in the markets, together with the Central Bank of Sri Lanka abandoning a peg of LKR 200/- against the USD, saw the Sri Lankan Rupee depreciate by over 80% in 2022. With the severe shortage of foreign currency as well as the introduction of import restrictions, the country experienced a scarcity of imported goods, including fuel, essential foods, medicines, fertilizer and raw materials for industries, causing many hardships for both individuals and businesses alike.

Inflation soared over the year due to both supply-side shocks and demand pressure, peaking in September 2022 as reflected in a 69.80% headline inflation as measured by the Colombo Consumer Price Index. Inflationary pressures coupled with the increase in taxes stemming from the revised Value Added Tax (VAT) and newly introduced Social Security Contribution Levy (SSCL) adversely affected the purchasing power



of consumers across all segments. Challenges were exacerbated by disruptions in power supply and transportation difficulties which affected business activities across all segments. As a result, the economic growth of Sri Lanka for 2022 recorded a negative figure of 7.8%. The Central Bank of Sri Lanka, in response to the economic crisis, increased policy interest rates as a part of its tightening monetary policy, which drove all market interest rates up to historic record levels. This resulted in high debt servicing costs for businesses and also limited access to fresh debt for business expansion.

The poultry industry was also adversely affected by the economic situation. We experienced challenges in sourcing essential imported and local inputs in our business processes which directly impacted input by farmers. This was reflected in the decrease in per capita availability of chicken meat to 10.23 kg in 2022 from 10.69 kg in 2021. Demand from customers dampened over the year due to the depletion of their purchasing power and acute price fluctuations seen in poultry products.

WEATHERING TURBULENCE TIMES

The hardships of the year were reflected in the revenue for the year of Rs. 17.89 Bn, a 26% decrease over the prior year. This was attributable to a combination of reasons on both supply and demand aspects. Revenue from feed was reduced due to the curtailment of feed production amidst a lack of import and local raw materials and revenue from chicken was reduced due

CHIEF EXECUTIVE OFFICER'S REVIEW

26%

Negative change in Group revenue

The Company recorded a commendable revenue of Rs. 17.89 Bn despite the challenges faced on the demand and supply side.

to inclement weather and distribution channel disruptions. Additionally, the high inflation combined with increased taxes also adversely affected the revenue during the year.

The cost of production increased considerably due to the increase in prices of both local and imported raw materials, packing materials, other commodities and freight charges. Shortages of fuel and the resultant increase of fuel prices, as well as the increase in other utility costs such as electricity and gas also led to significant increases in our costs. Additionally, our realised exchange losses amounted to Rs. 5.13 Bn, which severely affected the Group's profitability. The Group recorded a tax charge of Rs. 160.7 Mn for the year, inclusive of increased corporate income tax in the second half of the year. Accordingly, post-tax profit for the year was Rs. 1.02 Bn, a reduction of 40% over the prior year. Consequently, the Group's basic earnings per share reduced by over 43% to Rs. 12.25 from Rs. 21.63 in 2021.

Total assets of the Group by the end of the year stood at Rs. 15.34 Bn, whilst cash and cash equivalent decreased from Rs. 9.49 Bn in 2021 to Rs. 1.14 Bn in 2022 with the settlement of foreign debts. Net asset value per share increased to Rs. 141.39 from Rs. 134.81 in 2021.

HOW WE EVOLVED IN RESPONSE TO THE SHIFTING OPERATING CONTEXT

Ceylon Grain Elevators PLC's legacy of responsibility and its strong business acumen gathered over decades of steadfast performance through many hardships that marked Sri Lanka's modern history, has enabled us to successfully navigate through the financial year. We swiftly shifted to a product mix with less reliance on imported raw materials and resorted to local and alternative supplies in response to the key issue of sourcing raw materials. Production and farming operations were rescheduled in consideration of the power cut schedules to optimize productivity and costs. Furthermore, the scarcity in fuel supply which severely affected business activities across the country was managed through increasing fuel storing capacity within our premises and sourcing from alternative suppliers. These measures enabled us to maintain our distribution network and serve our customers on time. Cash flows were carefully managed with changes introduced to the sales, mix, our inventory was optimised and we worked closely with our suppliers for mutual benefit. Furthermore, we prioritised our capital expenditure and deferred what was not essential.

Amidst the many hardships, we ensured the well-being of our employees by ensuring their job security and income. We continued to serve the community by ensuring food safety and access to proteins essential for a healthy diet through our production chain.

OUTLOOK

Many of the challenges that we had faced due to the economic crisis are expected to continue throughout 2023. With the Extended Fund Facility from the International Monetary Fund now finalised, we are cautiously optimistic that there will be stability and clarity

in policy directions. It is anticipated that the costs of imported input will remain high given the exchange rate and global uncertainties. Consumer demand is expected to remain low on account of the depletion of consumer purchasing power amidst high inflation and new taxes imposed. Increased demand is anticipated in the hotels, restaurants, and catering sector with tourism gradually picking up. It is also encouraging to note that there has been a gradual enhancement of foreign currency liquidity in the country, due to the pick up in tourism as well as increased worker remittances, which will augur well for the economy.

ACKNOWLEDGEMENT

I wish to express my sincere thanks to my fellow Board members for their counsel and support in navigating through this challenging year. On behalf of the Board of Directors, I also extend my appreciation to all our customers, suppliers, business partners and other stakeholders for placing their trust in us and partnering with us for mutual success. The trust and confidence we have garnered over the last four decades are attributable to our valued stakeholders who have been a pivotal part of our defining journey. Last but not least, I wish to express my immense gratitude to all our employees for their exceptional commitment, courage and team spirit through the many adversities of the year, in delivering the mission of Ceylon Grain Elevators.

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 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. 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.

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 majority in Bio-chemistry 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 was until recently Chairman of Pan Asia Power PLC and has extensive experience in the public sector. During the last 14 years in the Public Sector, he was the Permanent Secretary to several Ministries and was responsible for the establishment of the Secretariat for Infrastructure Development & Investments (SIDI) which was instrumental in initiating the first mini hydro project as a Public Private sector project as far back as 1993.

Dr. Ramanujam has previously served on the Boards of several financial services institutions including the National Savings Bank, the State Mortgage and Investment Bank and Senkadagala Finance PLC during his career. He currently serves as a Director of Three Acre Farm PLC and Iconic Development (Private) Limited. He also served as a Director in PanAsian Power PLC, Manelwela Hydro Power (Private) Limited, PanAsian Investment (Private) Limited, Paddyapallela Hydropower (Private) Limited and associated companies. Dr. Ramanujam is currently Chairman of Senfin Asset Management (Private) Limited. He is also Senior Advisor to the Director General of International Water Management Institute (IWMI).

Dr. Ramanujam has a First Class B.Sc. (Hons.) Degree from the University of Peradeniya, Sri Lanka, an M.Sc. Degree in Economics from the University of Bristol, UK and a PhD in Economics from the Australian National University, Canberra, Australia. He worked as a Post-Doctoral Fellow at the Faculty of Economics at the University of Glasgow UK.

BOARD OF DIRECTORS**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, who is a distinguished accounting professional, was a Senior Partner and Country Head of KPMG from 2001 to 2008. Mr. Asirwatham is a fellow Member of the Institute of Chartered Accountants of Sri Lanka. 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 was also a Member of the Presidential Commission on Taxation, appointed by His Excellency the President.

He is the Chairman of the Audit Committee of the Institute of Chartered Accountants of Sri Lanka. He has held a number of important positions in the public sector and with professional organisations. He presently holds the directorships of Browns Beach Hotels PLC, Dilmah Ceylon Tea Company PLC, Mercantile Merchant Bank Limited, Renuka Hotels (Private) Limited, Royal Ceramic Lanka PLC, Vallibel One PLC, Yaal Hotels (Private) Limited, Aitken Spence PLC, Aitken Spence Hotel Holdings PLC and Three Acre Farms PLC. Moreover, he holds the Board memberships of the Post Graduate University of Medicine, S. W. R. D. Bandaranaike Memorial Foundation, Lakshman Kadirgamar Institute of Strategic Studies and Council of Wayamba University.

A LEGACY OF FOUR DECADES OF VALUE CREATION

Over the last four decades, we have relentlessly committed to raising the bar of excellence. During the year 2022 amidst unprecedented challenges CGE continued to maintain its highest standards whilst achieving our corporate goals to deliver consistent and enduring value to our stakeholders.

OUR VALUE CREATION MODEL

CAPITAL INPUTS



FINANCIAL CAPITAL

Shareholders' funds

Debt

Operating cash flows



MANUFACTURED CAPITAL

Property, plant and equipment

Right-of-use assets

Biological assets



INTELLECTUAL CAPITAL

Team of knowledge and expertise

Research and development

Ethics and compliance

Brand and reputation



HUMAN CAPITAL

Employee engagement

Skills, knowledge and competencies of employees

Employee health and safety

Compliance



SOCIAL AND RELATIONSHIP CAPITAL

Contributing to community service

Relationship with business partners

Frequent communication with customers



NATURAL CAPITAL

Land

Water

Energy

Material

Legal compliance requirements

Vision / Mission / Goals

Governance

Milling and farming / Poultry breeding and commercial /

How we create value

RISK MANAGEMENT

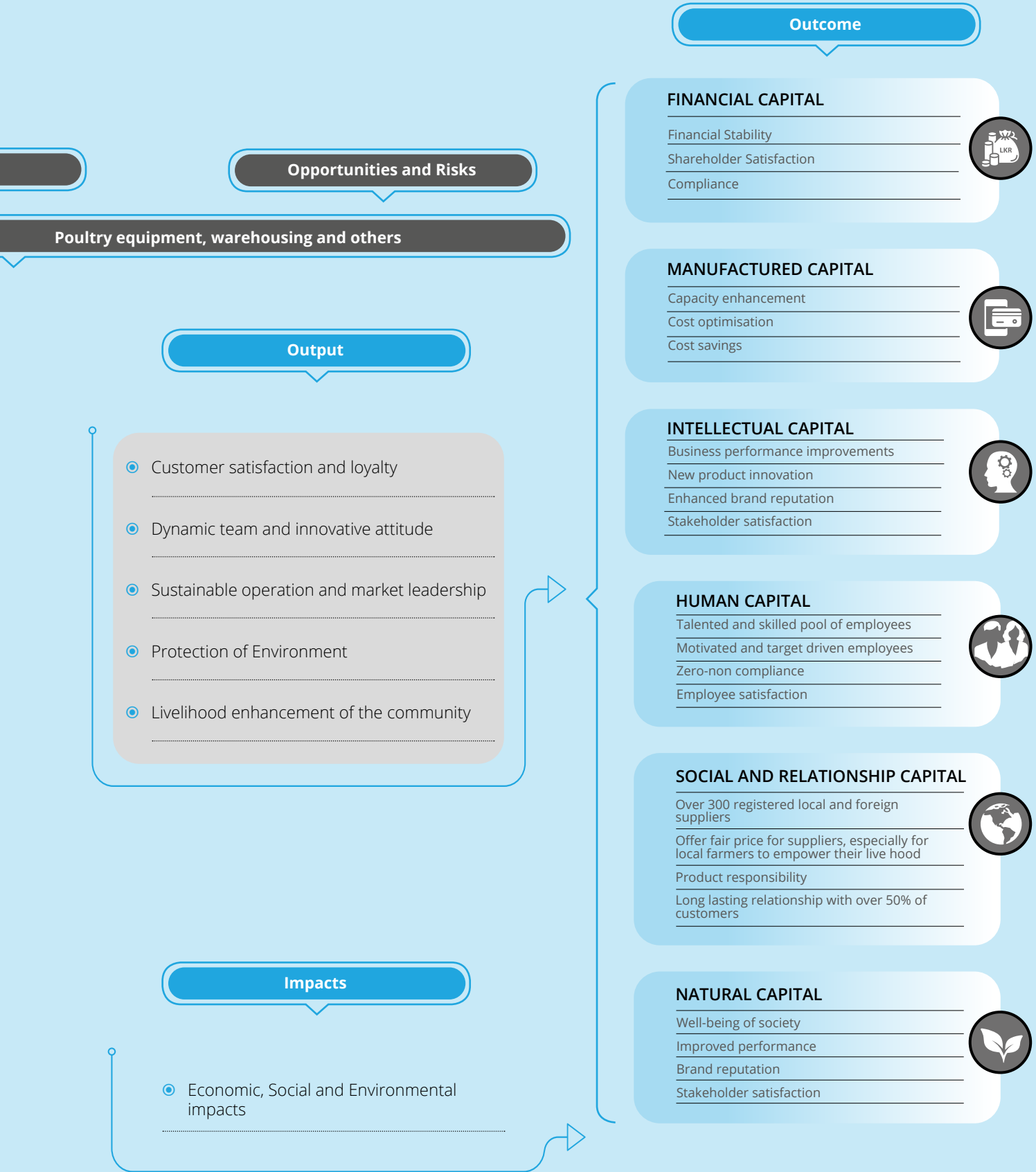
- Capital management
- Impact management

CAPITAL MANAGEMENT

- Sourcing and attraction
- Capital enhancement and retention

VALUE CHAIN MANAGEMENT

- Sourcing and warehousing
- Manufacturing
- Delivery and after sales services
- Research and development



BUSINESS STRATEGY & RESOURCE ALLOCATION

Business Strategy

The strategic focus of CGE is centred around the following three core business principles which are achieved through collaboration with our stakeholders.

- 1) Healthy organisation
- 2) Honourable winner
- 3) Honest fortune

Thus, we believe that our business strategies are within our capabilities to create sustainable development while optimising returns to shareholders and achieving objectives of our stakeholders.

Healthy organisation

Continuous improvements in the supply chain system will enable us to create an effective and efficient business operation. This will enhance the competitiveness through cost optimisation. Empowering our employees' soft skills, developing their skills as well as satisfaction levels through a comprehensive engagement plan will set in place the foundation for a healthy business operation.

Honourable winner

We believe that CGE should strive towards exceptional standards to be an honourable winner. Thus, sustainable growth, integrated business diversification and gaining export market entry through fair competition will lead CGE towards excellence.

Honest fortune

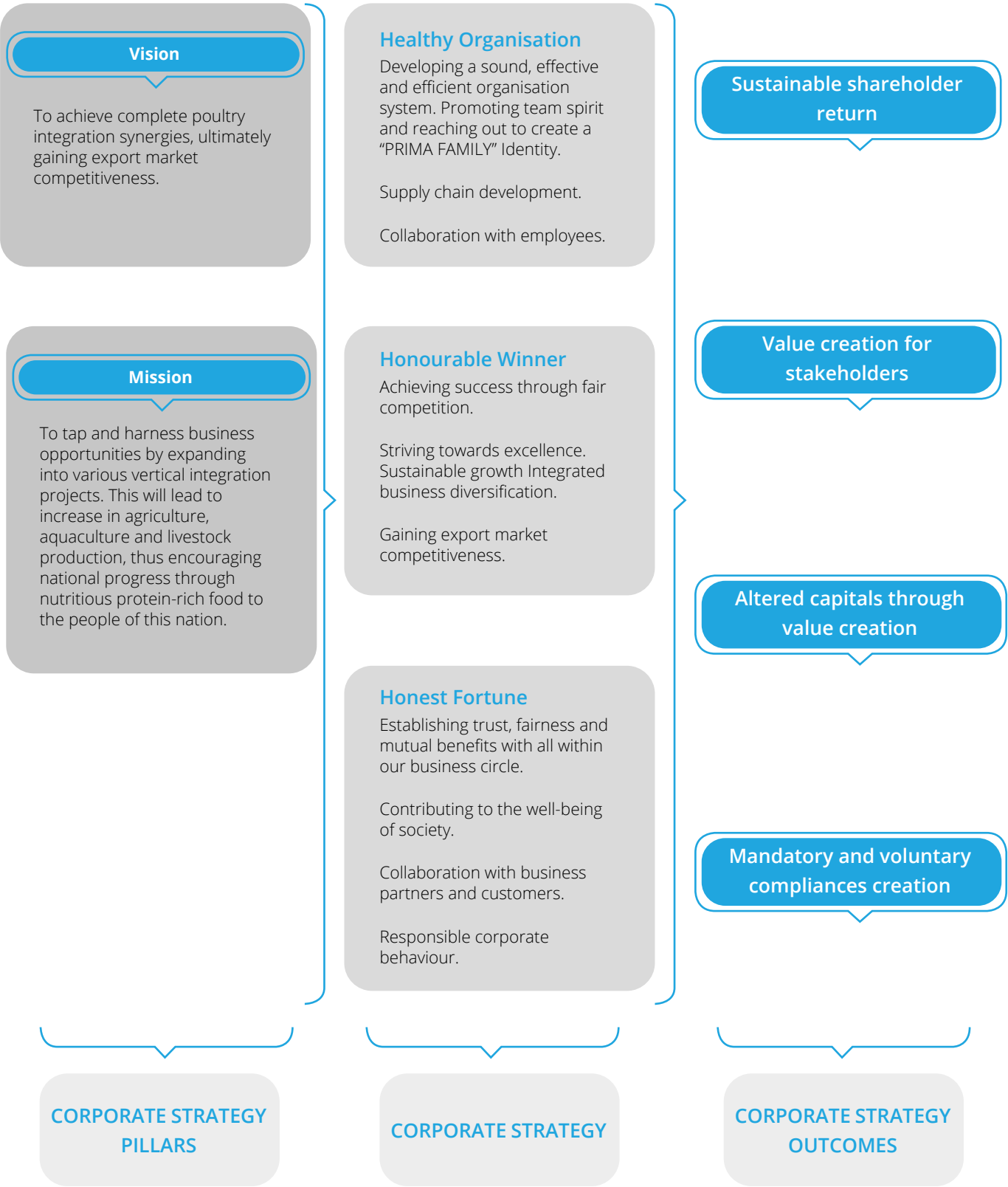
Trust, fairness and mutual benefits are the core imperatives that we focus on when establishing relationship with our business partners and customers. This has helped our organisation to look beyond our capabilities and share the benefits with them. As a responsible corporate citizen and as a key leader in the integrated poultry industry, we are conscious of the well-being of society and the community through our business activities.

Resource allocation

Allocation of resources between business segments when implementing our corporate strategies towards optimising value creation is challenging due to scarcity of resources. However, through accumulated knowledge and expertise over the past decades in the business and implicit management skills, CGE is able to optimise resource allocation while balancing the strategic focus between short, medium and long term goals to create sustainable value creation.

Our value delivery platforms

At CGE, we ensure the delivery of our strategies are in accordance and governed by our resource allocation initiatives, objectives, which both in terms of the inputs to our activities are outlined on pages 39 to 57 and our strategy and the outcomes that we aspire to in fulfilling the expectations of our stakeholders.



STAKEHOLDER ENGAGEMENT

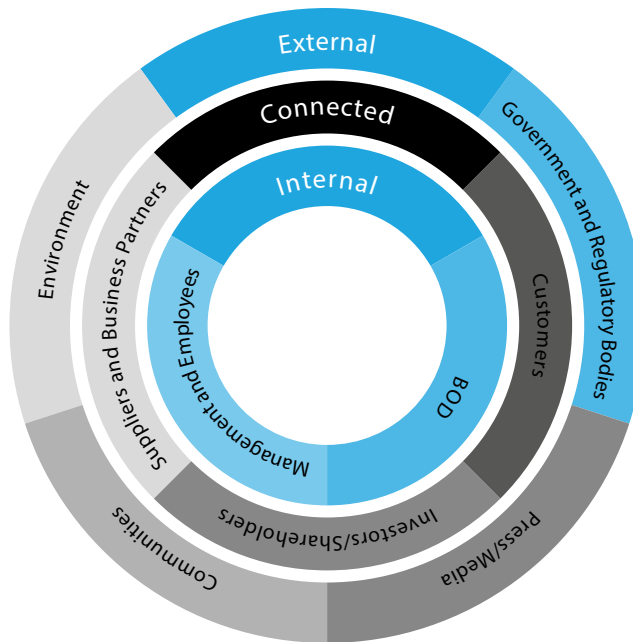
Value creation is for the stakeholders, as they provide capitals to the organisation. Thus, achieving those individual goals requires formal communication, interaction and feedback. This is called the stakeholder engagement and our governance parties play a key role as this engagement derives us to redefine our Vision, Mission and objectives and lead to a sustainable future.

CGE operates in the agri-food supply chain and recognises the importance of understanding the views of its stakeholders. CGE's strategic focuses is on long-term value creation, especially for customers and suppliers. The Company believes the importance of timely and adequately responding to market developments. In this light, stakeholder dialogues are vital.

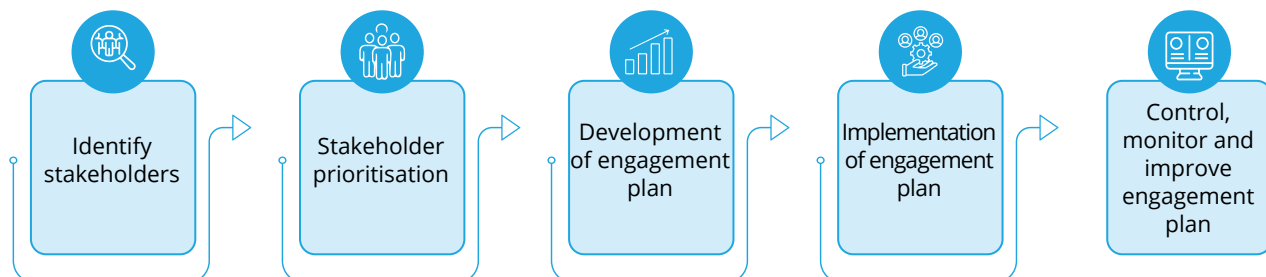
We maintain regular stakeholder engagement through a range of formal and transparent mechanisms that facilitates continuous communication, dialogue and feedback from our many and varied stakeholder groups while raising awareness of the need for sustainable resource consumption and sustainable lifestyles. We also continue to pursue new avenues of communication that would enable our stakeholders to give us more feedback to improve our sustainability efforts.

Stakeholder Mapping and Prioritising

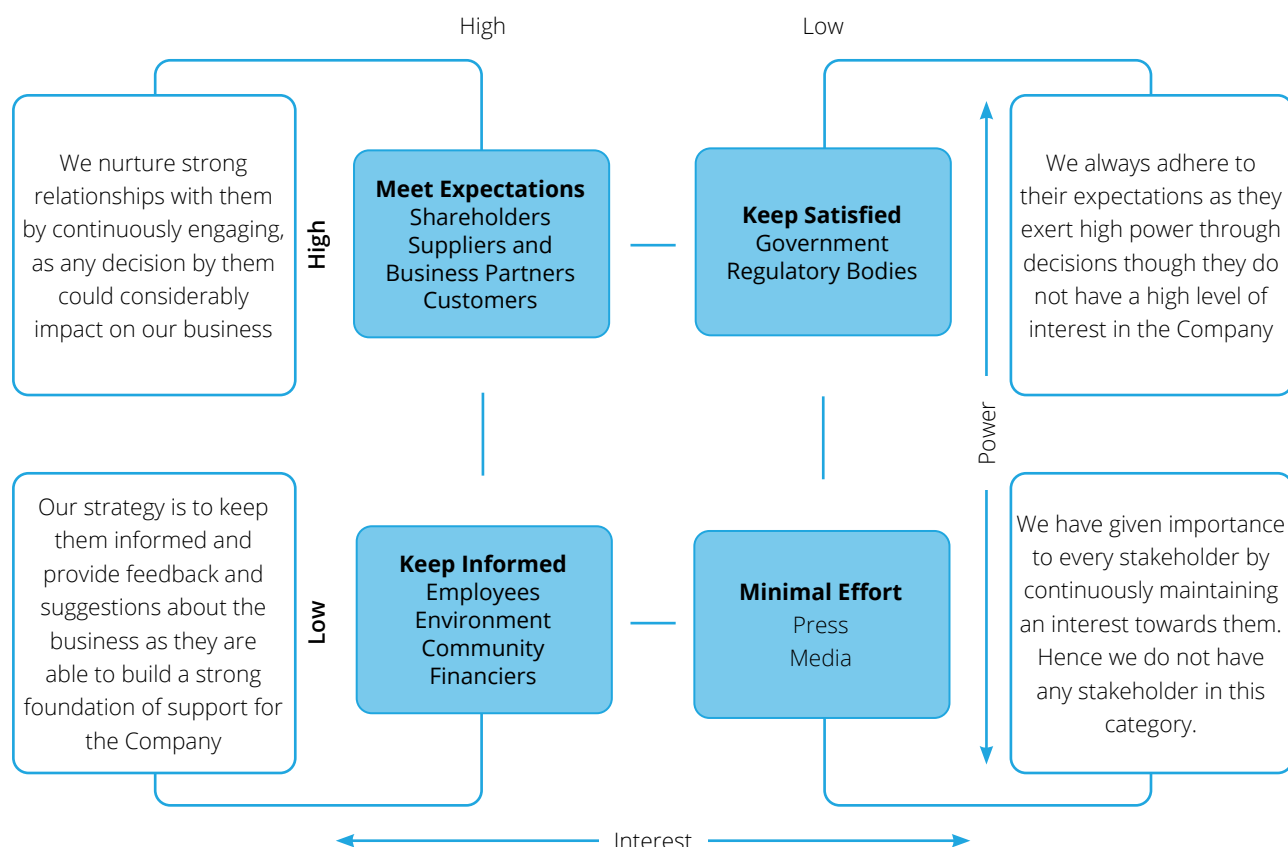
Our stakeholder mapping process is based on Mendelow's Matrix which take into account the influence exerted by the stakeholders on our business and their interest in doing so. We have also agreed on our strategy on each quadrant in terms of responding.



Our Stakeholders



Stakeholder engagement process



Stakeholder Engagement : Mendelow's Matrix

ENGAGING WITH OUR STAKEHOLDERS

Stakeholder	Engagement mechanism and frequency	Key concerns	Responses
Shareholders			
Shareholders are the owners of the Company who provide financial capital to our business. Prima Limited, Singapore is the main shareholder of CGE, who holds 45.45% stake of the business and the remainder is hold by the public and institutional shareholders.	- One-on-one discussions / engagement (When required) - Corporate Website (Online) - Annual General Meeting - Annual Reports - Interim Financial Statements (Quarterly) - CSE Announcements (when required) - Extraordinary General Meetings (Ad-hoc)	- Future prospects and sustainable growth in the business - Return on Investments - Dividends and capital gains - Governance and transparency	All measures taken by the Company is devoted to the wealth maximisation of the shareholders in the long run and sustainable growth by coordinating other capitals. Accordingly, productivity improvements, cost saving initiatives and risk assessment measures are taken continuously by the Company.

STAKEHOLDER ENGAGEMENT

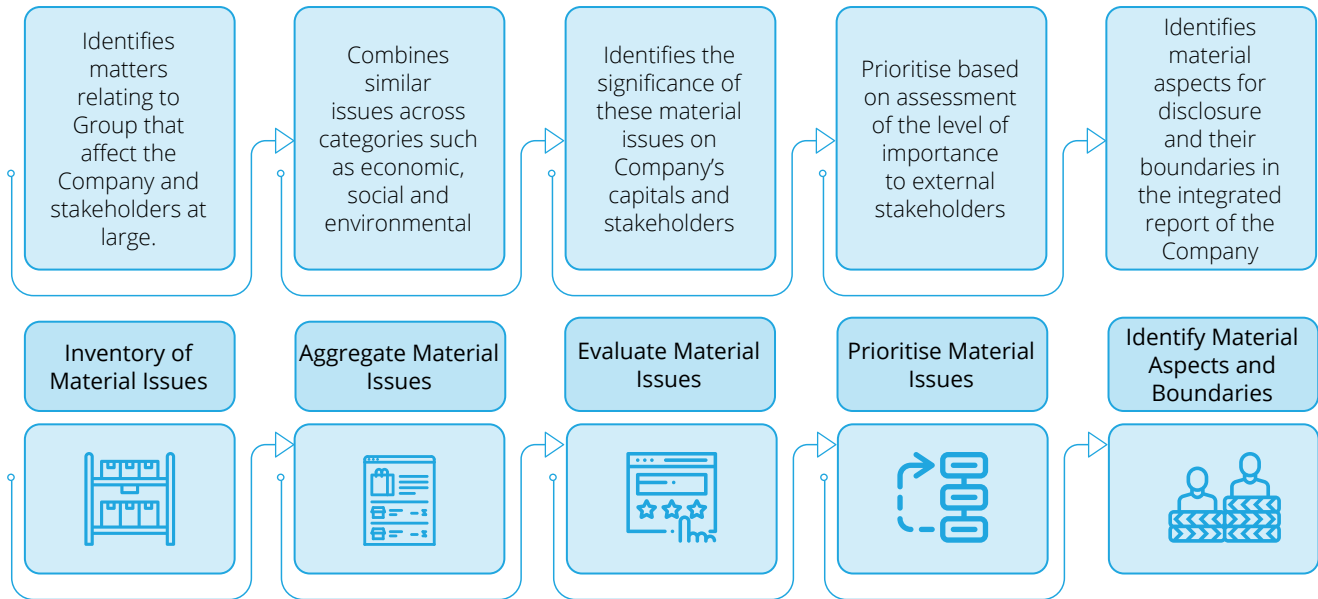
Stakeholder	Engagement mechanism and frequency	Key concerns	Responses
Customers			
Customers are the main focus of the Company as their satisfaction is required to enrich the financial capital. Our customer base consists with Dealers, Farmers, HoReCa sector, Supermarket chain, Retail Outlets, Other Institutions and Consumers.	- Technical support and product awareness session (Continuous) - Direct customer interaction with sales force (Continuous) - Customer satisfaction surveys (Periodically) - Corporate website (Online) - Social media (Continuous) - Regular one-on-one engagements and site visits (Continuous) - Specific audit reviews (Periodically) - Dealer convention (Annually) - Regional Dealer Meetings (Periodically)	- Product quality - Affordability and resilience - Availability and convenience - Product portfolio - Trade discounts and promotions - Credit facilities	We continuously invest to enrich quality of our products and increase product varieties. Brand promotion and other promotional activities are continuously conduct in order to provide product awareness. Also, the Company maintains relationship with our dealers for a long period and provides secured credit facilities and attractive trade discounts which ultimately secure the product availability around the country.
Employees			
Our competent and committed human capital is the key success factor in achieving sustainable growth.	- Internal communication through memo, intranet and notice board (Continuous) - Regular training sessions (Continuous) - Employee council meeting (Quarterly) - Open-door policy (Continuous) - Annual appraisal - Employee counseling and grievance handling (When Required) - Staff events (Annually)	- Remuneration and other benefits - Job safety and healthy work environment - Work-life balance - Employee motivation and job satisfaction - Continuous training and career progression - Welfare facilities - Recognition and succession planning	One of the cooperate philosophies of CGE is devoted to create healthy organisations through promoting team spirit and reaching out to create a "PRIMA Family" identity. Thus, all the assessment is done to bond the relationship with our employees and detailed discussion on actions taken during the year disclosed under the 'Human Capital'.
Suppliers and business partners			
We source raw materials and other ingredients through a network of suppliers including local farmers and overseas suppliers. They play a vital role in our social and relationship capital.	- Supplier selection process (When required) - Attending trade exhibitions and supplier conventions (Periodic) - Supplier surveys across the country (Regular) - One-on-one engagements (Continuous) - Site visits (Continuous)	- On time settlement and flexibility in negotiations - Long term business relationships - Sustainable business practices	We have built up a solid and strategic relationship with our suppliers while ensuring settlements on time and maintaining flexible terms for mutual benefits of both parties. We have a sound communication with our suppliers to secure quality standards of our product.

Stakeholder	Engagement mechanism and frequency	Key concerns	Responses
Government and Regulatory bodies			
Our regulators include the Government, Board of Investments (BOI), Sri Lanka Consumer Affairs Authority, Inland Revenue Department, The Department of Animal Production and Health (DAPH), Central Environmental Authority, the Colombo Stock Exchange, etc. Productive and constructive dialogue with our regulators and the Government to ensure a conducive industry environment.	- Directives and circulars (Continuous) - One-on-one engagement (When required) - Periodic returns (As specified) - Corporate website and CSE website (Online) - Maintaining environment and other specific Licenses (As specified)	- Payment of taxes and other regulatory payments on time - Timely submission of Periodic Returns - Contribute towards community development and creating job opportunities - Environment preservation - Using renewable energy sources - Sustainable growth and business expansion	Complied with all relevant regulatory and statutory requirements. Further, all liabilities were settled and the periodic returns were submitted on time. We continued to earn over Rs. 1 Billion profit after tax and supported to the growth in the national economy and the industry.
Community and environment			
We have a cordial and mutually beneficial relationship with the community we operate which is crucial to our success. We conduct our business operations in a manner that mitigates negative environment forces. Also, we play a vital role in our social and relationship capital.	- Public events and sponsorship (Regular) - Corporate website and CSE Website (Online) - Maintaining environment and other specific Licenses (As specified) - Social media interaction (Online)	- Contribute towards community development and creating job opportunities - Contribute towards community and livelihood development - CSR initiatives and responsible corporate citizen - Social well-being - Fair competition	Our 3H principles devoted to the well-being of our society and accordingly, our goals and strategies are always bound with it.

MATERIALITY ASSESSMENT

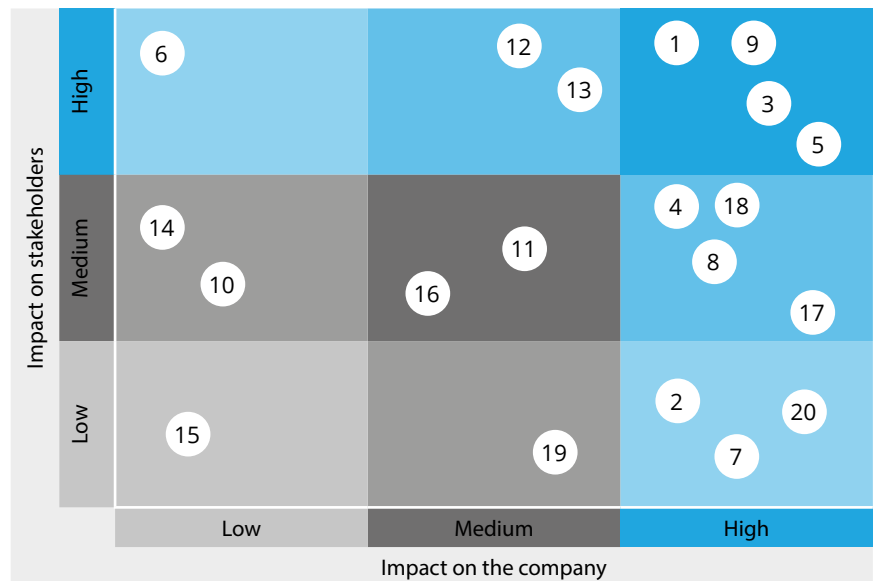
CGE has developed a sustainability framework comprising of material topics that affects the Group's ability to create value in the short, medium and long term. The creation of this framework was the result of careful stakeholder analysis.

Our approach to assessing materiality is as follows:



Materiality Matrix

CGE has devised a materiality matrix that segregates the material aspects identified as impacting our business and stakeholders at the highest to medium to lowest levels of significance.



Capital	Stakeholder	Material Aspect	Comparison with previous year	Future outlook
Financial and Manufactured	Shareholders	Financial performance	High	High
		Market leadership	High	No change
		Wealth maximisation	High	High
Social and Relationship	Customers	Customer satisfaction	No change	High
	Business Partners	Product responsibility and value for money products	High	High
	Community	Contribution to national economy	Low	No change
	Government	Supply chain and commitments	No change	No change
		Community engagement and livelihood improvement	High	High
		Compliance with rules and regulations	High	High
		Ethical business practices	Low	No change
Human	Employees	Gender diversity and inclusion	No change	No change
		Remuneration and benefits	High	High
		Health and safety	No change	No change
		Child labour	No change	No change
		Indigenous rights	No change	No change
Natural	Environment	Persevering bio-diversity	No change	No change
		Management effluents	No change	No change
Intellectual	Employees	Product quality and innovation	No change	No change
	Customers	System and process improvement	High	No change
		Enhanced brand reputation	No change	No change

Our material aspects and impact on the Company

A few material topics we have focused on this year are as follows:

Energy consumption

Livestock production requires significant energy consumption and has therefore been identified as a material topic. CGE recognises that feed is a major contributor to the environmental impact of livestock production.

We are continuously monitoring our electricity usage by investing in energy efficient LED bulbs and upgrading our systems and processes.

Ensure safe and fair working conditions

Providing a safe working environment for all employees, temporary contracted staff, contractors and visitors is given the highest priority and is therefore included as a material topic.

CGE records the number of Lost Time Incidents (LTIs) by gender. All significant LTIs are reported to the Management within 24 hours and lessons learned are discussed at each management meeting. An LTI is defined as; "any unplanned event that results in personal injury, where the injured party is unable to work during their next scheduled day".

CGE's approach to health and safety centres around raising awareness by training staff, implementing clear rules, performing dynamic risk assessments,

MATERIALITY ASSESSMENT

inspiring employees to increasingly report near incidents in order to prevent real incidents from occurring and effecting a change in behaviour and audits to ensure proactive management of all critical areas of risk.

Improve feed safety

CGE is part of the food supply chain. Therefore, feed safety has and always will be a priority. As such, it has been included as a material topic. Company has in place with effective mechanism to ensure compliance with feed regulation and voluntary codes.

Feed safety is reported by recording the total number of feed safety incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services within the reporting period, by:

Number of feed safety incidents of non-compliance with regulations resulting in a fine or penalty;

Number of feed safety incidents of non-compliance with regulations resulting in a warning;

Number of feed safety incidents of major non-compliance with voluntary codes via external audits.

A feed safety incident is defined as any incident where it is deemed that feed produced, processed, manufactured or distributed could be a potential risk to either human or animal health and/or could make the food derived from food-producing animals unsafe for human consumption.

Feed materials and compound feeds are continuously monitored to determine unwanted substances as defined by legislation.

A LEGACY OF FOUR DECADES OF RESPONSIBLE GROWTH

Driven by the resilience and purposeful strides, we have over the years maintained our position as a leading operator in the poultry industry. We have delivered on our promise to stakeholders during these uncertain times by creating sustainable value. We strive to grow responsibly, guided by the three pillars of good governance, accountability and transparency.

OPERATING ENVIRONMENT

GLOBAL ECONOMY AT A GLANCE

Global economic activities were slower than expected in 2022 with a higher inflation than seen in several decades as it faced a series of severe and mutually reinforcing shocks, when it approached the mid-point for achieving the Sustainable Development Goals (SDGs) by 2030. The global growth declined from 6.0% in 2021 to 3.4% in 2022. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic.

Global trade has softened due to tapering demand for consumer goods, the protracted war in Ukraine and continued supply chain challenges. The war in Ukraine unleashed a new crisis, disrupting food and energy markets and exacerbating food insecurity and malnutrition in many developing countries. This is a costly humanitarian crisis that demands a peaceful resolution. At the same time, economic damage from the conflict contributed to a significant slowdown in global growth in 2022 and war-induced commodity price increases and broadening price pressures have led to 2022 inflation.

A persistently high inflation which averaged over 9.0% in 2022 has prompted aggressive monetary tightening in many developed and developing countries. Accordingly, rapid interest rate hikes by the Federal Reserve of the United States have triggered capital outflows and currency depreciations in developing countries, increasing balance-of-payment pressures and intensifying debt sustainability risks. Rising interest rates and diminishing purchasing power have weakened consumer confidence and investor sentiment, further clouding near-term growth prospects of the world economy. Financing conditions have tightened sharply amid high levels of private and public debt, pushing up debt servicing costs, constraining fiscal space and increasing sovereign credit risks. Further, high inflation is eroding real incomes, triggering a global cost-of-living crisis that has pushed millions into poverty and economic hardship, where fuel and food prices have increased rapidly, hitting vulnerable populations in low-income countries hardest.

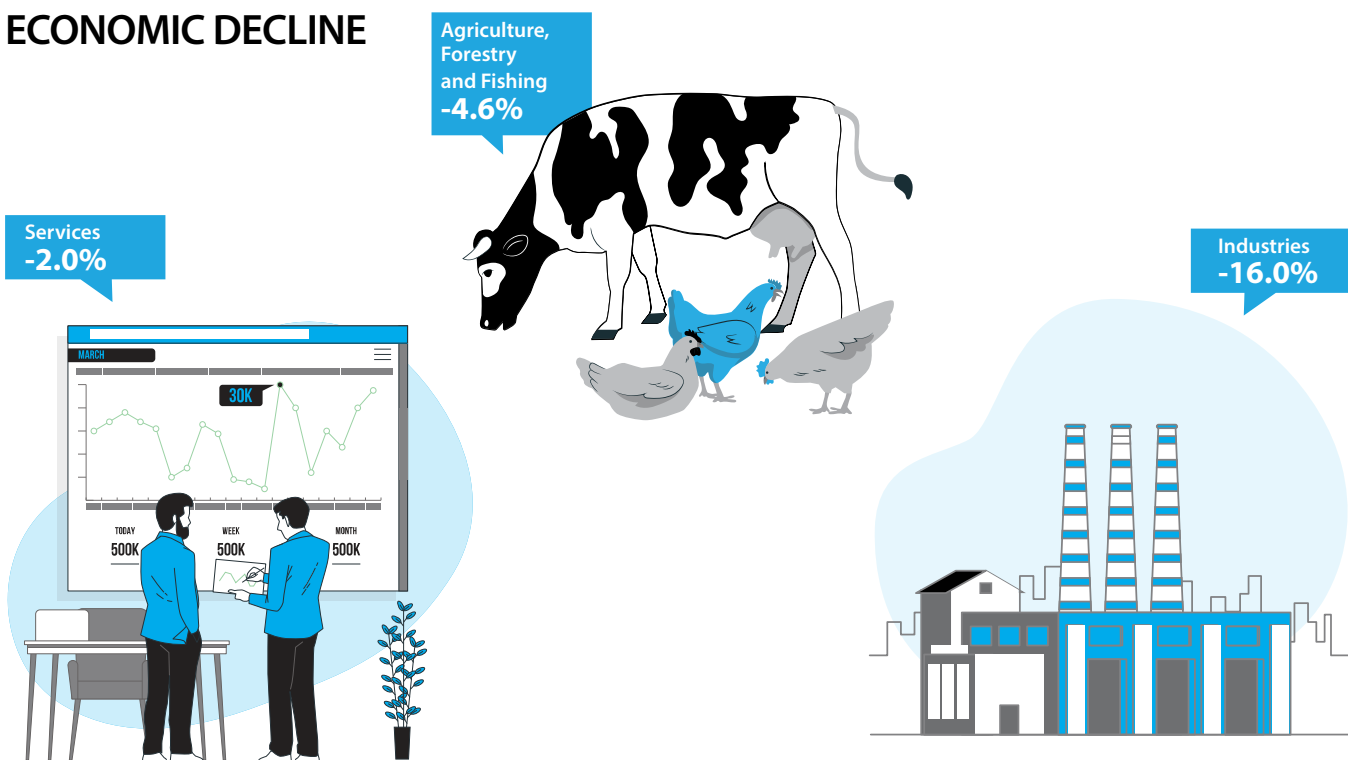
Additionally, the climate crisis is taking a heavy toll on many countries, with heat waves, wildfires, floods and hurricanes inflicting massive humanitarian and economic damage, while impacts of the COVID-19 pandemic continue to reverberate worldwide.

World Economic Outlook Update by the International Monetary Fund (IMF), projects that global growth will fall to 2.9% in 2023 but rise to 3.1% in 2024. Rising interest rates and the war in Ukraine is expected to continue to weigh on economic activities further. However, since China's recent reopening has paved the way for a faster than expected recovery, global inflation is expected to fall to 6.6% in 2023 and 4.3% in 2024, still above pre-pandemic levels.

SRI LANKAN ECONOMY AT A GLANCE

The Sri Lankan economy recorded a decline of 7.8% compared to 3.7% growth for the corresponding period. This declining economic performance in Sri Lanka was partially due to the country facing domestic challenges such as stagnant fixed investment, weak

ECONOMIC DECLINE



domestic demand and investment, trade deficit as a result of negative net exports, higher debt servicing ratio and tightening of monetary policy which led to macro-economic instability.

The overall Agriculture, Industry and Service activities contracted in 2022, amid shortages of inputs and supply chain disruptions.

The agricultural sector recorded a downturn of 4.6% in 2022 due to the continuous challenges stemming from shortage of fuel and supply chain shortages in fertilizers and chemicals, while the service sector too contracted by 2.0%. Tourism industry demonstrated positive improvements in 2022, recording total earning of USD 1.0 Bn. This reflected an increase in arrivals which grew by 270% to reach 0.7 Mn visitors from 0.2 Mn visitors in 2021. Further, the construction sector fell by 16% in first six months of 2022 displaying the predicted slowdown of industrial activities in 2022.

After credit rating downgrade in 2020, Sri Lanka lost access to international financial markets where it continued to service its external debt and pay for imports using official reserves and loans from the banking sector. As a result official reserves dropped to less than USD 400.0 Mn in June 2022. Net foreign assets in the banking system also fell to USD -5.90 Bn in June 2022. This severe forex liquidity constraint has been felt across the economy, particularly from the second quarter of 2022, with shortages of fuel, medicines, cooking gas and inputs needed for economic activity. Year-on-year inflation reached an unprecedented 69.8% in September 2022 as measured by the Colombo Consumer Price Index and 73.7% as measured by the National Consumer Price Index due largely to high food inflation. This reflects the impact of rising global commodity prices, monetisation of the fiscal deficit and currency depreciation. The ban on chemical fertilizers in 2021 and related impact on crop yields has also affected domestic food supplies, agriculture earnings and food security.

The goods trade deficit declined by 18.6% year-on-year in the first half of 2022 as exports, particularly textiles, grew faster than imports. However, with declining remittances and limited tourism receipts, the current account deficit is expected to have widened in this period. Although expenditures increased in the first few months of 2022 on account of additional support provided to social protection beneficiaries, public servants and pensioners, several revenue measures such as a one-off tax imposed on large corporates helped reduce the primary deficit. The overall deficit was financed primarily by the Central Bank of Sri Lanka and remained broadly unchanged, pertaining to the rising interest bill. To raise more revenue, the government increased the Value Added Tax rate from 8% to 15% and proposed additional tax measures in May 2022, and through the Interim Budget in August 2022.

Central Bank of Sri Lanka floated the Sri Lankan Rupee (LKR) in March 2022 and returned to a managed float in May 2022 after the currency depreciated by about 78% since the floating. Despite mandatory repatriation and conversion rules, it has been challenging to bring export earnings and remittances to Sri Lanka through formal channels due to low market confidence.

AGRICULTURE SECTOR AND POULTRY INDUSTRY AT GLANCE

The agriculture sector, which employs over 21% of Sri Lanka's population, contributes about 9% to the national GDP in the first half of 2022. Growing rice, vegetables and tea stranded as the top contributors to the agricultural output. However, all top contributors reflected a negative change in their output levels compared to the corresponding period of 2021.

As per Food and Agriculture Organisation of the United Nations (FAO) Sri Lanka is forecasted to produce approximately 187,000 MT of Maize in 2022, which is 60% decrease from last year. This is significantly a lower volume compared to actual annual requirement of 600,000 MT. Amid such looming shortage of the grains for animal feed industry,

Sri Lanka has spent a record Rs. 9.60 Bn for Maize imports in 2022, as it is a direct contributor to animal feed and to boost the poultry production.

Animal production and marine agriculture followed suit by collectively contributing 19% to the total agriculture output. However, poultry production (chicken) has declined by 6% in 2022 compared to the production of 2021.

OPERATING ENVIRONMENT

KEY INDICATORS AT A GLANCE

GDP Growth	GDP Growth rate was -7.8% for the year 2022 and it was 3.7% for the year 2021. Indirectly and negatively contributed to the Group performance, as a result of declined demand for end product chicken and table eggs.
Inflation Rate	Inflation rate was 59.2% for the year 2022 and it was 14% for the year 2021 (CCPI based headline inflation YoY). This negatively affected the purchasing power of consumers and increase in cost of production.
Sri Lankan Rupee Depreciation	Sri Lankan Rupee depreciated against the US Dollar by over 80% for the period ended 2022. Short supply of domestic key raw materials resulted in import of materials. This exposed the Company to exchange rate losses and increases in material costs. For the year 2022, the Group incurred a realised exchange loss of Rs. 5.13 Bn.
Maize Production and Import Restrictions	Maize is the key ingredient for feed production. The industry requirement per annum is over 600,000 MT while country's production is approximately 187,000 MT. Import of Maize is subject to obtaining import permits. The sourcing of raw materials is challenging due to the short supply of quality materials at a reasonable price. As a result of continuous demand raised by the key players in poultry industry the Government granted permit for import of Maize subject to a Rs.10/- special commodity levy during the latter part of the year.
Increased Corporate Income Taxes and Social Security Contribution Levy	The new corporate income tax rates effective from 1 October 2022 and newly introduced Social Security Contribution Levy during the latter part of the year had a negative impact on profitability levels of corporates. Corporate tax rate of, ● Milling and farming sector increased to; ○ first 6 months - 18% / 24% ○ last 6 months - 30% (2021 - 14% / 18% / 24%) ● Poultry breeding and commercial farming segments remained exempted (2021 - exempt), and ● Warehousing operations increased to; ○ first 6 months - 24% ○ last 6 months - 30% (2021 - 24%)
Tourist Arrivals	The tourist arrival for 2022 has increased to reach 0.7 Mn (2021 – 0.2 Mn). Sri Lanka was named as the 'Lonely Planet' top destinations for travel and has been recognised as one of the most photographed cities in the world due to its natural beauty and scenic attractions. Increase in tourist arrivals will boost the tourism sector, with more hotels, table restaurants being opened. This will increase the demand for poultry products such as chicken and eggs.
Shortage in Skilled Labour	With the expansion in service sector and improvements in education, there is a shortage in skilled labour for certain sectors including poultry industry. The Company faces a lack of skilled workers and therefore, the Company is focused on automating its systems and processes.

SECTOR REVIEWS

Our integrated poultry business of the Group consists of three main business segments; Milling and farming, Poultry breeding and commercial and Others.

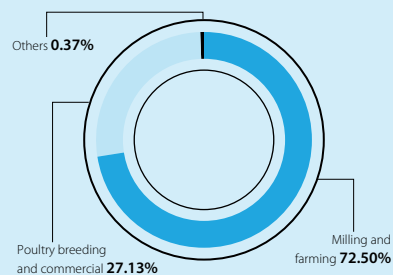
During the year under review, we saw a growth in "Poultry Breeding and commercial sector" and "Other sector", contributing to surpass revenue of Rs. 17.89 Bn.

Operating profit of the Group rose remarkably to Rs. 5.26 Bn showing an exceptional performance and productivity in terms of business activities and ultimately satisfying key objectives of all stakeholders.

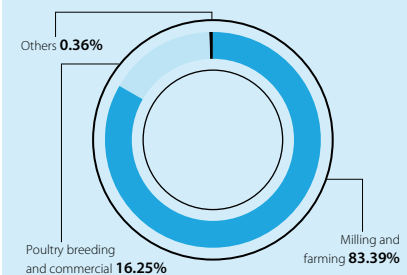
Each segment individually and as an integrated poultry business provided a valuable contribution to the Group performance to deliver value to its stakeholders.

Revenue	2022	2021
	(Rs. Mn)	(Rs. Mn)
Milling and farming	22,223.3	24,992.0
Poultry breeding and commercial	8,317.0	4,870.0
Others	111.5	108.9

Revenue 2022

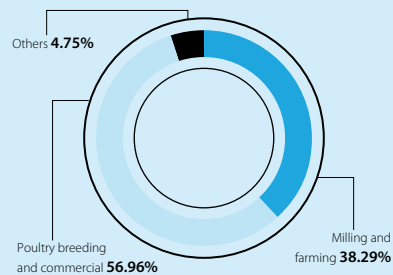


Revenue 2021

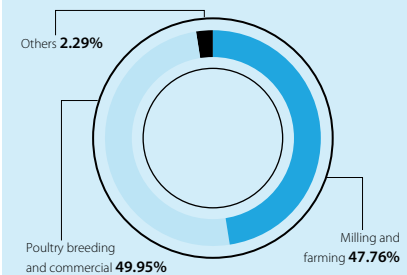


Profit for the year	2022	2021
	(Rs. Mn)	(Rs. Mn)
Milling and farming	442.9	915.9
Poultry breeding and commercial	659.0	958.1
Others	55.1	43.6

Profit for the Year 2022

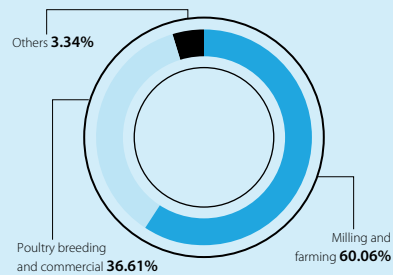


Profit for the Year 2021

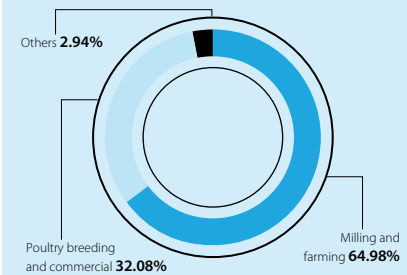


Asset base	2022	2021
	(Rs. Mn)	(Rs. Mn)
Milling and farming	11,472.8	12,714.4
Poultry breeding and commercial	6,993.1	6,277.3
Others	637.8	574.7

Asset Base 2022



Asset Base 2021



SECTOR REVIEWS

MILLING AND FARMING

The milling and farming segment engage in manufacturing and selling of poultry and other animal feed and processing of chicken. This is the main operating segment of the Group which contributes 73%, 38% and 59% to the Group Revenue, Profitability and Assets base respectively. The YoY growth of Revenue and Profit After Tax (PAT), when compared to last year was reported a lower performance.

The revenue of the Group was adversely affected during the period under review mainly due to the decrease in feed revenue with the curtailment of the feed production. This situation was due to the shortage of imported raw materials as a result of the foreign exchange crisis as well as shortage of local raw materials due to the decline in the harvest. Further, the demand for chicken declined due to the inclement weather and the effect of increased inflation levels that created pressure on the disposable income of the consumers. The profitability was affected by the increase in prices for both imported and local raw materials, packing materials, freight costs and the overall increase in production overhead cost.

The escalating prices of raw materials in the market significantly affected the sector performances. This was recovered to a certain extent with effective feed formulation and alternative sourcing of materials, improved operational efficacy and cost saving measures that took place in year 2022. However, the scarcity of quality local Maize and pricing pressure together with quota restrictions

imposed on Maize importation by the Government have suppressed the operational performance of the sector.

Additionally, fuel crisis due to the unavailability of fuel led to long queues and resulted in subsequent increase in fuel prices and other utility costs such as electricity and gas. This negatively affected the consumer purchasing power which resulted in decrease in the demand for the end products, chicken and eggs. Further, the continuous depreciation of LKR against USD by more than 80% together with increase in corporate tax and the cascading effect of the Social Security Contribution Levy which was introduced in the latter part of the year significantly affected the sector performance.

Key indicators and contribution

	2022	2021	Change	
	(Rs. Mn)	(Rs. Mn)	(Rs. Mn)	
Revenue*	22,223.3	24,992.0	(2,768.7)	↓
EBIT	368.7	983.6	(614.9)	↓
PBT	321.0	982.2	(661.2)	↓
PAT	442.9	915.9	(473.0)	↓
TA	11,472.8	12,714.4	(1,241.6)	↓
TL	6,703.2	8,044.2	(1,341.0)	↓

*Revenue includes inter-company sales.

	2022	2021
Number of employees (Nos)	512	491
Net assets (Rs. Mn)	4,769.6	4,670.2

512

(2022)



491

(2021)

Number of employees

4,769.6

(2022)



4,670.2

(2021)

Net assets (Rs. Mn)

POULTRY BREEDING AND COMMERCIAL

The poultry breeding and commercial segment consist of selective breeding, hatchery and sale of commercial Day-Old Chicks (DOCs) and commercial farming, is the second largest contributor to the Group's revenue and profitability during the year. The sector contributed to the Group's Revenue, PAT and Assets base respectively by 27%, 57% and 36%. The YoY growth of Revenue, when compared to last year was reported at an impressive 71%.

The reported growth in revenue during the year was attributable to the improved prices of Broiler DOCs coupled with improved demand for Parent Stock DOCs in the local as well as export markets. This was further supported by, improved prices for the table eggs due to fewer on-ground layer birds as a result of the early culling of birds by layer farmers.

Along with the increase in revenue, the segment was able to maintain its profitability throughout the year due to effective farm management in Breeder and Commercial farms, application of leading industry technical know-how, resulting in efficiency in poultry breeding and improved productivity in farm operations, despite the increase in raw material and utility costs.

CGE's subsidiary, Three Acre Farms PLC (TAF) holds the sole franchise for Hy-Line breeds for commercial layers and the Indian River breeds for commercial broilers.

The segment continued to produce disease-free, healthy products upheld by the segment's stringent quality control measures, bio-security standards and effective farm and capacity management. This ensured the Company maintains the continuous supply of highest quality DOCs to the Sri Lankan market under the Prima brand name, whilst enabling the segment to export Parent Stock DOCs to meet the increased demand from countries in the region.

During the year the Company faced increase in corporate taxes by the Government and further narrowing of profit margins. However, despite these challenges the segment continued to perform exceptionally as the largest contributor to the Group's profitability during the year.

The segment recorded revenue and profitability of Rs. 8.30 Bn and Rs. 659.0 Mn respectively during the year against Rs. 4.90 Bn and Rs. 958.0 Mn which was recorded in the previous year.

Key indicators and contribution

	2022	2021	Change	
	(Rs. Mn)	(Rs. Mn)	(Rs. Mn)	
Revenue*	8,317.0	4,870.0	3,447.0	↑
EBIT	907.9	845.2	62.7	↑
PBT	907.8	845.0	62.7	↑
PAT	659.0	958.1	(299.1)	↓
TA	6,993.1	6,277.4	715.7	↑
TL	1,183.8	896.7	287.1	↑

*Revenue includes inter-company sales.

	2022	2021
Number of employees (Nos)	238	238
Net assets (Rs. Mn)	5,809.2	5,380.7

238
(2022)



238
(2021)

Number of employees

5,809.2
(2022)



5,380.7
(2021)

Net assets (Rs. Mn)

SECTOR REVIEWS

OTHER

The other segments of the Group consists of revenue generated from other activities which includes, renting of warehouse storage spaces, supply of specialised equipment, drugs and vaccines to the poultry industry. The revenue from this sector for the year amounted to Rs. 112.0 Mn when compared to Rs. 109.0 Mn during the previous year. Increase in revenue from this segment is attributable to the rental income from third parties due to renting out the Chilaw premises.

The segment has reported a profit after tax of Rs. 55.0 Mn reflecting a growth of Rs. 11.0 Mn against the year 2021. This growth was achieved as a result of rental income. 5% of the Group's asset base which amounts to Rs. 877.0 Mn is attributable to this segment.

This segment provides warehousing and silo facilities, where the Group is able to obtain a competitive advantage by purchasing raw materials in bulk. Our warehousing and silo facilities are built with the aim of preserving the quality of raw materials. Consequently, we are able to maintain the quality of our feed. The segment also supports local farmers in the production of Maize. This is in support of the Government policy to assist farmers in maintaining better and constant prices.

Provision of drugs, vaccines, other specialised equipment and laboratory services to the poultry industry, one of the distinctive strengths of CGE, also propelled revenue and profits of this sector.

Better to touch on the drugs, vaccines & equipments and also laboratory services.

Key indicators and contribution

	2022	2021	Change
	(Rs. Mn)	(Rs. Mn)	(Rs. Mn)
Revenue*	111.5	108.9	2.6 ↑
EBIT	88.9	39.7	49.2 ↑
PBT	88.9	39.8	49.1 ↑
PAT	55.1	43.6	11.5 ↑
TA	637.8	574.7	63.1 ↑
TL	375.8	354.6	21.2 ↑

*Revenue includes inter-company sales.

	2022	2021
Number of employees (Nos)	8	8
Net assets (Rs. Mn)	261.9	220.2

8

(2022)



8

(2021)

Number of employees

261.9

(2022)



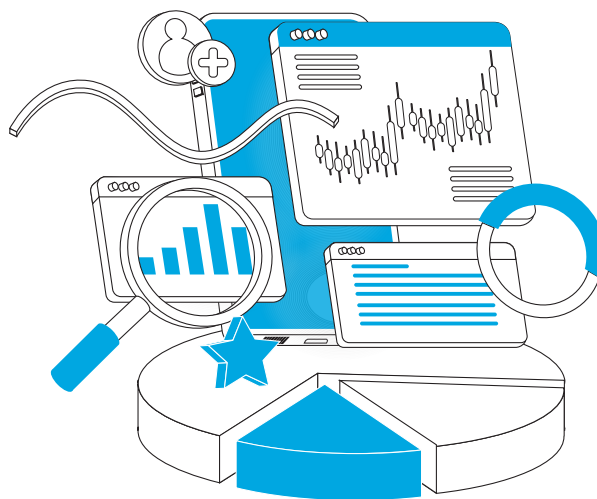
220.2

(2021)

Net assets (Rs. Mn)

FINANCIAL CAPITAL

A strong funding profile at optimum cost, together with continually enhancing financial performance has been the bedrock on which our growth is based.

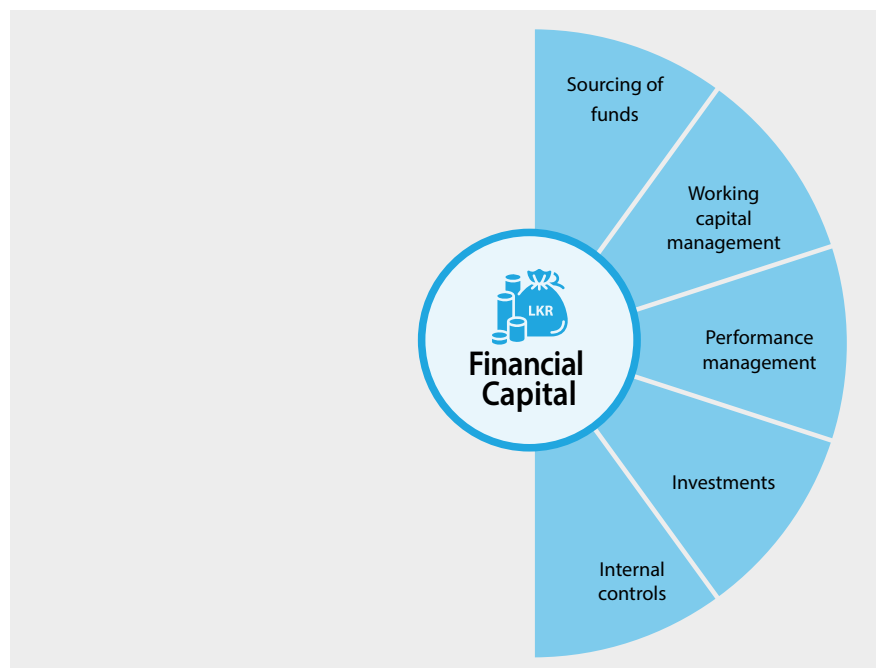


WHAT FINANCIAL CAPITAL MEANS TO US

Financial capital represents the funds the Company has at its disposal for the smooth running of operations, growth and expansion. This comprises of shareholders' funds and borrowings deployed for working capital and capital expenditure purposes of the business. Financial capital is also critical in the effective deployment of other capitals, due to strong connectivity and inter-dependency between them. The following components form the critical aspects of effective financial capital management.

HIGHLIGHTS

- Revenue of Rs. 17.89 Bn
- PAT of Rs. 1.02 Bn
- Balance sheet strength of Rs. 15.34 Bn



FINANCIAL CAPITAL

Sourcing of funds

CGE has progressively enhanced its financial stability over the years attributable to sound financial performance. This has enabled the Company to use internally generated funds to sustain operational activities whilst overcoming the challenges that were seen across 2022. Internally generated funds has remained to be the main source of funding of the Company for past few years. However, CGE had to count on short term debt capital during the year for working capital requirement, mainly arisen from rupee depreciation. During the year, CGE's total equity enhanced to Rs. 10.97 Bn, which benefited by retained earnings.

Working capital management

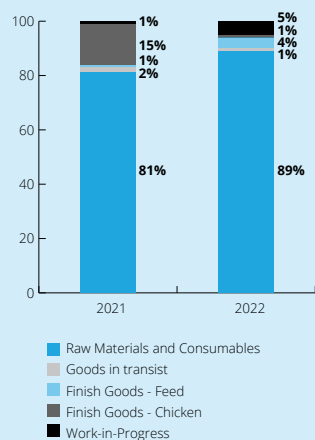
As a manufacturing entity, efficient working capital management is imperative in the smooth operation of business while optimising allocation of financial capital for value creation. CGE's Management Team demonstrated resilience and prowess in managing working capital, through the careful management of each component of this equation, amidst the turbulent macroeconomic environment that prevailed through the year.

● Inventories

Given high inflation, Rupee depreciation and scarcity of imported goods that prevailed during the year, sourcing of raw material of the right quality at the optimum prices in a timely manner was a challenge. In response to this, CGE proactively allocated additional funds to procure raw material at competitive prices which led to total inventory increasing by 64% at the end of the year.

Raw material and consumables continued to be the largest component within inventory, with the value of same inflated due to rising prices. Chicken in finished good state also largely increased exponentially to Rs. 1.27 Bn due to the glut in the chicken market.

Comparison of Inventory



● Receivables

Receivables comprised amount dues from trade, prepayments and other receivables, and stood at Rs. 1.02 Bn by the end of the year, up from Rs. 730.3 Mn in 2021. Impairment provisions netted Rs. 1.4 Mn during the year with no write-offs on account of doubtful debts.

Performance management

● Revenue

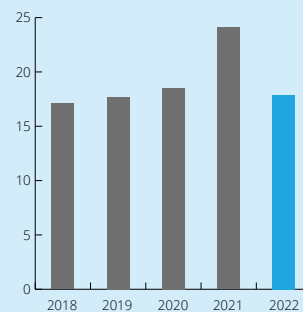
The impact of the financial crisis across the poultry and farming sector was demonstrated in the revenue performance. CGE managed to record a revenue of Rs. 17.89 Bn, which is quite commendable amidst the various challenges the Company faced on both supply side and demand side aspects. However, this revenue is a reduction of 26% compared to 2021.

Within the three predominant sub-segments that contribute towards overall Group revenue, milling and farming was the highest contributor, accounting for 88% of the Group's revenue. This segment saw a 30% reduction in revenue over 2021.

Throughout the year, revenue from feed decreased due to the curtailment of feed production which was affected by the shortage of imported and local raw materials. Poultry Breeding and Commercial sub-segment accounted for around 12% of Group revenue and saw a healthy growth of 12%. This was driven by mixed revenue for the products sold by the segment.

The first nine months' revenue from chicken improved with the better prices. However, the revenue was affected due to the disruption to the distribution channels as a result of the shortage of fuel. During the last quarter, demand for chicken dropped creating a glut in the market. This was due to the inclement weather that prevailed and reduced demand from customers on account of significant reduction in disposable income due to high inflation and increased VAT rates. Revenue from Broiler DOCs improved with better prices during the first nine months and dropped during the last quarter due to the glut in the market for chicken whilst revenue from layer DOCs improved during the second half of the year due to the improved prices for table eggs and the shortage in Layer DOCs.

Group Revenue (Rs.Bn)

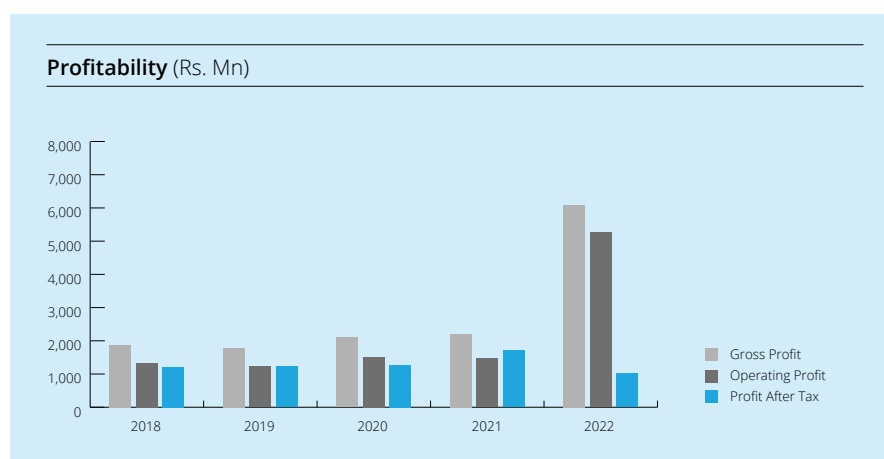


Key profitability achievements were as follows.

	2022	2021	2020	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Profit	6,094,681	2,203,838	2,102,634	1,780,428	1,872,067
Operating Profit	5,258,022	1,461,114	1,515,776	1,225,766	1,325,734
Profit After Tax	1,017,015	1,707,690	1,270,874	1,229,853	1,210,910

Despite the decrease in revenue, gross profit saw a YoY increase of 177% to Rs. 6.09 Bn. There was a considerable increase in other cost components of other operating expenses and administration expenses by 62% and 13% respectively, whereas selling and distribution expenses decreased by 7%. The cost of production increased due to the increase in prices of imported and local raw materials, packing materials, freight cost and other commodity prices. Increases in fuel prices and other utility costs such as electricity and gas all led to cost escalations. The resultant operating profit was Rs. 5.26 Bn, an increase of 260%.

A sharp increase in finance costs affected the profitability limiting the pre-tax profitability to Rs. 1.27 Bn. Profit after tax, with the impact of increased taxes during the year, clocked in at Rs. 1.02 Bn, a reduction of 40% over 2021.



Interest income and Net finance cost

During the year, interest income saw an enhancement of 296% over 2021, to Rs. 1.21 Bn. This was attributable to CGE's effective asset and liability management which was favourably impacted due to the rising interest rate in the country.

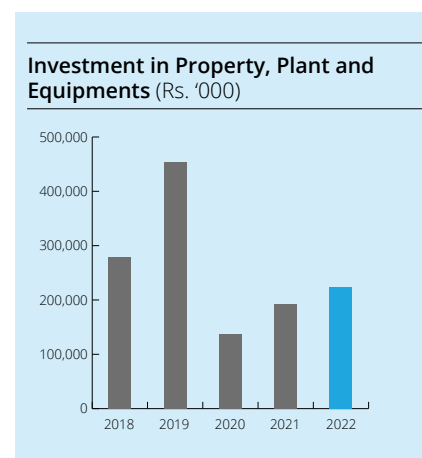
Net finance costs however, increased significantly, to Rs. 5.31 Bn. Net finance costs were made up of interest paid on lease liabilities and borrowed funds and foreign exchange transaction loss. The severe depreciation of LKR recorded a realised exchange loss of Rs. 5.13 Bn during the year due to the settlement of foreign suppliers.

Taxation

The tax reversal for 2022 on pre-tax profitability was Rs. 160.7 Mn. Taxation was driven by an increase in corporate taxes from 18% and 24% to 30% in the second half of the year. The tax charge composite with tax charge applicable to the current year of Rs. 335.6 Mn, against the under provision in respect of the previous year of Rs. 1.3 Mn, dividend taxation on the inter-company dividend of Rs. 19.5 Mn and a deferred tax release of Rs. 193.2 Mn.

Investments

Investments during the year were moderated due to the challenges brought in by the economic crisis and overall decline in economic activity. Investments continued to be focused on enhancing our property, plant and equipment which augured well in continuing our operations. The benefits of investments in this regard extend to the future as well. Driven on such investments, the property, plant and equipment stock increased by 39% to Rs. 209.0 Mn.



Internal Controls

CGE has established effective internal control policies and procedures encompassing all business operation to ensure the health, preservation and enhancement of financial capital of the Group. The Group's Internal Audit and Finance department deploy a large number of mandatory and voluntary practices that are applicable to listed entities. The Group's Board Sub Committee for Audit acts as the apex point in ensuring strong governance in this aspect, with professional accountants in the respective departments driving the controls. There is a strong sense of accountability across the entire team of CGE, which further support this stance.

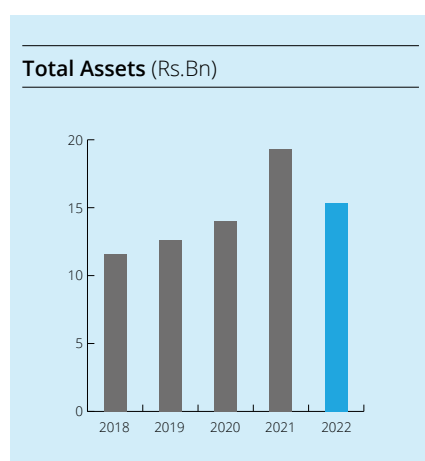
FINANCIAL CAPITAL

BALANCE SHEET PERFORMANCE

Financial Stability

Assets Base

CGE's strength and stability lies in its strong balance sheet, which has grown steadily over its existence of forty years. Reflecting the challenges of the year gone by, total assets moderated to Rs. 15.34 Bn. The asset base remains dynamic and strong and will forge ahead with the envisaged recovery of the economy.



Equity

Total equity comprising stated capital and retained earnings improved during the year, from Rs. 10.39 Bn to Rs. 10.97 Bn. Stated capital remained static without the need for any fresh capital infusion during the year, whilst retained earnings enhanced from Rs. 7.07 Bn to Rs. 7.46 Bn, supported by profits generated during the year.

Liquidity

The pre-emptive actions taken by the management through managing of flow of funds has upgraded CGE's liquidity position over the last five years. The Group is in a position to serve the liabilities on normal course of business and hold excess cash to meet the capital expenditure requirements. The current ratio of the Group at the end of current year was 3.67 (times) while it was 1.94

(times) in previous year. The quick ratio stood at 0.90 (times) versus 1.30 (times) in 2021 which affirms the continued strong liquidity position of the CGE.

Shareholder returns

Dividend

CGE is committed to generating sound returns to shareholders. This is demonstrated over the years in healthy dividends paid out and capital gains generated via the appreciating share price. 2022 was an unprecedented year for the Sri Lankan economy, as a result CGE experienced a setback in its profitability versus the prior year, yet continued to be profitable amidst the many hardships, which is commendable. Having assessed the prevailing challenges and envisaged further slowdown of the economy prior to a positive turn, the Board of Directors of CGE is of the view that the most prudent course of action regarding dividend would be to refrain from declaring any. This move is expected to help preserve the profitability of the Company, which once reinvested will strengthen the financial position and enable stronger growth for the Company. The anticipated ultimate effect would be enhanced returns which we can share with our shareholders in the form of dividends.

Net Assets Value and Market Price of the Share

Given the enhancements in total equity, the net asset value per share of the Company improved to Rs. 141.39 from Rs. 134.81 in 2021. The share base remained unchanged. Share price for 2022 closed in at Rs. 80.50 versus Rs. 121.75 in 2021. The share price movement is understandable within the Colombo Stock Exchange, the performance of which was adversely affected due to various reasons, such as political turmoil, change in political regime, and social unrest together with the severe economic downturn.

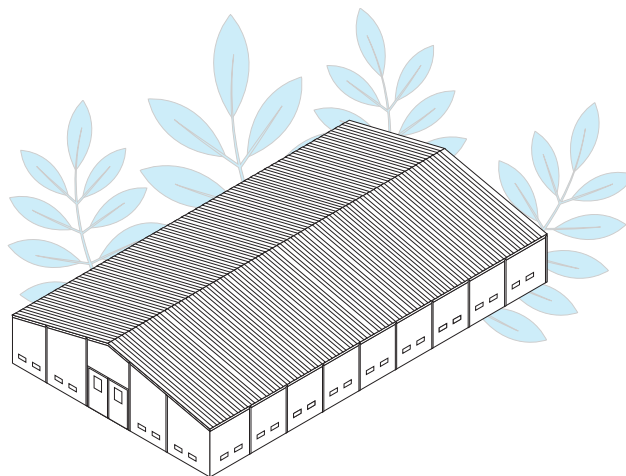
FUTURE OUTLOOK



Much hope is set for the Extended Fund Facility from the International Monetary Fund in supporting Sri Lanka in recovering from the economic setback. With this finalised, we anticipate considerable improvement in the economic performance of the country, though gradual. Furthermore, as of the time of releasing this report, a number of distressed aspects of the economy are gradually recovering, such as power supply, fuel availability, etc. Tourist arrivals are also picking up, together with foreign currency remittances into the country increasingly being channeled through formal mechanisms, which largely helps improve the foreign reserves of the country. We are hopeful for the future, particularly given the characteristic resilience of Sri Lanka has demonstrated in the past. We are confident that CGE's dynamic financial capital base will enable business expansion in the future, warranted by the improving economy. CGE's forty years of expertise in navigating various economic cycles from the recent history of Sri Lanka will augur well in this regard.

MANUFACTURED CAPITAL

Manufactured capital comprising our own buildings, plants and vehicles fleet have been the heart of our 40 years of continued success.

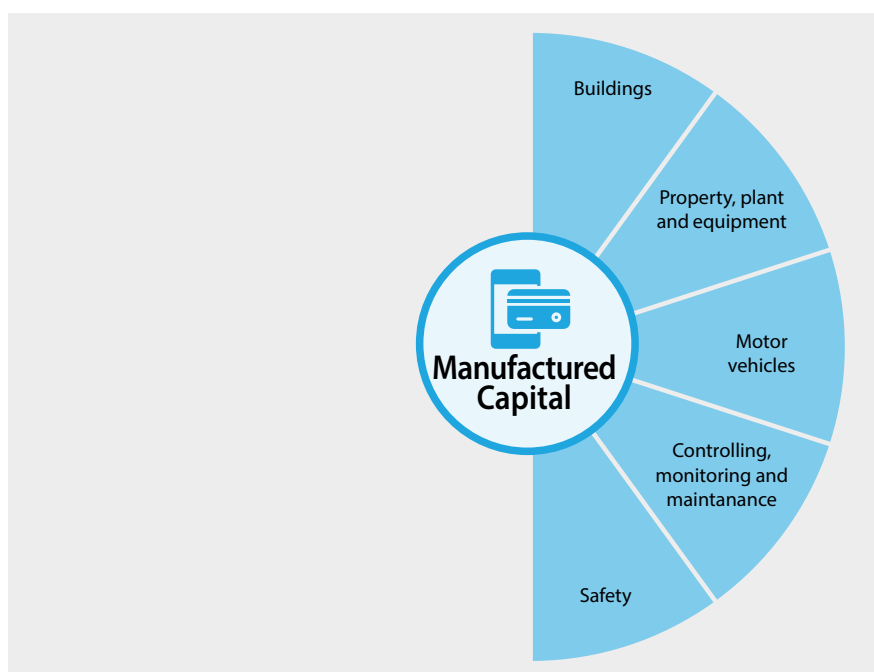


WHAT MANUFACTURED CAPITAL MEANS TO CGE

The physical infrastructure used in the administration and operations of the business activities of the Company comprise our Manufactured Capital. As a manufacturing entity, with distribution also forming a core aspect of our value chain, following components of Manufactured Capital are integral in the smooth conducting of our operations, its success measured in operational excellence and customer satisfaction as well as integration to environmentally friendly processes. Over the forty years of CGE's operations in Sri Lanka, as the undisputed market leader in the poultry industry, our Manufactured Capital has propelled our growth whilst expanding and enhancing in to one of the most sophisticated and up-to-date base of manufactured capital.

HIGHLIGHTS

- Rs. 209.0 Mn investments in manufactured capital



MANUFACTURED CAPITAL

HOW MANUFACTURED CAPITAL SUPPORT OUR VALUE CREATION PROCESS

Buildings

- Factory buildings.
- Warehouse and silo buildings.
- Environmentally controlled houses and open houses.
- Held as own buildings or leasehold property.
- Critical in CGE's overall production process and provides conducive physical infrastructure for smooth, uninterrupted and safe operations.

Property, plant and equipment

- Production plants.
- Machinery.
- Farm and factory equipment.
- Electrical equipment and other specific equipment used for each business segment.
- Core input as a production entity helping us maintain sound operations and market leadership.

Motor vehicles

- Comprises commercial vehicles.
- Used mainly for transportation of finished goods and materials between farms and other business units.
- Significant link between manufacturing entities and between Company and the customers in ensuring timely deliveries.

CONTROLLING, MONITORING, MAINTENANCE AND SAFETY

Controlling, monitoring and maintenance

- Continuous, structured and scheduled monitoring of all manufactured capital to ensure efficiency and longevity.
- Guided by proper controlling and monitoring for both purchase and disposal of manufactured capital to achieve specific purpose of such assets.
- Continuous training provided to staff members in order to optimise the utilisation of manufactured capital for value creation.
- Scheduled maintenance carried out by in-house team to ensure smooth flow of operations and to avoid every possible down-time.
- Repair and maintenance jobs well-structured by the Company's engineering department.
- Technical expertise obtained from principals in Singapore as well as local service providers.

Safety

- Detailed safety plans established for all CGE locations.
- Heightened and continued awareness and training amongst all staff members including logistics safety, on stringent safety aspects, reporting on the status of any shortcomings and actions to resolve same.
- New fire hydrant and new fire pump house installed with significant investments as safety measures to combat adverse fire situations.
- Periodic fire drills and safety training (including first aid training) conducted for employees in association with the Fire Brigade of Sri Lanka.

- Highly trained in-house first aid in place in preparation for any workplace injuries ranging from minor to severe injuries.
- Any injury related incident discussed in monthly management meetings for corrective / preventive action in future.

MANUFACTURING CAPITAL ENHANCING ACTIVITIES

Buildings, Property, plant and equipment and motor vehicles

- Increase of fuel storage capacity.
- Upgrade broiler farm house in Attanagalla, Hijra and Bulathsinhala.

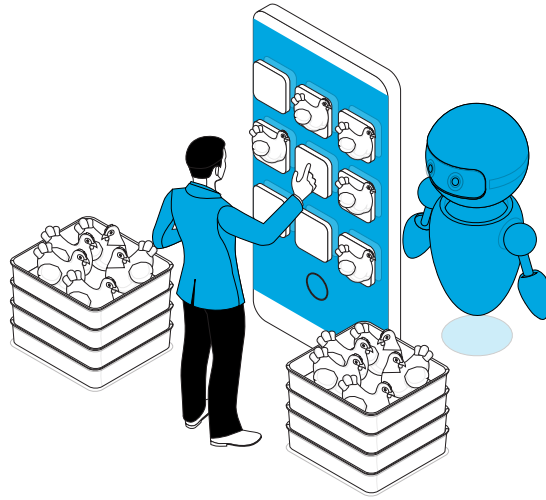
FUTURE OUTLOOK



Given the criticality of this capital component in our overall business success and growth potential we will continue to enhance our capabilities around manufacturing capital. Improvements in productivity will be the key for us, given the high cost of raw material, energy, etc., in the current context and as such enhancements to manufactured capital components will be calibrated along driving efficiency. Planned capacity increase in Commercial Farms with new Environmentally Controlled Houses also continue unabated. Our state-of-the-art cold room facilities at the Seeduwa chicken plant, the Maize Dryer, conveyor belt for feed loading, interactive software & control system and PLC system upgrade for feed mill operations, modern testing methodologies, etc., all in which we have made considerable investments in the recent past are delivering sound benefits. These will be further augmented with the planned investments in the future.

INTELLECTUAL CAPITAL

Our strong repository of intellectual capital honed over four decades, propel our growth.

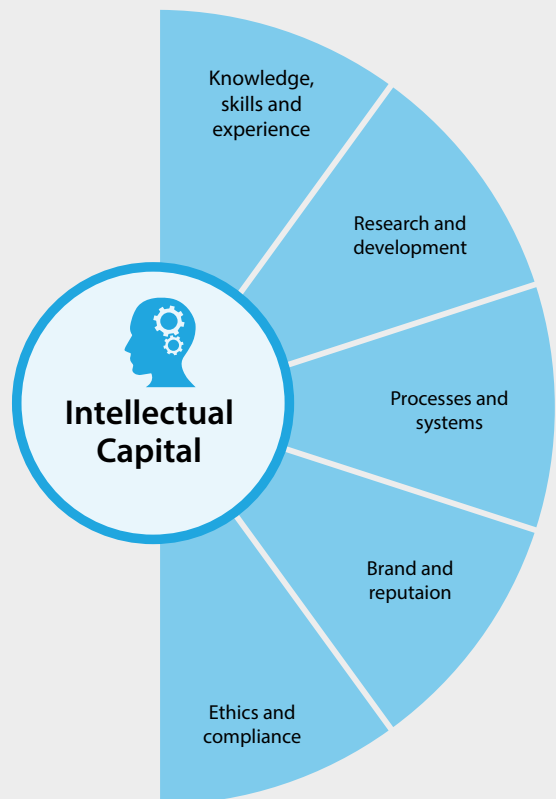


HIGHLIGHTS

- Rs. 3,197.0 Mn brand value
- Brand rating for the year AA+
- 100% compliance in laws and regulations

WHAT INTELLECTUAL CAPITAL MEANS TO CGE

Intellectual capital plays a critical role in CGE's overall value creation process, as the market leader in poultry operations. CGE's Intellectual Capital is strengthened by the amalgam of following. The Company's corporate culture provides a conducive environment in which these aspects thrive and as such the Company's Intellectual Capital is consistently enhancing, powering its potential to perform.



INTELLECTUAL CAPITAL

HOW INTELLECTUAL CAPITAL SUPPORT OUR VALUE CREATION PROCESS

Knowledge, skills and experience

- Competency based skill requirements are earmarked for all positions.
- Minimum competency levels are met in recruitment for all grades.
- Training and development conducted to meet specific skill levels.
- Knowledge, skills and experience drive momentum in business with agility and swift responses even amidst turbulent conditions.

Impact during the year/ key outcomes

- Training and development opportunities for our staff members.
- Enhanced benefits to retain employees.

Research and development

- Led by a team of highly skilled and experienced team of professionals.
- Caters towards development of new feeds, special breeder feeds and chicken products in response to evolving customer needs and business environment.
- Supports strengthening the quality of Company product portfolio leading to greater customer satisfaction, longer retention of customers and enhanced brand loyalty and equity.

Impact during the year/ key outcomes

- Further investments in R&D.
- Introducing customer mix feed premixes.

Processes and systems

- Quality assurance.
- ERP system.
- High bio-security measures.
- Experimental farms and in-house laboratories.

Impact during the year/ key outcomes

- Upgrade PCS system and HRIS system.

Brand reputation

- Brand equity.
- Outstanding relationship with stakeholders.

Impact during the year/ key outcomes

- CGE was ranked 35th among the most valuable brands with a brand value of Rs. 3,197.0 Mn and a rating of AA+.

Ethics and compliance

- Ethics enhanced over four decades of our operations.
- Strong alignment to ethics by all staff members.
- 3H principles of Healthy Organisation, Honest Fortune and Honourable Winner driving core organisational values.
- Whistle blowing policy in place with confidentiality preserved.
- All new recruits enlightened on the core values through orientation programmes and CGE Employee Hand Book.
- The sense of being ethical and full integration to all applicable laws and regulations enabled the Company to positively embrace many changes in laws / restrictions imposed during the year.

Impact during the year/ key outcomes

- 100% compliance with all applicable laws and regulations.
- Zero compromises on the 3H principles.

FUTURE OUTLOOK



CGE's ongoing training and development of its staff members will further sharpen our skills, competencies and experiences thereby enhancing the agility and quality of our staff members in navigating the business operations through envisaged hardships in the near term. The strength of our research and development efforts, powered by our Parent Company, Prima Limited of Singapore is expected to augment quality and productivity and thereby enhance customer loyalty and propel revenue and profitability. Our process capabilities such as market surveillance programmes and Sales Force Automation systems will continue to flag evolving customer preferences through proprietary information, enabling us to further streamline our products in response to their needs. PRIMA and FARMERS CHOICE brands will continue to add on to the Company's strength through strong affiliation to quality and trust.

HUMAN CAPITAL

Our employees are the lifeline that has enabled CGE's market leading performance and yeoman service to the nation.



WHAT HUMAN CAPITAL MEANS TO CGE

Our staff members are an integral and priceless resource of our existence and excellence over the four decades of our service to the nation as the leading integrated poultry and farming business. The unique set of skills, knowledge and expertise brought in by our human capital are critical in surviving in the highly volatile macroeconomic environment that we operate in. The following key attributes strengthen the relationship we maintain with our employees.

HIGHLIGHTS

- Staff strength of 758
- 27% female composition within overall team
- 100% compliance in laws and regulations
- Rs. 23,598.96 turnover generated as value per employee



HUMAN CAPITAL

Strength in diversity

Gender	2022		2021	
	No. of Employee	Percentage %	No. of Employee	Percentage %
Male	553	73	542	74
Female	205	27	195	26
	758	100	737	100

Composition of the team by grade

Designation Composition	2022		2021	
	No. of Employee	Percentage %	No. of Employee	Percentage %
GM	1	-	1	-
AGM / SM	15	2	16	2
Managers (E6-E4)	52	7	48	7
Executives (E7 and E8)	65	9	68	9
Non-Executives	625	82	604	82
	758	100	737	100

Age composition of the team

Age Composition	2022				2021			
	Executive and Above	No. of Employees Non-Executive	Total	Percentage %	Executive and Above	No. of Employees Non-Executive	Total	Percentage %
18 < 25	1	48	49	6	2	43	45	6
26 < 35	34	203	237	31	33	201	234	32
36 < 45	36	183	219	29	38	181	219	30
46 < 55	50	167	217	29	56	149	205	28
55 <	12	24	36	5	12	22	34	4
	133	625	758	100	141	596	737	100

Average turnover by gender

Average employee turnover	2022	2021
Male	7%	6%
Female	6%	8%

HOW OUR EMPLOYEES ARE NURTURED THROUGH THEIR CAREER CYCLE WITH CGE

Talent attraction and retention

The right person for the right place at the right time is critical for the success of CGE. Hence we expend considerable efforts in recruiting the right talent to the Company. Furthermore, each CGE team member is considered as a brand ambassador of PRIMA, hence we look for individuals who uphold the values of the Group.

We value long term relationships with our employees and as such their career journey with CGE is augmented with pay and benefits in par with industry standards and beyond, training and development, welfare and other measures. This has enabled us to retain our staff members in the long run, as reflected in an above industry average retention ratio. CGE did not experience a considerable increase in its attrition rate during 2022, which was marked by an exodus of labour from Sri Lanka to the developed world to escape the hardships brought by the economic crisis.

Our staff members are recognised for their long-standing relationship with the Company through Long Service Awards and we are proud to note that in 2022, 39 employees received the Long Standing Awards.

Performance management

CGE has a formal and structured performance management system with a feedback system embedded. Each employee's performance is measured against pre-set KPIS, towards the achievement of the Company's strategic objectives. The performance appraisals are conducted by the immediate supervisor and confirm by the Head of the Department, with constructive feedback given to the employee, including identification of areas for progress, which are later addressed through training and development initiatives.

Employee welfare

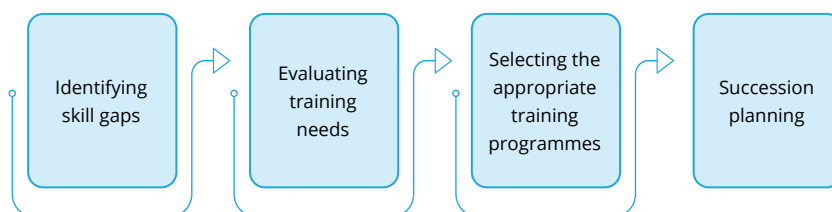
Employee welfare is of high importance to CGE. We roll out a number of initiatives in ensuring the well-being of our employees on multiple-fronts, including maintaining sound work life balance. Initiatives include;

- Family insurance benefits
- Personal accident / workmen compensation insurance
- Education benefits for employee's children including scholarships for higher education
- Death donations at the demise of a nearest family member
- Meals and refreshment
- Uniforms and laundry services
- Study leave for professional exams
- Permits allowing staff to purchase Prima branded products at discounted prices
- Recreational activities organised by the CGE Sports and Recreation Club throughout the year
- Other activities organised by the Company annually for staff engagement and comradely

Training and development

The successful implementation of our strategies requires clear leadership from managers and willingness to change from employees. Furthermore, it is imperative that our staff members stay well equipped with updated knowledge and powered with required soft skills, so as to remain agile and adaptable to various macroeconomic challenges that unfold as was seen in 2022. This is why CGE devotes particular attention to training of staff.

Our training and development efforts consists of following structured steps.



Specific training initiatives for managers

- Management training with emphasis on translating overall organisational strategy in to departmental functions, financial management and commercial excellence.
- Soft skills developments such as giving feedback or holding recruitment interviews to identify candidates' qualities.
- Technical training and skill training.
- Refreshers on training topics.

HUMAN CAPITAL

Strengths of CGE’s training and development initiatives

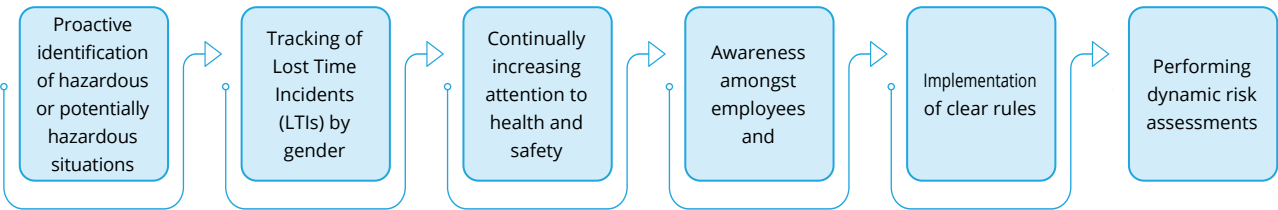
- Access to a broad pool of knowledge and skills due to its international affiliation.
- Strong platform to share such international knowledge under the theme ‘Continuous Development’.
- Aligned towards improving technical knowledge, sharing new developments and strategic partnering whilst fine-tuning sales skills.
- Soft skills developments.
- Direct positive contribution towards enhanced customer service, greater productivity and better financial performance.
- Substantiates professional employment practices and talent development.
- Dynamic training opportunities such as e Management Programmes, many forms of career progression, traineeships, the opportunity to follow other (external) training courses and career interviews.
- Training evaluations are conducted after three months to identify the application of such knowledge to our day-to-day operations and employee self-development.

Administration and HRIS

The governance structure for human capital management at CGE comprises the Remuneration Committee and HR Department which set the guidelines and direction for human capital management for value creation. CGE is focused on exchanging and making the best use of internal knowledge and further professionalising the organisation, achieving a uniform way of working and making optimal use of economies of scale. In this context, we strive to continuously improve our HR systems.

Health and Safety

The Company has a strong health and safety mechanism as depicted below.



Grievance handling

Company maintains an open and transparent process in all aspects of dealing with its workforce and considers positive industrial relations as being an essential aspect of the business. Guidance for grievance handling is received from the top of the governance structure at the CGE Group. CGE’s open door policy and Employee Council further benefit the grievance handling mechanism.

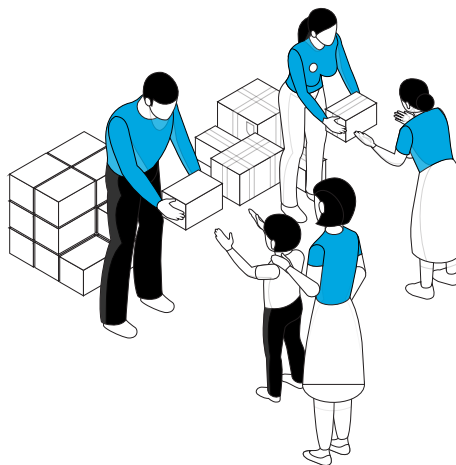
FUTURE OUTLOOK



Ongoing training and development initiatives both locally and internationally together with attractive benefits will support the Company to retain quality talent in the long run. The strength of the Prima brand enables us to attract quality human resources as we further expand our business operations. Sourcing required talent however remains a challenge given the inherent nature of the skills category for manufacturing and farming. We remain confident of the strength of our human capital and their potential in driving the Company to new heights of success.

SOCIAL AND RELATIONSHIP CAPITAL

The strong relationships we have nurtured over forty years with our customers, value chain partners and communities have been our social license to operate as a respected entity.



WHAT SOCIAL AND RELATIONSHIP CAPITAL MEANS TO CGE

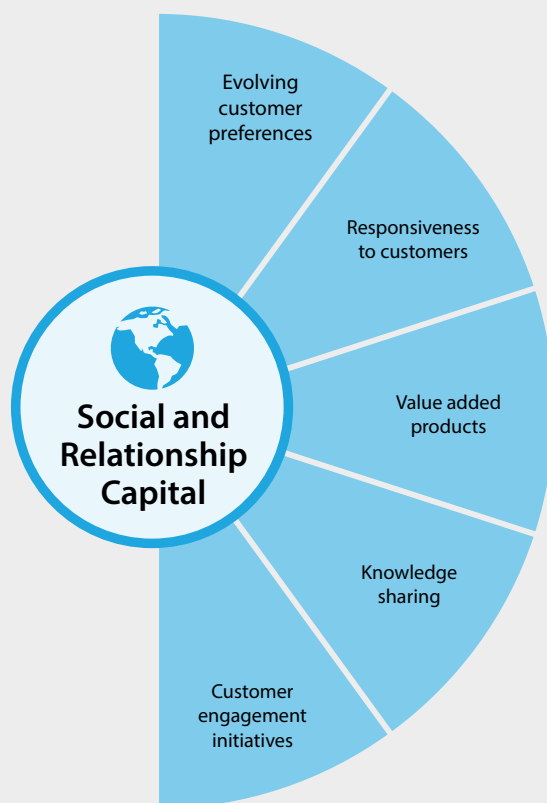
Social and relationship capital represents the deep and strong relationships CGE has nurtured with a wide range of critical stakeholders, who have played a significant role in CGE's success over the forty years of the Company's operations. The strength of our social and relationship capital is discussed under two broad segments of Customers and Business Partners and Community.

HIGHLIGHTS

- Customer satisfaction rate;

Feed	90.99%
Chicken	94.82%
- Quality standards;

ISO	9001
ISO	22000 (Chicken)
- 62 Number of out-grower agreements



SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMERS – WHAT THEY MEAN TO US

CGE's customer relationships are dynamic and comprise its dealer network, government institutions, hotels, restaurants, supermarkets and farmers. Our strong customer-centric approach together with the aim to provide maximum customer satisfaction has enabled us to maintain mutually rewarding ties over the years. The importance of these relationships are augmented by the fact that CGE functions within an acutely competitive business environment and ever evolving customers demographics. Continued customer preference for food that is of high quality, high in nutrition and organic, that are free from Genetically Modified Organisms (GMO) priced at affordable levels have shaped our efforts to ensure we meet these needs. CGE's integrated solution comprising feed and other related products and associated advisory services propel our efforts in this regard.

CGE's two predominant customer segments are

- Chicken and feed customers
- DOC customers

Our Quality Policy

We are committed to provide quality products and support services to our customers at competitive price whilst adhering to ISO 9001:2015 standard and other applicable regulatory requirements. We consider employees as most valuable asset and will develop their competence in this sector, to improve processes in quality management system continually, create value to customers and improve business performance. We ensure the policy is reviewed, understood and communicated to all levels of the organisation.

HOW CUSTOMER RELATIONSHIPS SUPPORT OUR VALUE CREATION PROCESS AND HOW THE RELATIONSHIP IS MANAGES

Evolving customer preferences

- Dependent upon customer behavioural changes and other macro environment factors.
- Continuous evaluation of market trends, market intelligence and proactive measures ensure CGE identifies new market trends and meets evolving customer needs.
- Enabled CGE to cater to customer needs in the challenging context of the economic crisis that prevailed during the year.

Responsiveness to customers

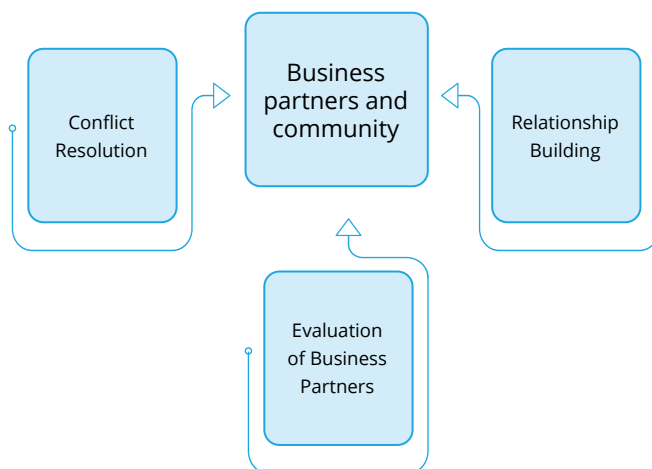
- Customer feedback on product quality and other improvement suggestions are critical to us.
- Feedback is responded to with remedial action on a priority basis to resolve matters.
- Relevant staff members are well trained in obtaining and timely resolving customer feedback.
- Customer feedback taken up at management discussions and fed in to formulating strategies.

Knowledge sharing

- Expertise, experience and insights are critical in survival for businesses in the poultry industry given the volatile nature and susceptibility to many challenges.
- CGE possesses a deep repository of knowledge as an industry leader with forty years of operational excellence.
- As a responsible corporate citizen this knowledge is widely shared with customers through our qualified field staff force alongside advisory support and tips on best practices as added services.

Customer engagement initiatives

- Multiple customer awareness and engagement initiatives conducted to promote our brands.
- Initiatives were affected to a certain extent given the challenges during the year under review.



Evaluation of Business Partners

- Continuous evaluation of existing business partners to enhance business relationships.
- Enables identification of any issues in the relationship with suppliers and improve related policies and procurement processes.
- Evaluations based on the quadrants of Quality of product and service, Ethical business practices, Compliance with laws and regulations and Protection of human rights.
- Support extended to SMEs by sourcing from them at fair prices.

Relationship building

- Achieved via engagement with existing suppliers as well as potential suppliers.
- Highest standards of ethics and transparency maintained in all relationships.
- Local suppliers empowered through supplier settlement periods as per agreed credit periods and fair prices offered.
- Self employment opportunities to poultry farmers.

Conflict resolution

- Minimum conflicts reported given the exceptional relationships maintained with suppliers and community through collaborative arrangements.
- Mutually beneficial negotiations arrived at when required.

BUSINESS PARTNERS AND COMMUNITY – WHAT THEY MEAN TO US

Our business partners are critical to us in our progression as the market leader in Sri Lanka's poultry industry. They play an important role in supporting us to maintain overall quality of our products and enhance the value we generate through our business processes, which are dependent on the quality of input material. Our business partners have supported us through the years in timely supply of quality goods at optimum prices. We endeavor to maintain sustainable long-term relationships with our business partners and build mutually beneficial relationships based on trust and professional conduct nurtured.

The community within which we function motivates us to sharpen our corporate social responsibility initiatives through meaningful engagements.

FUTURE OUTLOOK



Our endeavours to meet specific customer requirements and increase customer satisfaction will deepen in the near to long-term, give CGE's customer-centric strategic approach. We remain committed to empower our business partners through fruitful engagements. We will continue to support local suppliers and SMEs, particularly as they are under stresses on account of impact of the economic crisis. On CGE's progression as Sri Lanka's leading Poultry Company, we will ensure the growth and prosperity of our customers, business partners and community.

NATURAL CAPITAL

Our deep sense of responsibility towards the nature has enabled us to champion as an environmentally friendly operation over the four decades.

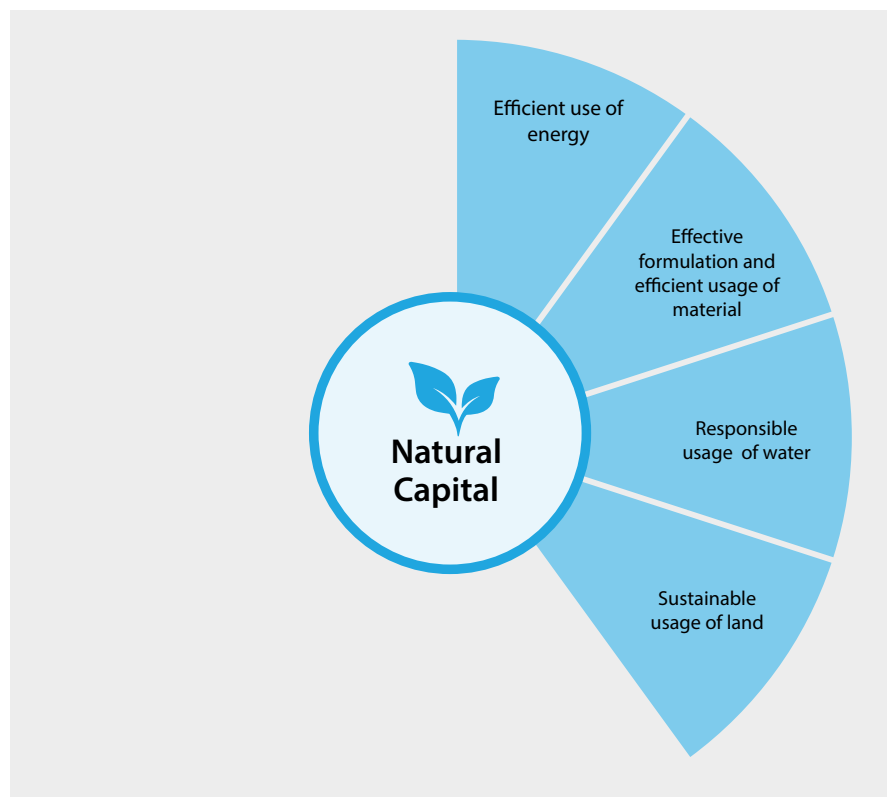


WHAT NATURAL CAPITAL MEANS TO CGE

As a production entity, a number of natural resources form key input in our processes. Land, water, energy and material are examples. Over the years our responsibility to institute activities that preserve the natural environment's capacity to meet the resource needs of future generations have enabled us to conduct our operations in fullest congruence of the eco-system's health. Simultaneously we comply with mandatory and voluntary laws and regulations applicable in this scope. The following components shape and drive our environmentally conscious utilisation of natural resources in driving the twin goals of business success and environmental health.

HIGHLIGHTS

- 1,028.2 MT of waste recycled
- 1,248.7 MT of waste converted to compost and fertilizer



HOW NATURAL CAPITAL SUPPORT OUR VALUE CREATION PROCESS

Efficient usage of energy

- Key energy inputs - electricity, furnace oil, gas and diesel in both manufacturing and distribution processes.
- Mindful energy consumption whilst continued monitoring of electricity and fuel consumption levels to drive manufacturing process improvements and drive down energy consumption.
- Investment in energy efficient plant and equipment and favourable energy mix adopted to drive down electricity consumption.
- These initiatives augured well for the Company during the months when fuel scarcity experienced in 2022.

Effective formulation and efficient usage of material

- Strong focus on effective feed formulation by optimising material usage and feed quality amidst challenges of limited local supply, exacerbated by scarcity in imported raw material as well, in the height of the economic crisis.
- Innovative usage of many by-products from agricultural produce to formulate feed in order to reduce the wastage and lead to optimisation of utilisation of resources.
- Adoption of technological solutions to overcome challenges associated with local raw material for continued sourcing from local suppliers.
e.g. - installation of a 'Dryer' to reduce the moisture level of agricultural produce to ensure quality for prolonged periods.

Responsible usage of water

- Given the nature of the business, water also form a critical input in our value creation process.
- Usage of ground water sources and pipe-borne water with continuous dependance on access to high quality water across our operations.
- Achieving efficiencies in our water consumption is an important environmental priority.

Sustainable use of land

- Substantial measures to monitor and ensure utilisation of land will not create future destruction to the property as well as to the society.
- Proper recycling of used water and waste management of all operating activities to ensure land is not contaminated.

SOLID WASTE MANAGEMENT AND WASTE MAPPING**01**

- Waste mapping - a crucial step in identifying where exactly waste is generated
- Clearly mapped out points of waste generated and cost to the company
- Investments in a dedicated scrap yard, enabling segregation of waste effectively
- Redeployment of non-harmful by-products such as compost and organic fertiliser due to high nutrient content
- Responsible disposal of regular and e-waste material with respective Municipal Council

WASTE WATER MANAGEMENT**02**

- Monitoring and review of our-own water usage by site
- Continuous efforts made to optimise water usage
- Waste water at chicken processing plant treated at in-house effluent treatment plant before discharged to the environment
- In-house water treatment facility which ensures waste water disposed from farm premises are treated, to avoid adverse impact on environment
- Tracking of water quality parameters on an ongoing basis
- Ensuring quality of water discharged is in par with acceptable levels imposed by regulatory controls

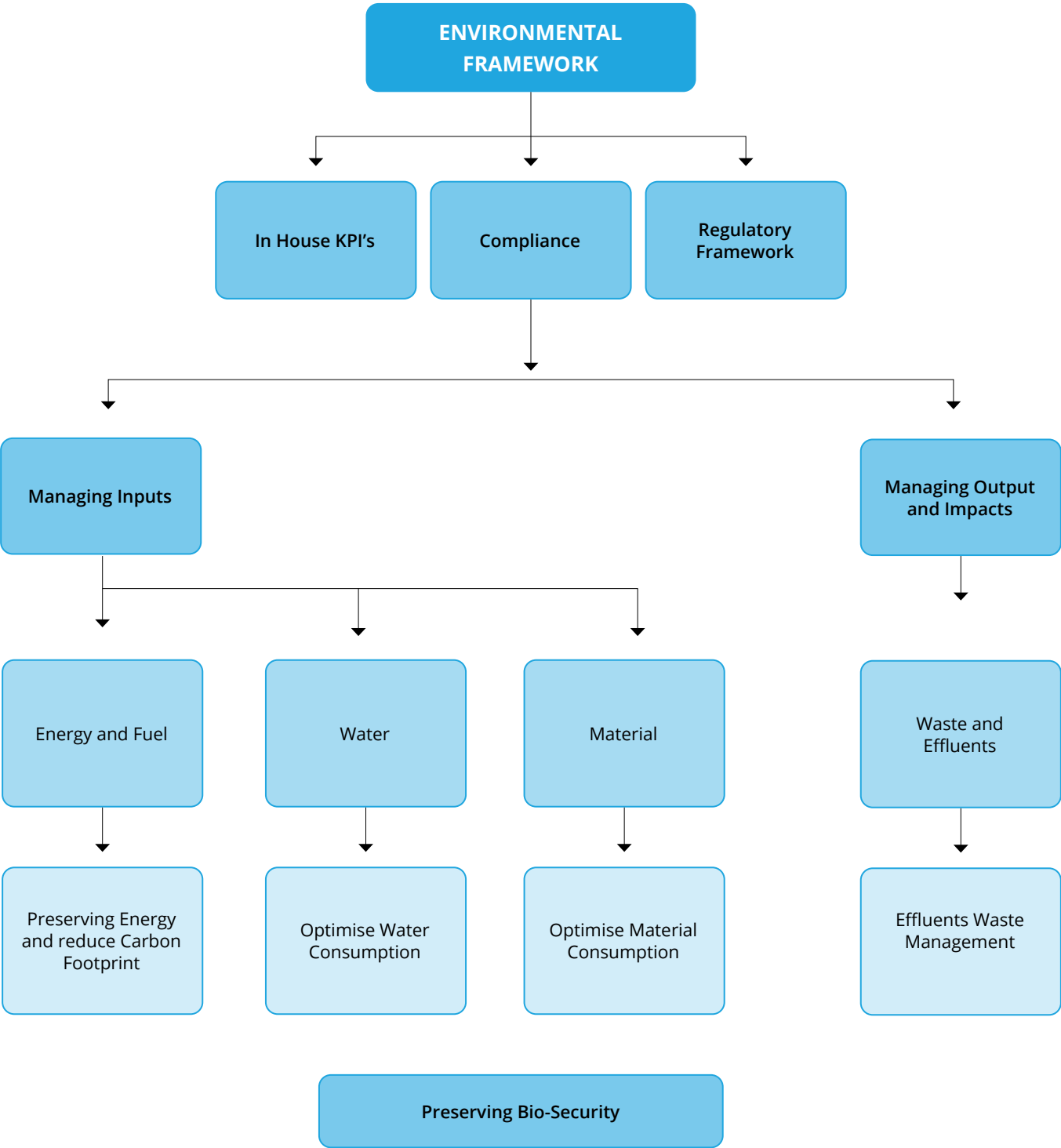
RECYCLING**03**

- Specifically formulated recycling methods to reduce the waste sent to landfills
- Precise recycling of waste to manage quantum of waste handle thereby achieve costs advantages in waste handling
- Use of own rendering plant which recycles meat processing plant waste after a high-quality refining process of boiling, steaming and palletising

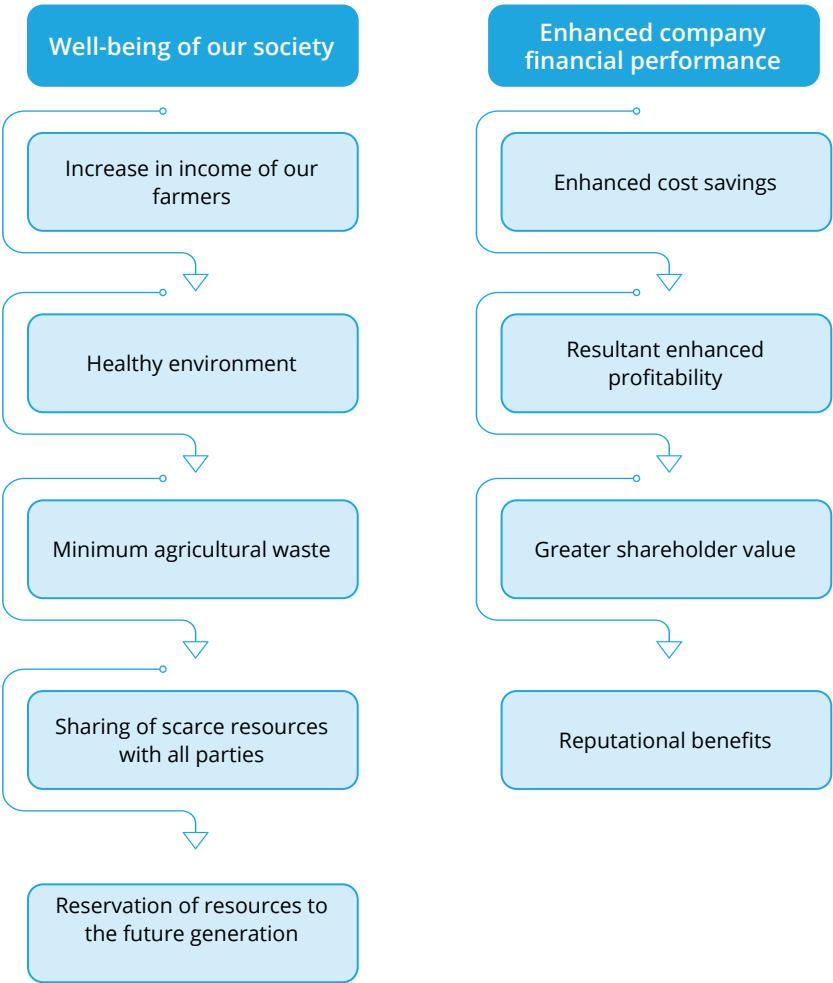
NATURAL CAPITAL

OUR ENVIRONMENT MANAGEMENT SYSTEM

CGE’s Environmental Management System (EMS) is developed within the Group to ensure the policies and procedures initiated are effective to optimise our resource consumption, impact management and comply with legal and voluntary compliances.



BENEFITS OF CGE’S NATURAL CAPITAL MANAGEMENT



FUTURE OUTLOOK



Global warming is the defining challenge for the current and future generations. Given the resource intensity of its operations poultry and farming face a considerable amount of responsibility in the collective battle against tackling global warming. Furthermore, given the population growth and improved economic performance (despite the setback in 2022 due to the economic crisis), greater demand is forecast for animal protein such as meat, eggs and dairy products in the future.

Increased demand brings along the added challenge of meeting such demand in an environmentally friendly manner. CGE remains focused on operating as a sustainable organisation with environmental consciousness placed at the heart of all our operations.

A LEGACY OF FOUR DECADES OF ROBUST GOVERNANCE

Strongly anchored on the key pillars of governance, accountability and transparency we navigated through headwinds to deliver consistent value for stakeholders. Our unwavering commitment to uphold and maintain full compliance of applicable rules and regulations whilst weathering the storm ensured that we built a robust platform of resilience for the years ahead.

CORPORATE GOVERNANCE REVIEW

1. CORPORATE GOVERNANCE

Ceylon Grain Elevators PLC (CGE) sustain corporate governance as the system of rules, practices and processes that direct and manage the business and dealings of the Company in delivering long term value to its stakeholders. Corporate governance provides the pivotal framework for attaining the Company's objective while balancing the interest of the Company's stakeholders. Therefore, the Company remains committed to maintaining the highest standards of ethical practices to ensure compliance with all statutory and regulatory requirements. This has ensured business accountability while safeguarding the business through prudent risk management strategies.

The Company's Corporate Governance framework is established on clearly laid out procedures and ethical business practices that consist of internal and external standards. These standards have enabled us to sustain long-standing relationships with all our stakeholders earning respect and loyalty thereby ensuring the long-term resilience of our business entity. Further, we have ensured that our corporate governance principles seep down to our employees creating knowledge and awareness, and encouragement to uphold 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), the Securities and Exchange Commission (SEC) 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).

We believe that Corporate Governance plays a pivotal role to retain trust of the stakeholders hence CGE complies with these mandatory and voluntary regulatory governance requirements in a regular and timely manner and achieves compliance through adopting a control and monitoring framework. This

framework 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.

Moreover, Board sub-committees are entrusted with certain functions of the Board to examine and enhance the accountability of several areas which necessitate greater expertise and awareness. Nonetheless, the Board exercises final authority over the responsibilities of these sub-committees, thereby sustaining the good governance practices of the Group. The Board sub-committees play a vital role in the Company's governance structure is headed by a designated Board of Directors who is authorised to act on behalf of the Company's Board in carrying out the duties and responsibilities of the sub-committees.

A summary of compliances to regulatory standards is shown in the below table.

Benchmarks	Specific Details	Adherence
Companies Act No. 7 of 2007	Mandatory provisions	Fully Complied. Disclosures are stated on page 67.
Listing Rules of the CSE	Disclosure requirements for Listed companies in the CSE including Corporate Governance mandatory requirements	Complied. Disclosures are stated on pages 67 to 70.
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 70 to 71.
Inland Revenue Acts	Mandatory provisions	Fully Complied.
Stakeholder Engagement	The report provides information to all stakeholders regarding the most material areas identified through stakeholder engagement	Fully Complied.
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.

3. POLICY INTO PRACTICE

The Company's Board of Directors hold the overall responsibility for good governance, transparency, stewardship and accountability towards stakeholders and has put in place a governance framework consisting of a governance structure and a process to implement 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

CGE's governance structure describes how the Board of Directors has planned and implemented the governance process across the Group. The internal governance structure of the Company is based on the committee structure and takes into consideration both short-term and long-term aspects of corporate governance.

CORPORATE GOVERNANCE REVIEW

As such, the Company's Board of Directors is delegated with the oversight of Corporate Governance practices of the Company. In further consolidating the independence of Corporate Governance practices at CGE, the internal governance 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 which are agreed

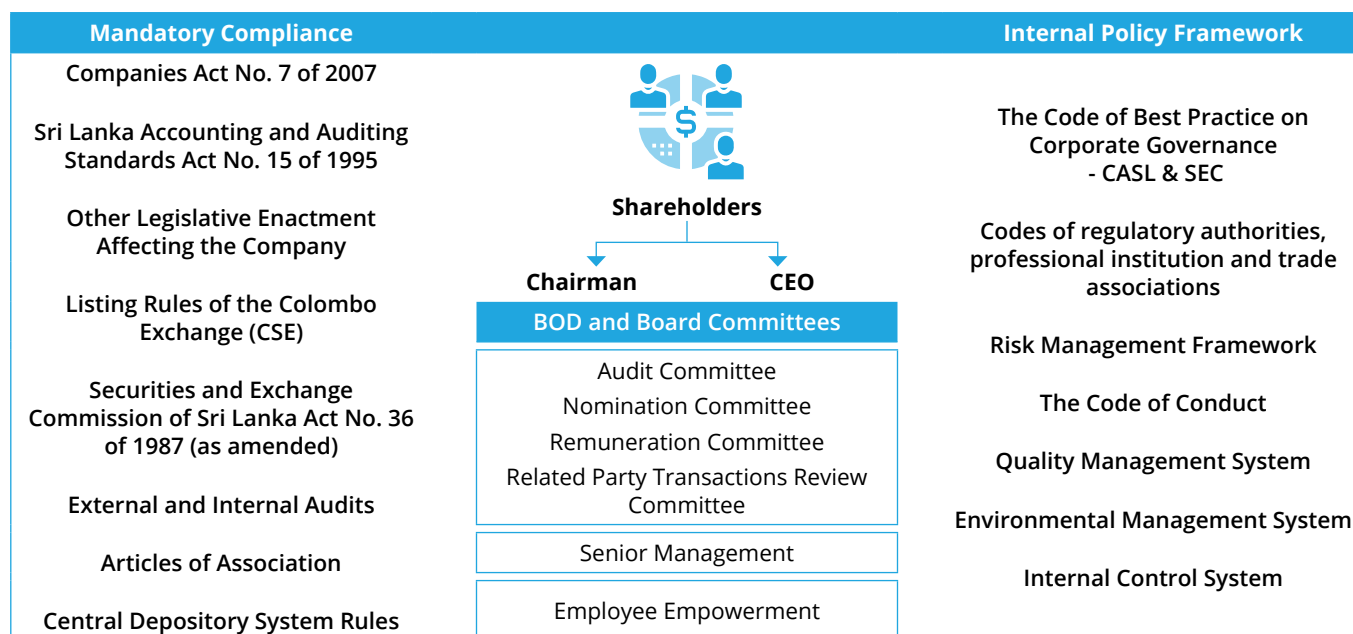
upon in advance ensure a constant and continuous flow of operations.

The internal governance structure which is headed by the Board of Directors is an essential part of the Company's management structure. The Board of Directors is authorised to act on behalf of the Company. As such, the internal governance structure consists of:

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

Our robust internal governance processes and systems initiated by the Group's business plan supplement these positions and committees ensuring the proper implementation and execution of the Group's Corporate Governance framework.

Internal Governance Structure



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 function provides 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 function provides an assurance that CGE's risk management, governance and internal control procedures are operating efficiently. The internal audit division of the Group carries out the internal audit function of the Group ensuring that the

internal control function is compliant with Company requirements and governance standards.

3.1.2.2. Internal Controls

CGE's system of internal controls and its efficacy is ensured through frequent reviews and a proper monitoring apparatus. This system is designed to protect the assets of the Company against unauthorised use or disposal and is supported by a structured documentation procedure. Internal controls of CGE include financial, operational, risk management and regulatory compliance controls.

The Board of Directors including the Audit Committee is responsible for the Company's system of internal controls and for reviewing its effectiveness. The Audit Committee, on behalf of the Board, carries out regular reviews of the internal control process and the effectiveness of risk management. The Committee 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 in accordance with the well-structured Code of Business Conduct which is applicable to all employees including Directors and Key Management Personnel that supports the adoption of standards for sustainability, accountability and transparency across business operations. All employees sign a declaration to the effect that they will comply with the Code of Business Conduct of the Company (Declaration at the point of recruitment). This Code includes internal and external standards and the structure of key stakeholder groups which are aided by an assurance mechanism that ensures 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; and
- 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 achieving business objectives, value creation and risk management. It also nurtures 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 88 and in Note 34 - Directors' Responsibility on page 141. Directors have no interest in the Company other than those disclosed in the Financial Statements in Note 31.1 - Key Management Personnel on page 138 and the Report of the Board of Directors on the State of Affairs of the Company on pages 85 to 87.

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 76 in accordance with section 9.3.2. (d) of the Listing Rules issued by the CSE on their responsibility towards Financial Statements. The Board in consultation with the Audit Committee and the External Auditor 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 the integrity of information, internal controls and risk management;
- Ensuring that the Group accomplishes its goals;
- Providing direction and guidance to the Company in the formulation of medium and long term strategies which are aimed at promoting the sustainable long term success of the Company;
- 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;
- Ensuring that the Executive Directors and key management team have the expertise, knowledge, and resources necessary to successfully implement the strategy, along with the appropriate succession plans;
- Reviewing the Group's operating and financial performance and evaluating progress against plans and budgets;
- Ensuring that the Annual Report is published at the conclusion of the financial year and that Financial Statements are released quarterly;
- Ensuring compliance with laws, regulations, governance and ethical standards;
- Monitoring systems and company procedures to ensure that internal controls are effectively planned and implemented;
- Ensuring all stakeholder interests are considered in corporate decision making;
- Reviewing and approving budgets and major transactions including acquisitions, disposals, capital expenditures and investments;
- Fulfilling any other function that is vital to the growth and success of the business;

CORPORATE GOVERNANCE REVIEW

- Recommending appointment / removal of external auditors; and
- Promoting corporate citizenship.

The Board seeks out professional advice in carrying out these functions, specifically 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 holds the collective responsibility of establishing the Group's general direction, corporate policies, overall strategic objectives and corporate plans thereby communicating it to the Senior Management. Further, the Board is also responsible for laying out a schedule of issues and directions which could only be approved by the Board as monitoring controls.

In addition, the Boards holds the authority to grant approval required on all matters relevant to the overall strategy, annual budget, business plans, management information, reporting Financial Statements, dividend payments, investments, and business acquisitions. Likewise, they also continually review and monitor the Group's performance against the set objectives thus directing the Senior Management on specific action points.

Communication with Shareholders

At CGE, communication with our shareholders is a vital element of Corporate Governance as it ensures transparency and adequate dissemination of information amongst the shareholders. While the Board holds the responsibility for reporting statutory and other relevant information to shareholders in a regular, timely and accurate manner, in line with the Company's commitment to transparency, the Board has also laid down a set of specific policies to ensure accurate records of accounts and to the

preparation of Financial Statements to represent a balanced view of the Group. Moreover, the Board has also adopted 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.

Further, all shareholders are invited and encourage being present, actively participating and voting at the AGM where it provides the greatest opportunity to get clarifications and informations regarding the performance of the Company.

Annual General meetings and Extraordinary General Meetings are held when required to discuss shareholder views and inform them about Company's activities.

While the Group welcomes shareholders' independent advice on matters of investment and divestment, 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

The Board is also entrusted with the crucial responsibility of directing the risk management mechanism of the Group. Therefore, the Board carries out regular assessments of the risk factors posed at the Group through maintaining updated control systems by making regular policy recommendations on risk factors and improvements of controls. The Company's risk management process is prudently formulated to identify, evaluate and manage significant risks confronted by the Group thereby protecting its assets and processes.

As the Board maintains the overall responsibility of managing the risks within the Group, they regularly review the risk management process based on the guidelines set out by relevant regulatory bodies. The Company also has in place a firmly established control framework comprising 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 responsible for ensuring that the Groups' operations are always within the laws and act in accordance with the regulations and standards stipulated by various regulatory bodies in the Country. The Board also keeps continuous updates on information relating to compliance with laws and regulations and directs the Senior Management regarding any action that needs to be followed.

Appointments to Board Sub-Committees

The appointment of members to various Board sub-committees is also entrusted in the Board where it ensures that the committee members act in accordance with the Terms of Reference as set out by the sub-committee charters. The 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 65 to 66.

4.3. Board Composition

In safeguarding the objectivity and independent supervision of the Board of Directors, the Group maintains a balance between Executive and Non-Executive Directors ensuring that no individual or group of individuals dominates decision making within the Board of Directors. Therefore, both Executive and Non-Executive Directors' experience and know-how are taken into consideration when contemplating the Group composition thereby enabling the Company to add value to all the stakeholders.

The Board consists of seven (7) members at the end of the year 2022, 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. The names of the Directors and their detailed profiles are disclosed from pages 17 to 18 of the Annual Report.

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

The Board frequently evaluates 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 17 to 18.

4.5. Board Skills

In deciding on the balance of the Board, a vital element is the maintenance of Board diversity. Hence, the Board comprises members with a wide exposure to the fields of finance, administration, management, law, IT, economics, marketing, taxation, and human resources which enable efficient collective decision making and facilitate effective discharge of Board responsibilities. The Company has selected the directors to the Board based on their level of business experience and their sense of integrity and judgment. Besides, 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 cognisant of the necessity of maintaining the right mix of skills and expertise within the Board and assumes 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 towards sustainable progress.

Going in-line with the financial acumen, the Board includes one (1) Certified Practising Accountant, a fellow member of the Institute of Chartered Accountant who are better in a position to offer the guidance on financial matters who holds the Chair of the Audit committee.

4.5.1. Access to Independent Professional Advice

To fulfil members' responsibilities, strengthen decision making and preserve the independence of the Board, the Board encourages its members to obtain independent professional advice at the Company's expense which is commonly managed by the General Manager of the Company. Therefore, the Board obtains advice on various matters including laws and regulations, taxes, valuations, macroeconomic 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 including the Board of Directors by allowing them to enhance their skills, knowledge and expertise. The Directors are given the opportunities to familiarise and obtain an in-depth understanding of the Company's business, its strategies, risks and processes at their discretion. Training is provided to Directors to equip themselves to discharge their responsibilities effectively. This includes training provided by principles, external and in-house training. Training and development needs are reviewed on a regular basis.

Directors are briefed on changes in laws and regulations, tax laws and accounting standards from time to time either during the Board meetings or at specially convened sessions. Additional follow-up meetings are arranged for the Directors to obtain the required knowledge if they wish to gain a greater understanding of a subject.

4.6. Board Secretary

SSP Corporate Services serves as the Secretary to the Company. The Board Secretary aids 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 reappointment.

4.7.2. Re-election / Re-appointment

One-third of the Directors retire at all Annual General Meetings by rotation on the basis prescribed in the Articles of Association of the Company and are eligible for re-election. The re-election of Directors allows the shareholders to have an opportunity to review the composition of the Board. The names of the Directors submitted for re-election are provided to the shareholders in advance to enable them to make an informed decision concerning their election.

Names of retiring Directors eligible for re-election at the upcoming Annual General Meeting are given in the Notice of the Annual General Meeting of the Company on page 148.

CORPORATE GOVERNANCE REVIEW

Directors who retire are those who have been longest in office since their appointment or re-election. Moreover, any new Director who has been appointed to the Board during the year is also required to stand for re-election at the next Annual General Meeting.

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.

Quarterly performance reports are given to directors, along with any additional reports or documentation considered relevant. The Chairman makes sure that all Directors are well informed on matters that come up during meetings.

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, reports and agendas which are circulated before Board meetings providing sufficient time period to review and call for any additional information and clarification;
- 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; and
- 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 delegated 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 which maintains the balance of power between Executive and Non-Executive Directors, facilitates the effective contribution of Non-Executive Directors and ensures there is a positive relationship between Executive and Non-Executive Directors. Further, Chairman ensures that all the directors are aware of their duties and responsibilities and all of them are encouraged to effectively contribute to the benefits of the company.

4.9.2. The Chief Executive Officer (CEO)

The CEO of the Company is delegated 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 which confirms the balance of power and authority.

4.10. Board Meetings

Meeting attendance is one of the factors which determines the Board's effectiveness. The Board met four (4) times over the past year to evaluate the overall strategic development of the Group. The Chairman summons board meetings at regular intervals and as and when necessary. The Chairman also facilitates the effective contribution of all Board members to discuss routine and non-routine matters while ensuring that the Board operates effectively in keeping with the interests of the shareholders. Further, Board always dedicates a sufficient time period and

effort to discuss matters of the Board and Company to ensure that duties and responsibilities are effectively discharged.

S S P Corporate Services, function as the Company Secretaries. On behalf of the Chairman, they are responsible for ensuring 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). Within 14 days following the meeting, the corporate secretary drafts the minutes and distributes them to the Board of Directors.

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.

Matters Reserved for board :

- Approval of Financial Statement
- Approval of Budget
- Major acquisitions, disposals and merges
- Major capital investments
- Board appointments and removals
- Remunerations of auditors and recommendations for appointment or removal of auditors.

Composition of the Board and Board Committees and attendance at Meetings for 2022

Name of the Director	Capacity	No. of Shares Held	Board			Board Committees			
			Position	No. of Meetings Held	No. of Meetings Attended	Audit Committee	Nomination Committee	Remuneration Committee	Related Party Transactions Review Committee
Mr. Wickrema Senaka Weerasooria	Non-Executive Independent Chairman	2,800	Chairman	4	4	Member	Chairman	Chairman	Chairman
Mr. Cheng Chih Kwong, Primus	Executive Director and Chief Executive Officer	397	Member	4	4	-	Member	-	-
Mr. Chan Kong Meng, Lawrence	Executive Director and Group General Manager	-	Member	4	4	-	-	-	Member
Mr. Cheng Koh Chuen, Bernard	Non-Executive Director	-	Member	4	4	-	-	-	-
Mr. Cheng Eng Loong	Non-Executive Director	-	Member	4	4	-	-	-	-
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

4.10.1. Board Minutes

The Company Secretaries prepare the Board minutes and 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. Actions are made in response to unresolved issues.

4.10.2. Board Committees

Certain functions of the Board have been assigned to the Board Committees in order to monitor, review and enhance the accountability for several areas which require in-depth skill and knowledge. Nevertheless, the Board has the final decision-making rights and responsibilities over these sub-committees, thus upholding the good governance practices of the Group. The four Board sub-committees are as follows:

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

Remuneration Committee

Remuneration Committee is responsible for determining the remuneration policy for the Executive Directors and Senior Managers. 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 74.

Audit Committee

The responsibility for assisting the Board in realising 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 72 to 73.

Nomination Committee

The Nomination Committee is responsible for maintaining the Board composition necessary to meet business requirements and facilitates 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 75.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee was formed to strengthen 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 76 to 77.

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.

5. SHAREHOLDER / INVESTOR RELATIONSHIP

Stakeholder Management is a vital 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).

CORPORATE GOVERNANCE REVIEW

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 minimise the information gap among shareholders / investors and the Company.

5.2. Annual General Meetings (AGM)

Effective relationships with shareholders are maintained through the conduct of AGMs that allows every shareholder a chance to vote and raise specific queries regarding the Company's operations.

5.3. Serious Loss of Capital

In the 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

CGE's governance practices are based on the Company's core beliefs of corporate sustainability through good governance practices. In addition to 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

CGE practice Corporate Governance through a well-structured regulatory framework that consists of statutes, regulations, codes, internal and external governance systems and control and certification mechanisms on page 60.

6.2. Compliance and Adherence

Compliance with the mandatory and voluntary regulatory governance requirements is established 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 the table appearing on page 59.

7. INTERNET OF THINGS AND CYBER-SECURITY

7.1. Board's Responsibility

The Board frequently monitors the latest developments in the IT field 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 allows it to send and receive information. Moreover, the Board investigates Cyber-security risks that may affect the business while designing and implementing IT General and Application controls to ensure the security of confidential information. The Board has assigned a General Manager / Country IT Head who oversees Cyber-security and Risk Management. The General Manager / Country IT head is a qualified IT professional and possesses the required expertise to ensure Cyber-security. He offers necessary information about Cyber-security and is accountable for the development of the IT Budget and IT Risk Management policies of the Group, which will consequently be evaluated and approved by the Board.

7.2. Effectiveness of the Cyber-security Risk Management System

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

- Disclosure of Cyber-security risk identification in Annual Report.

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 78 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 59 and Enterprise Risk Management on page 78 in this Annual Report.

9. DISCLOSURES

The tables given below provide 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. 7 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 85
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	Pages 93 to 141
168 (1) (c)	Auditor's Report on Financial Statements of the Group and the Company	Page 89 to 92
168 (1) (d)	Accounting policies and any changes therein	Pages 97 to 108
168 (1) (e)	Particulars of the entries made in the interest register during the accounting period	Page 85
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Page 138
168 (1) (g)	Corporate donations made by the Company during the accounting period	Page 85
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Pages 17 to 18
168 (1) (i)	Amounts paid / payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Page 112
168 (1) (j)	Auditor's relationship or any interest in the Company and its subsidiaries	Page 86
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board	Pages 87 to 88

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

Rule No.	Subject	Requirement	Compliance status	Remarks
Disclosures Regarding Board of Directors				
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 65
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 65
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 declarations during the year 2022
7.10.3 (a)	The disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report.	Compliant	Board of Directors - Pages 17 to 18
7.10.3 (b)	The 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)	The 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 17 to 18
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	Board of Directors - Pages 17 to 18
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 2022

CORPORATE GOVERNANCE REVIEW

Rule No.	Subject	Requirement	Compliance status	Remarks
Disclosures Regarding the Remuneration Committee				
7.10.5	Remuneration Committee	A Listed Company shall have a Remuneration Committee.	Compliant	Remuneration Committee Report - Page 74
7.10.5 (a)	Composition of Remuneration Committee	The Committee shall consist of Non-Executive Directors, a majority of whom shall be independent.	Compliant	Remuneration Committee Report - Page 74
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 74
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 74
		b. Statement of Remuneration Policy.	Compliant	Remuneration Committee Report - Page 74
		c. Aggregated remuneration paid to Executive and Non-Executive Directors.	Compliant	Note 31.1 - Key Management Personnel information - Page 138
Disclosures Regarding the Audit Committee				
7.10.6	Audit Committee	A Listed Company shall have an Audit Committee.	Compliant	Audit Committee Report - Pages 72 to 73
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 72 to 73
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 72 to 73
		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 72 to 73
		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 72 to 73
		d. Assessment of the independence and performance of the Entity's external auditor.	Compliant	Audit Committee Report - Pages 72 to 73
		e. To make recommendations to the Board pertaining to appointment, re-appointment and removal of the external auditor and to approve the remuneration and Terms of Engagement of the external auditor.	Compliant	Audit Committee Report - Pages 72 to 73
7.10.6 (c)	Disclosure in Annual Report relating to the Audit Committee	a. Names of Directors comprising the Audit Committee.	Compliant	Audit Committee Report - Pages 72 to 73
		b. The Audit Committee shall make a determination of the independence of the Auditor and disclose the basis for such determination.	Compliant	Audit Committee Report - Pages 72 to 73
		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 72 to 73

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

Rule No.	Subject	Requirement	Compliance status	Remarks
Disclosures Regarding Related Party Transactions Review Committee				
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 the transaction.	Compliant	Related Party Transactions Review Committee Report - Pages 76 to 77
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 76 to 77
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 76 to 77
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 76 to 77
Disclosures required by Section 9.3 of the Listing Rules of the CSE				
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 141
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 141
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 140
9.3.2 (c)	Disclosure in the Annual Report	Annual Report shall contain a report compiled by the RPTR Committee including the following: - Names of the Directors who are in the Committee; - Statement about related party transactions reviewed during the financial year; - Number of times the Committee has met during the financial year; and - Policies and procedures adopted by the RPTRC.	Related Party Transactions Review Committee Report	Pages 76 to 77

CORPORATE GOVERNANCE REVIEW

Rule No.	Subject	Requirement	Compliance status	Remarks
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 78 to 87

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
A.	Directors		
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 17 to 18
A.8	Re-election	Yes	Corporate Governance Review - Section 4.7.2
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 17 to 18
A.11	Appraisal of Chief Executive Officer	Yes	Corporate Governance Review - Section 4.4
B.	Directors' Remuneration		
B.1	Remuneration Procedure	Yes	Corporate Governance Review - Section 4.10.2, Remuneration Committee Report - Page 74
B.2	The level and makeup of Remuneration	Yes	Corporate Governance Review - Section 4.10.2, Remuneration Committee Report - Page 74
B.3	Disclosure of Remuneration	Yes	Corporate Governance Review - Section 4.10.2, Remuneration Committee Report - Page 74
C.	Relations with Shareholders		
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
D.	Accountability and Audit		
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 72 to 73

Rule No.	Subject	Compliance Status	Reference
D.4	Related Party Transactions Review Committee	Yes	Related Party Transactions Review Committee Report - Pages 76 to 77
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
E	Institutional Investors		
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
F	Other Investors		
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
G	Internet of Things and Cyber-security	Yes	Corporate Governance Review - Section 7
H	Environmental, Societal, and Governance (ESG)	Yes	Corporate Governance Review - Section 8
H.1	ESG Reporting	Yes	Corporate Governance Review - Section 8

9.5. 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

The Audit Committee acts as a sub-committee to the Main Board and assists in overseeing the financial and related functions in order to provide additional assurance on the reliability of the Financial Statements ensured through a process of independent and objective review. The Audit Committee ensures the quality of financial reporting and related communications to the shareholders and the public.

COMPOSITION OF THE COMMITTEE

The Committee comprises of three (3) Non-Executive Independent Directors complying with Listing Rule No 7.10.6 of the Colombo Stock Exchange.

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
Mr. Dharshana De Silva	Secretary to the Committee (w.e.f. 08.03.2022)	Assistant Group General Manager / Acting Group Internal Auditor
Mr. Majintha Illankone	Secretary to the Committee (up to 07.03.2022)	Group Internal Auditor (Former)

Regular attendance by Invitation

Mr. Chan Kong Meng, Lawrence	Executive Director and Group General Manager
Mr. Sanjeewa Perera	General Manager
Mr. Akram Ansar	Financial Controller

FINANCIAL ACUMEN OF THE COMMITTEE

The Audit Committee holds 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 member are given on pages 17 to 18.

KEY FUNCTIONS 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 (LKAS / SLFRS);
2. Ensure compliance with financial reporting requirements and information requirements of the Companies Act and other relevant financial reporting requirements;
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; and
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 2022 are given below;

Members	Attended / Eligible to Attend
Mr. R. N. Asirwatham	3/4
Mr. Wickrema Senaka Weerasooria	4/4
Dr. Prathap Ramanujam	4/4

ACTIVITIES IN 2022

1. FINANCIAL REPORTING

The Committee reviewed and discussed the Group's 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 31 December 2022 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 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 on a quarterly basis. Accordingly, the Committee discusses 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 and ensure that the management has taken appropriate actions to satisfactorily resolve highlighted issues;
- Discussion of the Company's Annual Financial Statements, the current developments in respect of reporting and compliance in view of the changes in the Accounting Standards, Auditing Standards, and Inland Revenue Act etc; and

- 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.

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;
- Address any non-compliance identified by the management, internal and external auditors and actions taken to rectify those matters; and
- Monitors and evaluates letters received from regulatory institutions and follow-up actions taken by the Management.

EVALUATION OF THE FUNCTIONS OF THE COMMITTEE

The Board evaluates the functions of the Audit Committee throughout the year. The Board has concluded that the Committee has accomplished 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

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 to avoid potential conflicts of interest and the members are free from any business, personal or other relationships that may interfere with the exercise of independent and unbiased judgement. Hence no Director is involved in deciding his own remuneration.

COMPOSITION OF THE COMMITTEE

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 whose profiles are given on pages 17 to 18. The Non-Executive Independent Chairman is the Chairman of the Committee.

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
S S P Corporate Services (Private) Limited	Secretary to the Committee (w.e.f. 27.08.2022)	
Mr. Waruna B. Jayathilaka	Secretary to the Committee (up to 26.08.2022)	Assistant General Manager -Human Resources and Administration (Former)

Regular attendance by Invitation

Mr. Chan Kong Meng, Lawrence	Executive Director and Group General Manager
Mr. Sunil Leeniyagoda	Group Treasurer
Mr. Sanjeewa Perera	General Manager

MEETINGS

The Remuneration Committee met three (3) times during the year.

Attendance of members at meetings held during the year ended 31 December 2022 is given below:

Members	Attended / Eligible to Attend
Mr. Wickrema Senaka Weerasooria	3/3
Dr. Prathap Ramanujam	3/3
Mr. R. N. Asirwatham	2/3

REMUNERATION POLICY

The remuneration policy is created to attract and retain highly qualified, innovative, and experienced personnel to the Board, and reward them in accordance with industry norms. These compensation packages provide compensation appropriate for the Group and are proportionate 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 30.1 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 including facilitating a formal and transparent procedure for all new appointments.

COMPOSITION OF THE COMMITTEE

The Committee, as of the end of 2022, consisted of four (4) members including three (3) Non-Executive Independent Directors and one (1) Executive Director of the Company whose profiles are given on pages 17 to 18. The Non-Executive Independent Chairman is the Chairman of the Committee.

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
S S P Corporate Services (Private) Limited	Secretary to the Committee (w.e.f. 27.08.2022)	
Mr. Waruna B. Jayathilaka	Secretary to the Committee (up to 26.08.2022)	Assistant General Manager -Human Resources and Administration (Former)

Regular attendance by Invitation

Mr. Chan Kong Meng, Lawrence	Executive Director and Group General Manager
Mr. Sanjeeva Perera	General Manager

MEETINGS

The Nomination Committee met three (3) times during the year.

Attendance of members at meetings held during the year ended 31 December 2022 is given below:

Members	Attended / Eligible to Attend
Mr. Wickrema Senaka Weerasooria	3/3
Mr. Cheng Chih Kwong, Primus	Nil
Dr. Prathap Ramanujam	3/3
Mr. R. N. Asirwatham	2/3

TERMS OF REFERENCE

The Committee has Terms of Reference, dealing with its authority and duties, which is carefully devised 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:

- Consideration of re-election of current directors considering the applicable laws or their re-appointment at the end of the specified term;
- Review the structure, size, composition and competencies of the Board;
- Evaluate the independence of the Non-Executive Directors and the performance of the Board;
- That no member of the Nomination Committee is involved in deciding his own appointment; and
- Recommend on any other matter referred to it by the Board of Directors.

Wickrema Senaka Weerasooria
Chairman, Nomination Committee

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Board established the Related Party Transactions Review Committee (RPTRC) to oversee the Group's Related Party Transactions (RPTs) on behalf of the Board. The Committee also functions on behalf of the Board to ensure that the Group's Related Party Transactions (RPTs) comply 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 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 whose profiles are given on pages 17 to 18.

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. Dharshana De Silva	Secretary to the Committee (w.e.f. 08.03.2022)	Assistant Group General Manager / Acting Group Internal Auditor
Mr. Majintha Illankone	Secretary to the Committee (up to 07.03.2022)	Group Internal Auditor (former)

Regular attendance by Invitation

Mr. Sanjeewa Perera	General Manager
Mr. Akram Ansar	Financial Controller

MEETINGS

The RPTRC met four (4) times during the year. Members' attendance to the meetings held during the year ended 31 December 2022 is given below:

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

POLICIES AND PROCEDURES

The members of the Board of Directors of the Company have been identified as Key Management Personnel (KMP) in sustaining transparency and good governance. In conformity with the Related Party Transactions Policy, declarations were obtained from each KMP for the purpose of recognising any RPTs and to determine RPTs that ensures compliance with the disclosure requirements.

RESPONSIBILITIES

The key focus of the Committee is to review all proposed Related Party Transactions (RPTs) 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. The responsibilities of the Committee remained unchanged.

FUNCTIONS OF THE COMMITTEE

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

These functions are as follows;

- 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; and
- Updating the Board on RPTs of the Group on a quarterly basis.

ACTIVITIES IN 2022

- Disclosures in relation to post quarter confirmations and proposed transaction confirmations were obtained and such disclosures were reviewed by the Committee in quarterly meetings.

- The threshold for related party transactions which require either shareholders' approval or immediate market disclosures as well as the criteria for determining Key Management Personnel are reviewed.
- The Committee also ensured that its members did not have any conflicts of interest regarding 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 on page 87 of this Annual Report.

Wickrema Senaka Weerasooria
Chairman, Related Party Transactions Review Committee

ENTERPRISE RISK MANAGEMENT REVIEW

Ceylon Grain Elevators PLC acknowledges that effective risk management is essential to achieve Company's strategic objectives. Therefore, within the risk involvement of the Company, Enterprise Risk Management (ERM) is a recurring process that has been adopted across the entire organisation by the Management. While this enables in setting the Company's strategy, it has been designed to identify occasions that may have the potential to affect its ability to manage risks. ERM offers sufficient assurance concerning the attainment of financial and non-financial strategic objectives of the Group.

RISK AWARENESS CULTURE IN CGE

The Company has instilled the Risk Management Framework into the organisational culture as a vital component and has taken measures to communicate the risk management philosophy and expectations from our people in the organisation at all levels of operation. Subsequently, 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 several initiatives taken to educate people are given below:

- Carry out discussions with employees concerning risks and risks responses;
- Conduct induction sessions for new recruits;
- Motivate and drive employees to reach the upper Management as required when new risk issues are recognised;
- Regular communication of ERM policies, procedures and standards across the Company; and
- Increase risk awareness amongst the workforce through conducting workshops and training on risk management thereby facilitating their involvement in the risk management of the Company.

RISK GOVERNANCE



THE BOARD

The Board carries the overall responsibility for risk management. They ensure risk management is embedded in all processes and activities of the business besides nurturing a knowledge-based risk culture where the Audit Committee, senior management and the employees will be appropriately directed to develop relevant strategies, risk management policies and procedures as well as internal controls by examining the risk profile of the Company to determine the Risk Appetite of the entity.

AUDIT COMMITTEE

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

SENIOR MANAGEMENT

Senior Management is entrusted with the responsibility of communicating the risk management policies and procedures to employees across the organisation as well as guiding them on the same. The Senior Management evaluates the processes and events, uncertainties and

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

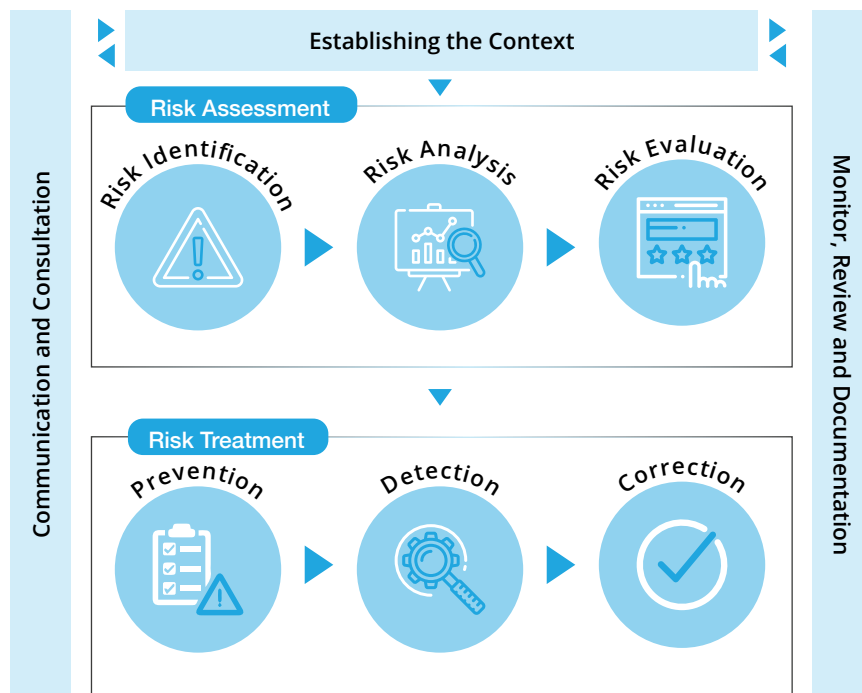
EMPLOYEES

Employees play a crucial role in risk management. They are informed on a timely basis by way of formal documents and training set by the Management to be on the alert and detect conditions and events that may result in adverse implications to the organisation. Employees are vested with the responsibility to report on the failure of existing risk controls and ineffective work conditions and to cooperate with the Management in achieving risk management objectives.

RISK MANAGEMENT FRAMEWORK (RMFW)

We believe that proactive and effective identification of risks, evaluation and management of risks are important elements in risk management. It is also a supportive element in the sustainable value creation process of the Group that ensures continuity of operations and achievement of financial, operational and social objectives of the Group.

CGE, being a business that operates in the poultry industry, is exposed to a multitude of risks and uncertainties in its day-to-day operations. Hence, the Management has developed a Risk Management Framework that enables and assists them to identify all potential risks related to the environment, business operations and products. The Management examines the impact on the business by considering both financial and non-financial factors thereby taking necessary preventive measures to overcome the hazard posed by those risks. The Risk Management Framework (RMFW) impacts of such identified risks are assessed in terms of potential loss or damage.



The RMFW highlights the importance of proper management and systems in the Company for internal controls. The key purpose is to maintain the effectiveness of the framework through implementing policies, procedures, processes and systems to evaluate, identify, prevent, rectify and report matters.

The risk management practices identify risks, evaluate them (by mapping them) and assess them for their potential impact and determine alleviation mechanisms following a meticulous review and monitoring process.

RISK APPETITE

Risk appetite is the number of risks and types of risks that the Company is willing to take in pursuit of achieving its business objectives.

In this regard, the Company has defined a clear direction to identify risks that are entrenched within the processes and activities and have aptly prioritised them based on the extent of its impact on the business. Accordingly, the Company strives to achieve the following benefits:

- Establish a shared perception of risks within the Company to manage risks effectively;

- Maintain the competitive edge through improved awareness thereby managing risks effectively;
- Improve effective management of internal resources for cost reduction;
- Provide insights for the Board to aid in decision making; and

- Promote an atmosphere that encourages sustainable, long-term growth in the Company.

RISK EVALUATION

- The Company evaluates each risk in relation to its probability of occurrence and its business impact.
- The probability of occurrence is assessed in accordance with experience, industry conditions and the risk alleviation mechanisms that are in place. As such, a rating of 1-3 has been allocated for high, medium and low to determine the likelihood of occurrence.
- The Company evaluated the impact of the event by establishing the projected damage it would incur and the level of business impact. A rating of 1-3 has been allocated for high, medium and low to determine the impact of each risk.

Once the likelihood of occurrence and the level of the business impact of each risk is evaluated, it is mapped in the following matrix to identify the nature and extent of action required. A ranking of high, moderate and low is allocated based on the risk factor obtained

Guide Line for Risk Rating							
IMPACT	Extreme	5	5	10	15	20	25
	High	4	4	8	12	16	20
	Moderate	3	3	6	9	12	15
	Minor	2	2	4	6	8	10
	Insufficient	1	1	2	3	4	5
			Rare to Occur	Unlikely to Occur	Possible to Occur	Likely to Occur	Almost Certain to Occur
			1	2	3	4	5
PROBABILITY							
Risk Rating		Insignificant	Low	Medium	High	Ultra High	

ENTERPRISE RISK MANAGEMENT REVIEW

through probability and impact.

RISKS AND CHALLENGES

The country's foreign currency liquidity worsened during the year due to the prolonged decline of tourism inflows and migrant worker remittances. As a result, the country's foreign exchange generated through exports was insufficient to meet its import bills. This was further aggravated by debt repayments and interest payments, which led to a rapid depletion of the country's foreign exchange reserves and a decline in sovereign credit ratings to a historical low. These had a spill over across all sectors of the economy and society leading to hyperinflation, exchange rate volatility and scarcity of dollars to purchase essential goods such as fuel, gas, medicine and food. These together with prolonged power disruptions, fuel queues and

humanitarian crisis has led to civil protests and political instability which in turn resulted in a change in the government.

FOREX CRISIS AND HIGH FOREX VOLATILITY

Shortage of foreign exchange and the depreciation of the Sri Lankan Rupee adversely impacted the Group's operations and profitability, as the cost of raw materials and spare parts and exchange loss increased considerably. Further, the exponential increase in freight rates during this period had an impact on these business segments.

IMPORT RESTRICTIONS

Import restrictions continued due to the forex shortage in the country and the lack of availability of certain types of fertiliser had a negative impact on the raw material

availability for the operation. This resulted in further curtailment of feed production making challenging to keep up with market demand.

ENERGY CRISIS AND POWER DISRUPTIONS

The unavailability of fuel for thermal power plants caused continued power cuts. Also, the power supply for the Group operations was disrupted due to the lack of fuel availability resulting from the ongoing forex crisis. However, the Group has managed to minimise the impact of power cuts with generator power.

INFLATION

The country experienced hyperinflation in 2022 which had wide-ranging implications across all businesses exerting pressure on costs and margins. There is potential for wage pressure as well.

The following table in brief highlights the risks encountered during the year.

Impacted Capital	Risk statement	Risk mitigating strategy	Risk Rating
1. Financial Capital	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
	Frequent changes in government policies	Periodic evaluation and adaptation of regulations and policies. Seek independent professional advice as necessary.	High
	Interest rate fluctuations	Maintaining an appropriate combination of investment. Continuous monitoring emerging macroeconomic development Cash flow management	Low
	Threat of substitutes	Carrying out promotional activities and engaging product development.	Low
	Exchange rate fluctuations	Timely monitoring of international transactions and effective treasury function with forward exchange contracts where appropriate. Sourcing of local substitute materials. Strengthening relationships with banks and suppliers Forex exposure covers up by maintaining positive cash and cash equivalent balances. Continuous monitoring emerging macroeconomic development.	High
	Credit risk arises from credit exposure to customers on unsecured debts	Timely assessment of customer credit worthiness and obtain collateral. Close monitoring of debtors and ensure the settlement outstanding on time. Set credit controls over the value, terms of credit and maintain proper documentation.	Medium
	Availability of sufficient funds to settle dues	Ensure borrowing needs with banks whether can meet at short notice.	Low
	Price volatility	Continuous market surveillance.	High

Impacted Capital	Risk statement	Risk mitigating strategy	Risk Rating
2. Human Capital	Recruiting and retaining employees	Maintain and update of a Competency Matrix and skill pool. Maintain and update the succession plan. Adaptation of HR best practices.	Low
	Losses from low productivity and low employee engagement	Open-door policy to discuss grievances. Livelihood development programmes. Conduct employee council meetings	Low
	Sourcing of skilled labour	Engaging with many labour suppliers and entering with agreements	Medium
	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. Establish Health & Safety Committee and identify continuous effort to improve Health & Safety practices.	Medium
	Natural catastrophes adversely affecting operations of the Company	Building environmentally controlled houses. Obtaining Insurance coverage. Establishing industry best practices.	Medium
3. Natural Capital	Waste and disposal management	Adoption of the central drain system, incineration, disposal of liquid waste through dilutive and cleansed process. Quality checking on waste water in frequent basis.	Medium
	Negative impact on the environment due to operations	Giving due consideration to environmental factors in decision making. Obtaining all required approvals for business operations. Promoting awareness of the importance of minimising the carbon footprint. Promoting energy-saving initiatives.	Low
	Loss of customers	Conducting customer satisfaction surveys. Awareness programs for customers. Attending to customer complaints on time Effective brand marketing initiatives.	High
4. Social And Relationship Capital	Loss of suppliers & supply chain management	Conducting supplier grading surveys. Periodic evaluation of satisfaction levels of the Principals. Develop and maintain long term business relationships.	Low
	Regulatory risk	Ensure that all relevant statutes that the Company has to comply with have been identified and updated as and when necessary.	Low
	Machine breakdown and system failures	Continuous check-ups and upgrades. Adherence to a maintenance plan. Evaluation of man-hours and machine hours. Downtime analysis and monitor.	Low
5. Manufactured Capital	Non-availability of spare parts for continuous operation	Effective utilisation of available spare parts and maintain adequate inventory.	High
	Damage to physical assets due to the act of strike, riot and civil commotion	Obtaining insurance coverage.	Low
	Energy risk	Maintaining sufficient fuel stock with enhanced capacity covering all locations.	High
		Production planning by considering the planned power outage.	

ENTERPRISE RISK MANAGEMENT REVIEW

Impacted Capital	Risk statement	Risk mitigating strategy	Risk Rating
6. Intellectual Capital	Reputational risk	Adhering to corporate governance principals. Adoption of ethical practices in supply chain and manufacturing processes. CSR and brand activities. Obtain international quality standard (ISO 9001, ISO 22000, GMP, HACCP, HALAL).	Medium
	Loss of data through system breaches. Cyber-security risk & system breakdowns in the IT systems and disruption to operations	Controls over IT infrastructure (Access control, Firewall, User IDs) and data. Regular back-up of data. Continuous training for employees on information security. Availability of a disaster recovery plan. Upgrading of preventive software on a timely basis.	Low
	Product quality risk	Monitoring and updating the processes regularly. Continuous quality checks. Maintain buffer stocks for raw materials Conduct tests on the input of raw materials and experimental farm tests. Conduct continuous training programme on improving staff knowledge.	Low
	Risk of technological obsolescence	Regular investment in new technology. Upgrade existing systems, processes, machinery to match with current technology.	Medium

A LEGACY OF FOUR DECADES OF RESILIENT PERFORMANCE

To be a preferred integrated poultry industry supplier over a span of four decades required us to evolve constantly and excel consistently, whilst delivering consistent financial performance to deliver on our stakeholder commitments. The FY 2022 was no exception as we delivered on our commitment to enhance value to our shareholders and investors.

FINANCIAL CALENDAR

Financial year ended	31 December 2022
Announcements of results to the Colombo Stock Exchange	
1st Quarter End	31 March 2022
Publication of Interim Financial Statements	11 May 2022
2nd Quarter End	30 June 2022
Publication of Interim Financial Statements	10 August 2022
3rd Quarter End	30 September 2022
Publication of Interim Financial Statements	10 November 2022
4th Quarter End	31 December 2022
Publication of Interim Financial Statements	22 February 2023
Annual Report	
Publication of Annual Report for 2021	25 April 2022
Publication of Annual Report for 2022	28 April 2023
Meetings	
39th Annual General Meeting	18 May 2022
40th Annual General Meeting	24 May 2023

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 2022. 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. PRINCIPLE ACTIVITIES

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

2. REVIEW OF PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2022 AND FUTURE DEVELOPMENTS

A review of the Company's performance during the year, with comments on financial results for the year ended 31 December 2022 and future developments are contained in the Chairman's Message (pages 13 to 14), Chief Executive Officer's Review (pages 15 to 16) and sector review pages 35 to 38. 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 93 to 141.

4. INDEPENDENT AUDITOR'S REPORT

The Independent Auditor's Report on the Financial Statements is given on pages 89 to 92.

5. ACCOUNTING POLICIES

The accounting policies adopted in preparation of Financial Statements are given on pages 97 to 108.

There were no material changes in the accounting policies.

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 31 – 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 2022 is given in Note 31 - Related Party Transactions, to the Financial Statements.

9. CORPORATE DONATIONS

Donations made by the Company is Nil (2021 - Rs. 34,875/-). No donations were made for political purpose.

10. DIRECTORATE

The names of the Directors who held office as at 31 December 2022 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

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.

A resolution for the re-appointment of Mr. Cheng Chih Kwong, Primus who is 74 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 80 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 74 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 appointment is recommended by the Directors.

REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

11. DIRECTORS' SHAREHOLDINGS

	Number of shares	
	As at 31/12/2022	As at 31/12/2021
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 2022 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 authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

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.

Details of Audit fees are set out in Note 5-Operating Profit of the Financial Statement.

13. TURNOVER

Group turnover amounted to Rs.17,888.0 Mn (2021 - Rs.24,055.5 Mn) and the Company turnover amounted to Rs.22,223.3 Mn (2021 - Rs.24,992.0 Mn)

14. DIVIDENDS

The Directors do not recommend Dividend for the year ended 31 December 2022.

15. INVESTMENTS

Details of investments held by the Company are disclosed in Note 15 – Investment in Associate Company and Note 16 – Investment in Subsidiary Companies, to the Financial Statements.

16. INTANGIBLE ASSETS

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

17. PROPERTY, PLANT AND EQUIPMENT

An analysis of the property, plant and equipment of the Company, additions and disposals made during the year and depreciation charged during the year are set out in Note 11 – Property, Plant and Equipment, to the Financial Statements.

18. CAPITAL COMMITMENTS

Capital expenditure contracted for as at 31 December 2022 for which no provision has been made in the accounts are set out in Note 27 – 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 2022 amounted to Rs. 3,751.7 Mn (2021 - Rs. 3,652.2 Mn) and the Group reserves amounted to Rs. 7,465.1 Mn (2021 – Rs. 7,070.5 Mn). The movement of reserves is shown in the Statement of Changes on Equity in page 95.

21. EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred after the reporting period other than those disclosed in Note 32 – Events After the Reporting Period to the Financial Statements.

22. EMPLOYMENT POLICIES

The Company identifies Human Resources as one of the most important factors bequeathing the survival and growth of the Company in the current competitive business environment. While appreciating and valuing the service of our employees, a greater effort is made to hire the best talent from external sources, to bolster weak areas and continue to maintain the highest standards prevalent in the Industry. The Human Resource head count is considered as a key indicator and recruitment is based on the annual manpower planning. The Company provides equal opportunities. Greater emphasis is given to the areas of training, professional development and ethical business practices. All rewards and career opportunities are based on merit and on performance.

The significant material issues pertaining to employees and industrial relations are disclosed in Note 26 Contingent liabilities.

23. TAXATION

The tax position of the Company is given in Note 9 – Taxation, to the Financial Statements.

24. SHARE INFORMATION

Information relating to earnings, dividend, market price, net assets per share and information on share trading is given on page 143.

25. DISCLOSURE AS PER CSE RULE NO.7.6 (XI)

	2022	2021
Market price per share as at 31 December	80.50	121.75
Highest share price	99.00	167.00
Lowest share price	71.00	104.75
Net assets per share	79.49	77.84
Basic earnings per share	7.38	15.27
Dividend per share (paid)	Nil	6.00
Dividend payout ratio (%)	Nil	39.29
Price earnings ratio (No. of times)	10.91	7.97

26. SHAREHOLDING

The number of registered shareholders of the Company as at 31 December 2022 was 5,282. The distribution and analysis of shareholding are given on pages 145 to 146.

27. MAJOR SHAREHOLDERS

The twenty largest shareholders of the Company as at 31 December 2022, together with an analysis are given on page 146.

28. STATUTORY PAYMENTS

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

29. ENVIRONMENT, HEALTH AND SAFETY

Company policy continues to ensure that all Environmental, health and safety regulations are strictly adhered to, minimising any adverse effects to the environment. Recycling of waste is carried out wherever possible. Employees are provided with all personal protective equipment as 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 59 to 71.

31. CONTINGENT LIABILITIES

Contingent Liabilities as at 31 December 2022 are set out in Note 26 – Contingent Liabilities to the Financial Statements.

32. RELATED PARTY TRANSACTIONS

The Company's transactions with Related Parties, given in the Note 31 to the Financial Statements. The Directors declare that the Company is in compliance with Section 9 of the Colombo Stock Exchange pertaining to Related party Transactions during the financial year ended 31 December 2022.

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 40th Annual General Meeting of the Company will be held at Sri Lanka Foundation Institute Auditorium, No. 100 Sri Lanka Padanama Mawatha Independent Square Colombo 7 on Wednesday, 24 May 2023 at 10.30 a.m.

By Order of the Board of
Ceylon Grain Elevators PLC

(Sgd.)

Wickrema Senaka Weerasooria
Non-Executive Independent Chairman

(Sgd.)

Chan Kong Meng, Lawrence
Executive Director and Group General Manager

(Sgd.)

S S P Corporate Services (Private) Limited
Secretaries

Colombo, Sri Lanka
28 April 2023

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 89 to 92.

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 that have been followed, subject to any material departures as explained in the Financial Statements; and
- Prepare the Financial Statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that 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.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

As required by Section 56(2) of the Companies Act No.7 of 2007, the Board of Directors has authorised the distribution of the 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.)

Chan Kong Meng, Lawrence
Executive Director and Group General Manager

Colombo, Sri Lanka
28 April 2023

INDEPENDENT AUDITOR'S REPORT



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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF CEYLON GRAIN ELEVATORS PLC

Report on the Audit of 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 statements of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the 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 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuSs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics). 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.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

C.P. Jayatilake FCA	T.J.S. Rajakarier FCA	W.J.C. Perera FCA
Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara FCA	W.K.D.C. Abeyaratne FCA
S.T.D.L. Perera FCA	G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA
Ms. B.K.D.T.N. Rodrigo FCA	R.H. Rajan FCA	M.N.M. Shameel FCA
Ms. C.T.K.N. Perera ACA	A.M.R.P. Alahakoon ACA	Ms. P.M.K. Sumanasekara FCA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FTII		

INDEPENDENT AUDITOR'S REPORT



KEY AUDIT MATTERS

Measurement of Biological Assets	
Refer to the accounting policies in "Note 3.8 to the Financial Statements: Biological assets", "Note 2.4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 17. To the Financial Statements: Biological assets".	
Risk Description	Our responses
The carrying value of the Group bearer and consumable biological assets measured at fair value less cost to sell, is Rs. 516.5 Mn and Rs. 44.3 Mn respectively as at 31 December 2022, with a loss 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. 224.7 Mn. The Group's consumable biological assets comprise of Hatchable eggs and commercial Day-Old Chicks (DOC). 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 discounting rate, and mortality. We focused on this area because the valuation of biological assets is 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 audit procedures included: - Obtaining an understanding, evaluating of and assessing the design, implementation and operating effectiveness of management's key controls over the valuation of biological assets. - On sample basis, testing the capitalized 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.
Carrying value of Inventories	
Refer to the accounting policies in "Note 3.9 to the Financial Statements: Inventories", "Note 2.4 to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 19. To the Financial Statements: Inventories"	
Risk Description	Our responses
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. 8,340.9 Mn as at 31 December 2022. 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.	Our audit procedures included: - Obtaining an understanding of an assessing the design, implementation and operating effectiveness of management's key internal controls over the supply chain and testing selected key controls over recognition and measurement of inventory and inventory provisioning. - On sample basis, testing the net realizable value by comparing the actual cost with relevant market data. - For a sample of warehouses, attending the physical stock-take procedures or reconciling third party confirmations with the accounting records of the Group. - 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. - 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.



OTHER INFORMATION

Management is responsible for the other information. The other information comprises all the information included in the annual report, other than 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 THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as the 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, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

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

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

INDEPENDENT AUDITOR'S REPORT

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 relevant ethical requirements in accordance with Code of Ethics regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

A handwritten signature in black ink, consisting of a stylized 'K' followed by a horizontal line that curves upwards at the end.

Chartered Accountants

Colombo, Sri Lanka
28 April 2023

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	
		2022	2021	2022	2021
Revenue	4 (b)	17,888,014	24,055,488	22,223,284	24,992,021
Cost of sales		(11,793,333)	(21,851,650)	(17,152,641)	(23,662,123)
Gross profit		6,094,681	2,203,838	5,070,643	1,329,898
Other operating (expenses) / income	7	(154,291)	(95,428)	290,240	276,130
Selling and distribution expenses		(216,937)	(234,355)	(204,424)	(223,813)
Administrative expenses		(465,431)	(412,941)	(431,407)	(394,301)
Operating profit	5	5,258,022	1,461,114	4,725,052	987,914
Interest income		1,213,188	306,395	879,645	128,482
Net finance cost	8	(5,307,287)	(122,866)	(5,283,687)	(134,235)
Share of profit of equity - accounted investees, net of tax	15(c)	13,806	12,071	-	-
Profit before tax		1,177,729	1,656,714	321,010	982,161
Taxation	9	(160,714)	50,976	121,870	(66,215)
Profit after tax		1,017,015	1,707,690	442,880	915,946
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gain arising from defined benefit obligation	25	30,953	35,852	23,696	27,350
Taxation on other comprehensive income	24	(9,287)	(5,868)	(7,109)	(4,649)
Total other comprehensive income		21,666	29,984	16,587	22,701
Total comprehensive income for the year		1,038,681	1,737,674	459,467	938,647
Profit attributable to :					
Equity holders of the parent		735,009	1,297,710	442,880	915,946
Non-controlling interest		282,006	409,980	-	-
		1,017,015	1,707,690	442,880	915,946
Total comprehensive income attributable to :					
Equity holders of the parent		754,565	1,324,672	459,467	938,647
Non-controlling interest		284,116	413,002	-	-
		1,038,681	1,737,674	459,467	938,647
Earnings per share - basic and diluted (Rs.)	10	12.25	21.63	7.38	15.27
Dividend per share (Rs.)	36			-	6.00

The notes on pages 97 to 141 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

		Group		Company	
	Notes	2022	2021	2022	2021
ASSETS					
Non-current assets					
Property, plant and equipment	11	2,371,820	2,437,862	832,170	950,909
Improvements over leased land and buildings	12	116,554	125,212	116,554	125,212
Right-of-use assets	13(a)	702,722	738,082	553,349	581,146
Intangible assets	14	57,451	62,745	57,451	62,745
Investment in associate company	15	88,571	74,765	33	33
Investment in subsidiary companies	16	-	-	301,625	301,625
Biological assets	17	516,470	540,229	-	-
Deferred tax assets	24(1)	382,128	26,010	382,128	26,010
Total non-current assets		4,235,716	4,004,905	2,243,310	2,047,680
Current assets					
Biological assets	17	44,281	17,143	-	-
Inventories	19	8,340,928	5,080,753	7,734,247	4,905,095
Trade and other receivables	20	1,024,105	730,299	877,672	664,421
Amount due from related companies	18	18,091	16,332	18,435	30,496
Cash and cash equivalents	21	1,681,326	9,493,679	599,183	5,066,674
Total current assets		11,108,731	15,338,206	9,229,537	10,666,686
Total assets		15,344,447	19,343,111	11,472,847	12,714,366
EQUITY					
Stated capital	28	1,017,996	1,017,996	1,017,996	1,017,996
Retained earnings		7,465,111	7,070,546	3,751,652	3,652,185
Total equity attributable to equity holders of the parent		8,483,107	8,088,542	4,769,648	4,670,181
Non-controlling interest	29	2,485,772	2,302,405	-	-
Total equity		10,968,879	10,390,947	4,769,648	4,670,181
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	24(2)	393,793	221,543	-	-
Employee benefits	25	141,473	148,206	112,402	117,385
Lease liabilities	13(c)	812,495	684,268	676,219	548,902
Total non-current liabilities		1,347,761	1,054,017	788,621	666,287
Current liabilities					
Trade and other payables	22	1,701,372	2,048,925	853,175	1,342,364
Amount due to related companies	23	465,223	5,641,696	4,235,668	5,862,477
Lease liabilities	13(c)	324,738	207,526	289,261	173,057
Interest bearing borrowings	21	536,474	-	536,474	-
Total current liabilities		3,027,807	7,898,147	5,914,578	7,377,898
Total liabilities		4,375,568	8,952,164	6,703,199	8,044,185
Total equity and liabilities		15,344,447	19,343,111	11,472,847	12,714,366
Net assets per share (Rs.)	35	141.39	134.81	79.49	77.84

The notes on pages 97 to 141 form an integral part of these Financial Statements.

These Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 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.)

Chan Kong Meng, Lawrence
Executive Director and Group General Manager

28 April 2023
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		
Balance as at 1 January 2021	1,017,996	6,555,874	7,573,870	2,055,639	9,629,509
Profit for the year	-	1,297,710	1,297,710	409,980	1,707,690
Other comprehensive income					
Actuarial gain arising from defined benefit obligation, net of tax	-	26,962	26,962	3,022	29,984
Distribution to owners					
Dividend paid	-	(810,000)	(810,000)	(166,236)	(976,236)
Balance as at 31 December 2021	1,017,996	7,070,546	8,088,542	2,302,405	10,390,947
Balance as at 1 January 2022	1,017,996	7,070,546	8,088,542	2,302,405	10,390,947
Profit for the year	-	735,009	735,009	282,006	1,017,015
Other comprehensive income					
Actuarial gain arising from defined benefit obligation, net of tax	-	19,556	19,556	2,110	21,666
Distribution to owners					
Dividend paid	-	(360,000)	(360,000)	(100,749)	(460,749)
Balance as at 31 December 2022	1,017,996	7,465,111	8,483,107	2,485,772	10,968,879

Company	Stated capital	Retained earnings	Total equity
Balance as at 1 January 2021	1,017,996	3,523,538	4,541,534
Profit for the year	-	915,946	915,946
Other comprehensive income			
Actuarial gain arising from defined benefit obligation, net of tax	-	22,701	22,701
Distribution to owners			
Dividend paid	-	(810,000)	(810,000)
Balance as at 31 December 2021	1,017,996	3,652,185	4,670,181
Balance as at 1 January 2022	1,017,996	3,652,185	4,670,181
Profit for the year	-	442,880	442,880
Other comprehensive income			
Actuarial gain arising from defined benefit obligation, net of tax	-	16,587	16,587
Distribution to owners			
Dividend paid	-	(360,000)	(360,000)
Balance as at 31 December 2022	1,017,996	3,751,652	4,769,648

The retained earnings represent reserves available for distribution.

The notes on pages 97 to 141 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

		Group		Company	
	Notes	2022	2021	2022	2021
Cash flows from operating activities					
Profit before tax		1,177,729	1,656,714	321,010	982,161
Adjustments for:					
Depreciation on property, plant and equipment	11	272,055	272,093	171,487	173,758
Depreciation of improvements over leased land and buildings	12	8,658	9,910	8,658	9,910
Amortisation of right-of-use assets	13(a)	35,360	35,359	27,797	27,796
Amortisation of intangible assets	14(a)	19,188	12,096	19,188	12,096
Usage of biological assets	17	788,199	694,550	-	-
Loss on disposal of property, plant and equipment	7	2,922	14,499	2,823	1,972
Change in fair value less cost to sell on biological assets	17	224,668	115,171	-	-
Impairment reversal on amount due from related companies		-	-	(18,780)	-
Dividend income	7	-	-	(134,700)	(222,256)
Exchange loss	8	5,126,543	6,295	5,121,209	36,347
Interest income		(1,213,188)	(306,395)	(879,645)	(128,482)
Interest expense	8	180,744	116,571	162,478	97,888
Provision for doubtful debts		1,379	588	1,379	588
Provision for slow moving and obsolete items		2,227	1,833	3,019	1,475
Share of profit of associate	15(c)	(13,806)	(12,071)	-	-
Changes in working capital					
- trade and other receivables		(295,186)	(111,696)	(214,630)	(124,423)
- inventories		(3,262,402)	(1,458,375)	(2,832,171)	(1,436,032)
- trade and other payables		(223,089)	416,929	(417,960)	187,598
- amount due from related companies		(1,759)	(8,921)	30,841	11,532
- amount due to related companies		(5,176,473)	4,379,893	(1,626,809)	4,330,291
Employee benefits	25	26,766	20,641	20,695	15,924
Cash (used in) / generated from operations					
Exchange (loss) / gain		(2,319,465)	5,855,684	(234,111)	3,978,143
Exchange (loss) / gain		(4,900,649)	15,555	(4,895,315)	(14,497)
Interest received		1,069,220	254,958	817,779	125,349
Interest paid		(47,787)	(1,624)	(47,714)	(1,413)
Lease liability paid	13 (b)	(113,412)	(98,188)	(97,137)	(77,142)
Employee benefits paid	25	(2,545)	(10,166)	(1,982)	(9,229)
Tax paid		(334,365)	(231,493)	(250,720)	(167,616)
Net cash (used in) / generated from operating activities					
		(6,649,003)	5,784,726	(4,709,200)	3,833,595
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(209,037)	(150,588)	(55,673)	(113,789)
Purchase of intangible assets	14(a)	(13,894)	(42,511)	(13,894)	(42,511)
Proceeds from disposal of property, plant and equipment		102	-	102	-
Proceeds from dividend income		-	-	134,700	222,256
Purchase of biological assets	17	(1,016,246)	(696,635)	-	-
Net cash (used in) / generated from investing activities					
		(1,239,075)	(889,734)	65,235	65,956
Cash flows from financing activities					
Dividend paid		(460,749)	(976,236)	(360,000)	(810,000)
Net cash used in financing activities					
		(460,749)	(976,236)	(360,000)	(810,000)
(Decrease) / increase in cash and cash equivalents					
		(8,348,827)	3,918,756	(5,003,965)	3,089,551
Movements in cash and cash equivalents					
At the beginning of the year		9,493,679	5,574,923	5,066,674	1,977,123
(Decrease) / increase in cash and cash equivalents		(8,348,827)	3,918,756	(5,003,965)	3,089,551
Cash and cash equivalents at the end of the year	21	1,144,852	9,493,679	62,709	5,066,674

The notes on pages 97 to 141 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 1 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 2022 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
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The Company

Ceylon Grain Elevators PLC	Sri Lanka	Manufacturing and selling of poultry feed and other animal feed and poultry processing and distribution, importing and selling of drugs and vaccines.
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Subsidiaries

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	Renting of farm operation.
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.

Associates

Prima Management Services (Private) Limited	Sri Lanka	Provision ICT solution and services.
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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 except following;

The Directors of Ceylon Aquatech (Private) Limited has temporary suspend its operation of integrated shrimp operations since November 2004. On 13 January 2022, the Directors of the Company rented out the farm for third party for the period of 10 years.

1.4. Approval of Financial Statements by Directors

The Financial Statements were authorised for issue by the Board of Directors on 28 April 2023.

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 93;
- 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 94;
- 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 95;

NOTES TO THE FINANCIAL STATEMENTS

- 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 96; and
- Notes to the Financial Statements comprising significant accounting policies and other explanatory information. Refer page 97 to 141.

1.5. Responsibility for the Financial Statements

The Board of Directors acknowledges 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.

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 - Defined benefit plan Gratuity
- 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 17 - 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 systematic manners 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.

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 Group has consistently applied the following significant accounting policies to all periods presented in the Financial Statements by the Group and the Company, except as mentioned otherwise.

The Institute of Chartered Accountants of Sri Lanka has issued number of new amendments to Sri Lanka Accounting Standards (SLFRSs / LKASs) that are effective for the current financial year. These amendments and interpretations did not have any significant impact on the reported Financial Statements of the Group.

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 inputs.

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

NOTES TO THE FINANCIAL STATEMENTS

liabilities of the Company and of its subsidiaries included in consolidation are shown in the Statement of Financial Position. The interests 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 de-recognises 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.

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; and
- 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; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets - Business model assessment:

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

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

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 on 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 limits 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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; or
- 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.

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 de-recognised. 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 de-recognised. 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

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

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.

A. 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; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise 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.

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 is 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 recognize right of use assets and lease liabilities of leases of low-value assets and short-term leases. The Group recognize 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	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 working progress at purchased cost.

- ☉ Manufactured goods and work-in-progress at factory cost which include all direct expenditure and production overhead at normal level of activity.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

The assumptions based on which the results of actuarial valuation was determined, are included in Note 25 - 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.

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.

3.17. Finance Income / (Cost)

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 amendments thereto 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 (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 26 - Contingent Liabilities, to the Financial Statements.

Commitments are disclosed in Note 27 - Commitments, to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

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

The Institute of Chartered Accountants of Sri Lanka has issued a number of new amendments to Sri Lanka Accounting Standards (SLFRSs/ LKASs) that are effective for annual periods beginning after the current financial year. Accordingly the Group has not early 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.

- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to LKAS 12) - effective for annual reporting period beginning on or after 1 January 2023.
- Other Standards
 - Classification of liabilities as current or non-current (Amendments to LKAS 1) - effective for annual periods beginning on or after 1 January 2023.
 - Disclosure of accounting policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) - effective for annual periods beginning on or after 1 January 2023.
 - Definition of accounting estimates (Amendments to LKAS 8) - effective for annual periods beginning on or after 1 January 2023.

All amounts in Sri Lankan Rupees thousands
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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 Message and Chief Executive Officer's Review (pages 13 to 16).

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	
		2022	2021	2022	2021
Milling and farming		24,676,384	26,877,259	24,676,384	26,877,259
Poultry breeding and commercial		9,286,584	5,251,266	-	-
Others		111,506	108,916	-	-
		34,074,474	32,237,441	24,676,384	26,877,259
Elimination / adjustment		(12,763,781)	(6,163,341)	-	-
		21,310,693	26,074,100	24,676,384	26,877,259
Sales taxes	4 (c)	(3,422,679)	(2,018,612)	(2,453,100)	(1,885,238)
		17,888,014	24,055,488	22,223,284	24,992,021

(c) Sales taxes

	Group		Company	
	2022	2021	2022	2021
Value Added Tax	3,422,679	2,018,612	2,453,100	1,885,238
	3,422,679	2,018,612	2,453,100	1,885,238

NOTES TO THE FINANCIAL STATEMENTS

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

(d) Business segments

For the year ended 31 December 2022	Milling and farming	Poultry breeding and commercial	Others	Elimination / adjustment	Group
Sales to outsiders	15,669,514	2,217,821	679	-	17,888,014
Inter-segmental sales	6,553,770	6,099,184	110,827	(12,763,781)	-
Total revenue	22,223,284	8,317,005	111,506	(12,763,781)	17,888,014
Operating income	4,725,052	619,973	67,461	(154,464)	5,258,022
Finance income	879,645	293,917	39,626	-	1,213,188
Net finance costs	(5,283,687)	(6,068)	(18,197)	665	(5,307,287)
Share of profit of equity accounted investee, net of tax	-	-	-	13,806	13,806
Profit before tax	321,010	907,822	88,890	(139,993)	1,177,729
Taxation	121,870	(248,775)	(33,809)	-	(160,714)
Profit for the year	442,880	659,047	55,081	(139,993)	1,017,015
Other comprehensive income					
Actuarial gain arising from defined benefit obligation - net of tax	16,587	4,931	148	-	21,666
Total comprehensive income for the year	459,467	663,978	55,229	(139,993)	1,038,681

For the year ended 31 December 2021	Milling and farming	Poultry breeding and commercial	Others	Elimination / adjustment	Group
Sales to outsiders	22,269,748	1,768,232	17,508	-	24,055,488
Inter-segmental sales	2,722,273	3,101,728	91,408	(5,915,409)	-
Total revenue	24,992,021	4,869,960	108,916	(5,915,409)	24,055,488
Operating income	987,914	654,427	42,012	(223,239)	1,461,114
Finance income	128,482	161,725	16,188	-	306,395
Net finance (cost) / income	(134,235)	28,814	(18,473)	1,028	(122,866)
Share of profit of equity accounted investee, net of tax	-	-	-	12,071	12,071
Profit before tax	982,161	844,966	39,727	(210,140)	1,656,714
Taxation	(66,215)	113,154	3,898	139	50,976
Profit for the year	915,946	958,120	43,625	(210,001)	1,707,690
Other comprehensive income					
Actuarial gain arising from defined benefit obligation - net of tax	22,701	7,063	220	-	29,984
Total comprehensive income for the year	938,647	965,183	43,845	(210,001)	1,737,674

(e) Business segments

As at 31 December 2022	Milling and farming	Poultry breeding and commercial	Others	Elimination / adjustment	Group
Segment assets	11,454,379	3,674,849	172,963	(64,406)	15,237,785
Associate	33	-	-	88,538	88,571
Inter-segment assets	18,435	3,318,202	464,798	(3,783,344)	18,091
Total assets	11,472,847	6,993,051	637,761	(3,759,212)	15,344,447
Segment liabilities	2,943,245	1,170,916	275,012	(3,114)	4,386,059
Inter-segment liabilities	3,759,954	12,899	100,811	(3,884,155)	(10,491)
Total liabilities	6,703,199	1,183,815	375,823	(3,887,269)	4,375,568
Capital expenditure	69,567	153,364	-	-	222,931
Depreciation / amortisation	180,145	84,961	15,607	-	280,713
Amortisation of right-of-use assets	27,797	2,382	7,563	(2,382)	35,360
Amortisation of intangible assets	19,188	-	-	-	19,188

As at 31 December 2021	Milling and farming	Poultry breeding and commercial	Others	Elimination / adjustment	Group
Segment assets	12,700,169	6,066,011	553,384	(51,218)	19,268,346
Associate	33	-	-	74,732	74,765
Inter-segment assets	14,164	211,368	21,329	(246,861)	-
Total assets	12,714,366	6,277,379	574,713	(223,347)	19,343,111
Segment liabilities	7,820,031	884,191	253,745	(5,803)	8,952,164
Inter-segment liabilities	224,154	12,479	100,811	(337,444)	-
Total liabilities	8,044,185	896,670	354,556	(343,247)	8,952,164
Capital expenditure	156,300	36,798	-	-	193,098
Depreciation / amortisation	183,668	82,002	16,333	-	282,003
Amortisation of right-of-use assets	27,796	2,381	7,563	(2,381)	35,359
Amortisation of intangible assets	12,096	-	-	-	12,096

NOTES TO THE FINANCIAL STATEMENTS

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5. OPERATING PROFIT

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

	Notes	Group		Company	
		2022	2021	2022	2021
Directors' emoluments	31.1	5,580	5,348	2,790	2,558
Auditor's remuneration - Audit service		8,940	7,766	5,430	4,730
- Other services		125	130	65	65
Legal fees		5,282	3,012	4,465	2,259
Depreciation on property, plant and equipment	11	272,055	272,093	171,487	173,758
Depreciation of improvements over leased land and buildings	12	8,658	9,910	8,658	9,910
Amortisation of right-of-use-assets	13 (a)	35,360	35,359	27,797	27,796
Amortisation of intangible assets	14	19,188	12,096	19,188	12,096
Usage of biological assets	17	788,199	694,550	-	-
Staff expenses	6	1,410,026	1,477,166	794,912	977,511
Provision for doubtful debts	20	1,379	588	1,379	588
Provision for slow moving and obsolete items	19	2,227	1,833	3,019	1,475

6. STAFF EXPENSES

	Notes	Group		Company	
		2022	2021	2022	2021
Salaries and wages		1,310,861	1,384,459	719,617	907,015
Social security costs		342	287	227	193
Defined contribution plans		72,057	71,779	54,373	54,379
Employee benefits	25	26,766	20,641	20,695	15,924
		1,410,026	1,477,166	794,912	977,511
The average number of employees as at the year end:					
- Full time		758	737	512	491
- Part time		714	633	183	198
		1,472	1,370	695	689

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

7. OTHER OPERATING (EXPENSES) / INCOME

	Notes	Group		Company	
		2022	2021	2022	2021
Sundry income		73,299	34,242	139,583	55,846
Dividend income		-	-	134,700	222,256
Reversal of impairment provision on amount due from related parties	18	-	-	18,780	-
Change in fair value less cost to sell on biological assets	17	(224,668)	(115,171)	-	-
Loss on disposal of property, plant and equipment		(2,922)	(14,499)	(2,823)	(1,972)
		(154,291)	(95,428)	290,240	276,130

8. NET FINANCE COST

	Notes	Group		Company	
		2022	2021	2022	2021
Interest on lease liability	13(b)	132,957	114,947	114,764	96,475
Foreign exchange transaction loss		5,126,543	6,295	5,121,209	36,347
Interest expense on related parties		14,517	-	14,515	-
Interest expense on bank borrowings		33,270	1,624	33,199	1,413
		5,307,287	122,866	5,283,687	134,235

9. TAXATION

	Notes	Group		Company	
		2022	2021	2022	2021
Current tax		335,629	213,491	223,117	157,748
Over provision in respect of previous year		(1,292)	(267,609)	(1,292)	(116,802)
Dividend tax on inter-company dividend		19,532	27,287	19,532	27,287
Income tax receivable written-off		-	10,596	-	7,469
Deferred tax release recognised in profit or loss	24	(193,155)	(34,741)	(363,227)	(9,487)
		160,714	(50,976)	(121,870)	66,215

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

Company	Category	Tax rate (%)		Tax loss carried forward (Rs.)	
		2022	2021	2022	2021
		First six months	Second six months		
Ceylon Grain Elevators PLC	Manufacturing of feed	18			
	Sales of chicken	14	30	Nil	Nil
	Other sources	24			
Ceylon Livestock and Agro-business Services (Private) Limited	Trading	24	30	Nil	Nil
Ceylon Warehouse Complex (Private) Limited	Storage facilities	24	30	Nil	Nil
Ceylon Aquatech (Private) Limited	Other sources	24	30	12,783,922	25,246,721
Three Acre Farms PLC	Sales of Day Old Chicks including exports	Exempt	Exempt	Nil	Nil
	Other sources	24	30		
Millennium Multibreeder Farms (Private) Limited	Sales of Day Old Chicks including exports	Exempt	Exempt	Nil	Nil
	Other sources	24	30		
Ceylon Pioneer Poultry Breeders Limited	Other sources	24	30	221,532,214	222,282,315

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Reconciliation of effective tax rate

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

	Group		Company	
	2022	2021	2022	2021
Profit before tax	1,177,729	1,656,714	321,010	982,161
Share of profit of equity-accounted investees	(13,806)	(12,071)	-	-
	1,163,923	1,644,643	321,010	982,161
Add: Disallowable expenses	977,208	1,485,145	931,530	1,437,282
Deduct: Allowable expenses	(2,018,896)	(2,032,947)	(1,974,413)	(1,993,624)
Assessable income from business	122,235	1,096,841	(721,873)	425,819
Add: Interest income	1,192,288	299,188	879,645	128,482
Add: Dividend income	134,700	195,131	134,700	194,911
Add: Other source of Income	427,181	359,793	404,096	343,909
Add: Tax loss claimed	968,893	-	969,643	-
Deduct: tax exemptions	(1,283,465)	(900,582)	(395,340)	(53,023)
Taxable income	1,561,832	1,050,371	1,270,871	1,040,098
Income tax using the domestic corporation tax rate				
at 14%	69,388	5,034	69,388	5,034
at 18%	-	70,177	-	70,177
at 24%	203,735	138,280	153,729	82,537
at 30%	62,506	-	-	-
Current tax	335,629	213,491	223,117	157,748
Over provision in respect of previous year	(1,292)	(267,609)	(1,292)	(116,802)
Dividend tax on inter company dividend	19,532	27,287	19,532	27,287
Income tax receivable written-off	-	10,596	-	7,469
Deferred tax release recognised in profit or loss	(193,155)	(34,741)	(363,227)	(9,487)
	160,714	(50,976)	(121,870)	66,215

The Group's effective tax rate for the year 2022 is 30% (2021-17%).

Further information about deferred tax is presented in Note 24 - Deferred Taxation.

10. 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	
	2022	2021	2022	2021
Net profit attributable to shareholders	735,009	1,297,710	442,880	915,946
Weighted average number of ordinary shares (thousands)	60,000	60,000	60,000	60,000
Basic earnings per share (Rs.)	12.25	21.63	7.38	15.27

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.

11. PROPERTY, PLANT AND EQUIPMENT

(a) GROUP	As at 01.01.2022	Additions / WIP transfer	Disposals / Write-off	As at 31.12.2022
Cost				
Land	418,300	-	-	418,300
Building	1,200,295	17,310	-	1,217,605
Leasehold buildings and improvements	714,910	580	-	715,490
Plant and machinery, electrical and farm equipment	2,341,654	29,145	(10,667)	2,360,132
Furniture, fittings and office equipment	216,830	20,171	(2,163)	234,838
Motor vehicles	248,020	-	-	248,020
Capital work-in-progress	61,237	141,831	-	203,068
	5,201,246	209,037	(12,830)	5,397,453

	As at 01.01.2022	Charge over the year	Disposals / Write-off	As at 31.12.2022
Depreciation				
Building	435,865	63,128	-	498,993
Leasehold buildings and improvements	308,071	29,302	-	337,373
Plant and machinery, electrical and farm equipment	1,642,483	148,515	(7,788)	1,783,210
Furniture, fittings and office equipment	178,144	14,067	(2,018)	190,193
Motor vehicles	198,821	17,043	-	215,864
	2,763,384	272,055	(9,806)	3,025,633

	As at 01.01.2022	As at 31.12.2022
Carrying amount		
Land	418,300	418,300
Building	764,430	718,612
Leasehold buildings and improvements	406,839	378,117
Plant and machinery, electrical and farm equipment	699,171	576,922
Furniture, fittings and office equipment	38,686	44,645
Motor vehicles	49,199	32,156
Capital work-in-progress	61,237	203,068
	2,437,862	2,371,820

Reconciliation of the carrying amount of property, plant and equipment as at 31.12.2021

	Caring amount as at 01.01.2021	Additions / WIP transfer	Depreciation charge for the year	Disposals / Write-off	Caring amount as at 31.12.2021
Property, plant and equipment	2,573,866	150,588	(272,093)	(14,499)	2,437,862

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(b) Company	As at 01.01.2022	Additions / WIP transfer	Disposals / Write-off	As at 31.12.2022
Cost				
Land	40,314	-	-	40,314
Building	37,106	11,475	-	48,581
Leasehold buildings and improvements	188,701	580	-	189,281
Plant and machinery, electrical and farm equipment	1,431,141	21,093	(10,140)	1,442,094
Furniture, fittings and office equipment	205,405	19,589	(2,162)	222,832
Motor vehicles	147,190	-	-	147,190
Capital work-in-progress	25,660	2,936	-	28,596
	2,075,517	55,673	(12,302)	2,118,888

	As at 01.01.2022	Charge over the year	Disposals / Write-off	As at 31.12.2022
Depreciation				
Building	10,284	1,934	-	12,218
Leasehold buildings and improvements	37,034	14,292	-	51,326
Plant and machinery, electrical and farm equipment	800,753	128,042	(7,360)	921,435
Furniture, fittings and office equipment	168,341	13,784	(2,018)	180,107
Motor vehicles	108,196	13,435	-	121,631
	1,124,608	171,487	(9,378)	1,286,717

	As at 01.01.2022	As at 31.12.2022
Carrying amount		
Land	40,314	40,314
Building	26,822	36,363
Leasehold buildings and improvements	151,667	137,955
Plant and machinery, electrical and farm equipment	630,388	520,658
Furniture, fittings and office equipment	37,064	42,725
Motor vehicles	38,994	25,559
Capital work-in-progress	25,660	28,596
	950,909	832,170

Reconciliation of the carrying amount of property, plant and equipment as at 31.12.2021

	Caring amount as at 01.01.2021	Additions / WIP transfer	Depreciation charge for the year	Disposals / Write-off	Caring amount as at 31.12.2021
Property, plant and equipment	1,012,850	113,789	(173,758)	(1,972)	950,909

(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
Total			418,299,480

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

Name of the Company	Location	Number of Buildings	Cost
Ceylon Grain Elevators PLC	Attanagalla farm, Attanagalla	56	48,580,288
			48,580,288
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	91	193,361,157
	Hijra farm - A, Pagoda, Beruwala	72	215,255,139
	Hijra farm - B, Beruwala	46	38,717,159
	Makuluwatta farm, Waga	36	69,447,700
			823,427,354
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	56,378,900
			56,378,900
Total			1,217,604,879

(e) Capital work-in-progress

Capital work-in-progress includes the construction of capital assets which mainly consists of buildings, 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 2022 (2021 - 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	
	2022	2021	2022	2021
Fully depreciated property, plant and equipment (Rs.)	1,424,250,735	1,305,489,962	516,495,484	457,576,794

(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 (2021 - 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.

12. IMPROVEMENTS OVER LEASED LAND AND BUILDINGS

	Group		Company	
	2022	2021	2022	2021
Balance at the beginning of the year	125,212	135,122	125,212	135,122
Depreciation for the year	(8,658)	(9,910)	(8,658)	(9,910)
Balance at the end of the year	116,554	125,212	116,554	125,212

COMPANY

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 13 - 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 the lease agreement disclosed in Note 27 - Commitments, to the Financial Statements).

Improvements made to leasehold land and buildings are recognised herein.

13. LEASE ARRANGEMENTS

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

(a) Right-of-use assets

	Group		Company	
	2022	2021	2022	2021
Balance at the beginning of the year	738,082	678,096	581,146	565,626
Amortisation recognised in the Statement of Profit or Loss	(35,360)	(35,359)	(27,797)	(27,796)
Adjustment on remeasurement of lease liability	-	95,345	-	43,316
Balance at the end of the year	702,722	738,082	553,349	581,146

(b) Lease liabilities

	Group		Company	
	2022	2021	2022	2021
Balance at the beginning of the year	891,794	757,840	721,959	637,460
Interest amortised recognised in the Statement of Profit or Loss	132,957	114,947	114,764	96,475
Payment recognised in the Statement of Cash Flows	(113,412)	(98,188)	(97,137)	(77,142)
Exchange translation recognised in the Statement of Profit or Loss	225,894	21,850	225,894	21,850
Adjustment on remeasurement of lease liability	-	95,345	-	43,316
Balance at the end of the year	1,137,233	891,794	965,480	721,959

(c) Maturity analysis of lease liabilities

	Group		Company	
	2022	2021	2022	2021
Due within one year	324,738	207,526	289,261	173,057
Due after one year	812,495	684,268	676,219	548,902
	1,137,233	891,794	965,480	721,959

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14. INTANGIBLE ASSETS

(a) The intangible assets consists with computer software, server software BI tools and ERP (infor) system

	Group		Company	
	2022	2021	2022	2021
Cost				
Balance at the beginning of the year	218,132	175,621	218,132	175,621
Additions during the year	13,894	42,511	13,894	42,511
Balance at the end of the year	232,026	218,132	232,026	218,132
Amortisation				
Balance at the beginning of the year	(155,387)	(143,291)	(155,387)	(143,291)
Amortisation for the year	(19,188)	(12,096)	(19,188)	(12,096)
Balance at the end of the year	(174,575)	(155,387)	(174,575)	(155,387)
Carrying amount	57,451	62,745	57,451	62,745

(b) Fully amortised but still in use

	Group		Company	
	2022	2021	2022	2021
Fully amortised intangible assets (Rs.)	139,606,050	119,918,768	139,606,050	119,918,768

(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 (2021 - Rs. Nil).

(d) Title restriction on intangible assets

The Company has perpetual copyright to use these intangible assets.

(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.

15. INVESTMENT IN ASSOCIATE COMPANY

	Group		Company	
	2022	2021	2022	2021
Prima Management Services (Private) Limited	88,571	74,765	33	33
	88,571	74,765	33	33

(a) Prima Management Services (Private) Limited

	Group	
	2022	2021
Balance at the beginning of the year	74,765	62,694
Share of profit after tax	13,806	12,071
Less: Share of dividend distributed	-	-
Balance at the end of the year	88,571	74,765

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

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

Statement of Financial Position	2022	2021
Total assets	438,251	376,136
Total liabilities	(172,537)	(151,842)
Net assets	265,714	224,294

Statement of Comprehensive Income		
Revenue	320,451	443,842
Profit	41,418	36,213

(c) Share of profit of associate company

	Group's share of profit after tax	
	2022	2021
Prima Management Services (Private) Limited	13,806	12,071
	13,806	12,071

(d) Investment in associate company - unquoted

	Group				Company			
	No of shares	Holding %	2022	2021	No of shares	Holding %	2022	2021
Prima Management Services (Private) Limited (PMS)	3,334	33%	88,571	74,765	3,334	33%	33	33
Net book value as at 31 December	-	-	88,571	74,765	-	-	33	33
Share of movement in equity value	-	-	-	-	-	-	-	-
Equity value in investments	-	-	88,571	74,765	-	-	33	33

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

16. INVESTMENT IN SUBSIDIARY COMPANIES

	Notes	2022	2021
Investment in subsidiary company - quoted	16 (a)	148,625	148,625
Investment in subsidiary companies - unquoted	16 (b)	213,000	213,000
Investment in subsidiary companies - cost		361,625	361,625
Provision for impairment		(60,000)	(60,000)
		301,625	301,625

An impairment assessment was carried out as at 31 December 2022 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.

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(a) Investment in subsidiary company - quoted

	No of shares	Group holding %	Company holding %	2022	2021
Three Acre Farms PLC	13,469,980	57.21%	57.21%		
Net book value as at 31 December				148,625	148,625
Market value as at 31 December				1,680,380	4,044,361

(b) Investment in subsidiary companies - unquoted

	No of shares	Group holding %	Company holding %	2022	2021
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 Agro-business Services (Private) Limited	300,002	100%	100%	3,000	3,000
Net book value as at 31 December				213,000	213,000

(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
	2022	Movement	2021		
Ceylon Livestock and Agro-business Services (Private) Limited	100%	-	100%		Import and sale of poultry equipments, drugs and vaccines.
Ceylon Warehouse Complex (Private) Limited	100%	-	100%		Provides storage facilities.
Ceylon Aquatech (Private) Limited	100%	-	100%		Renting of farm operation.
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.

17. BIOLOGICAL ASSETS

	Notes	Group		Company	
		2022	2021	2022	2021
Fair value less cost to sell at the beginning of the year		557,372	670,458	-	-
Additions during the year		1,016,246	696,635	-	-
Usage for the year	5	(788,199)	(694,550)	-	-
Change in fair value less cost to sell	7	(224,668)	(115,171)	-	-
Fair value less cost to sell at the end of the year		560,751	557,372	-	-
Non-current		516,470	540,229	-	-
Current		44,281	17,143	-	-
		560,751	557,372	-	-

(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.

(b) Measurement of fair value

(i) Fair value hierarchy

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

(ii) Level 3 fair values

The following table shows a breakdown of the total losses recognized in respect of level 3 fair values.

	Group		Company	
	2022	2021	2022	2021
Change in fair value less cost to sell included in 'Other Income'				
Biological assets - Non-current	(224,668)	(115,171)	-	-
Biological assets - Current	-	-	-	-
	(224,668)	(115,171)	-	-

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(iii) Valuation technique and significant unobservable inputs

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Biological Assets	Discounted Cash Flows		
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 yield	The FV will; - increase when DOC yield increased - decrease when DOC yield decreased
		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.

(d) None of the biological assets are pledged as security for facilities obtained by the Group or the Company from banks as at 31 December 2022 (2021 - Nil).

(e) There were no restrictions existed on the title of the Biological Assets of the Group as at the reporting date.

18. AMOUNT DUE FROM RELATED COMPANIES

	Group		Company	
	2022	2021	2022	2021
Ceylon Livestock and Agro-business services (Private) Limited	-	-	-	9,850
Ceylon Aquatech (Private) Limited	-	-	71,801	90,961
Ceylon Pioneer Poultry Breeders Limited	-	-	41	3,934
Ceylon Agro Industries Limited	16,923	16,332	17,226	16,332
Prima Scholarship Fund (Private) Limited	1,168	-	1,168	-
	18,091	16,332	90,236	121,077
Less: Provision for receivables	-	-	(71,801)	(90,581)
	18,091	16,332	18,435	30,496

Provision have been made for receivables from Ceylon Aquatech (Private) Limited amounting to Rs. 71,801,197/- (2021 - Rs. 90,581,308/-). The movement in provision for receivables disclosed in Note 30.1 - Financial instruments.

19. INVENTORIES

	Group		Company	
	2022	2021	2022	2021
Raw materials and consumables	6,834,495	4,555,414	6,222,770	4,418,041
Goods in transit	160,138	73,403	160,138	73,403
Finished goods				
- Feeds	76,854	214,752	76,854	214,752
- Chicken	1,266,410	44,121	1,266,410	-
Out grower stock (work-in-progress)	55,328	243,133	55,328	243,133
	8,393,225	5,130,823	7,781,500	4,949,329
Less: provision for slow moving and obsolete items	(52,297)	(50,070)	(47,253)	(44,234)
Total inventories at the lower of cost and net realisable value	8,340,928	5,080,753	7,734,247	4,905,095

None of the inventories are pledged as security for facilities obtained by the Group or the Company from bank as at 31 December 2022.

20. TRADE AND OTHER RECEIVABLES

	Notes	Group		Company	
		2022	2021	2022	2021
Trade receivables		861,726	730,526	879,977	736,017
Less: Provision for doubtful debts		(189,752)	(188,373)	(184,245)	(182,866)
		671,974	542,153	695,732	553,151
Prepayments		52,363	32,640	48,959	30,401
Other receivables	20 (a)	299,768	155,506	132,981	80,869
		1,024,105	730,299	877,672	664,421

The movement in provision for doubtful debts disclosed in Note 30.1 - Financial instruments.

(a) Other receivables

	Group		Company	
	2022	2021	2022	2021
Deposits and advances	82,169	69,849	53,905	50,566
Staff loans	180	719	180	180
Other receivables	217,419	84,938	78,896	30,123
	299,768	155,506	132,981	80,869

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21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022	2021	2022	2021
Cash at bank	111,063	2,882,705	85,941	2,845,664
Short term bank deposits	1,556,030	6,604,750	500,822	2,215,441
Cash in hand	14,233	6,224	12,420	5,569
	1,681,326	9,493,679	599,183	5,066,674
Interest bearing borrowings	(536,474)	-	(536,474)	-
Cash and Cash Equivalents for the purpose of Statement of Cash Flows	1,144,852	9,493,679	62,709	5,066,674

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

The cash and cash equivalent are held with reputed commercial banks and financial institution counterparties, which are rated 'A' to 'BBB-' based on Fitch ratings.

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.

22. TRADE AND OTHER PAYABLES

	Notes	Group		Company	
		2022	2021	2022	2021
Trade payables		237,364	391,017	120,494	375,208
Accrued expenses		736,430	789,208	262,056	331,169
Dividend payable		5,511	5,971	3,854	4,235
Other payables	22(a)	722,067	862,729	466,771	631,752
		1,701,372	2,048,925	853,175	1,342,364

(a) Other payables

	Group		Company	
	2022	2021	2022	2021
Deposit and advances	89,358	85,229	27,294	23,647
Government taxes	364,811	340,636	239,101	271,546
Staff related expenses	267,898	436,864	200,376	336,559
	722,067	862,729	466,771	631,752

23. AMOUNT DUE TO RELATED COMPANIES

	Group		Company	
	2022	2021	2022	2021
Prima Ceylon (Private) Limited	1,579	72,108	1,579	72,108
Prima Management Services (Private) Limited	36,765	4,159	36,766	3,988
Hapiways Management Services (Private) Limited	426,879	5,562,377	437,369	5,559,175
Three Acre Farms PLC	-	-	2,383,561	187,640
Millennium Multibreeder Farms (Private) Limited	-	-	924,192	27,663
Ceylon Warehouse Complex (Private) Limited	-	-	355,858	8,851
Ceylon Livestock and Agro-business Services (Private) Limited	-	-	96,343	-
Prima Scholarship Fund (Private) Limited	-	3,052	-	3,052
	465,223	5,641,696	4,235,668	5,862,477

24. DEFERRED TAXATION

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

24.1 Deferred tax asset

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

	Notes	Group		Company	
		2022	2021	2022	2021
Balance at the beginning of the year		26,010	21,172	26,010	21,172
Deferred tax release recognised in the Statement of Profit or Loss	9	197,639	17,805	197,639	17,805
Deferred tax charge recognised in Other Comprehensive Income		(7,109)	(4,649)	(7,109)	(4,649)
Effect of change in tax rates - release / (charge) recognised in Statement of Profit or Loss	9	165,588	(8,318)	165,588	(8,318)
Balance at the end of the year		382,128	26,010	382,128	26,010

In 2022, numerous changes to the tax law enacted in Sri Lanka, including an increase in the corporate tax rate from 14%, 18% and 24% to 30%. This change resulted in an additional assets of Rs.165.6 Mn related to the remeasurement of the deferred tax assets of Group being recognised during the year ended 31 December 2022 (2021 - Rs. 8.3 Mn).

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	2022		2021	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
Property, plant and equipment	430,233	129,070	462,610	78,644
Defined benefit obligation	(112,402)	(33,721)	(117,385)	(19,955)
Provision for slow moving and obsolete items	(47,253)	(14,176)	(44,234)	(7,520)
Tax loss	(969,643)	(290,893)	-	-
Provision for staff related expense	(171,113)	(51,334)	(313,784)	(53,343)
Right-of-use assets and lease liabilities	(403,584)	(121,074)	(140,210)	(23,836)
	(1,273,762)	(382,128)	(153,003)	(26,010)

24.2 Deferred tax liability

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

	Notes	Group		Company	
		2022	2021	2022	2021
Balance at the beginning of the year		221,543	245,578	-	-
Deferred tax charge / (release) recognised in the Statement of Profit or Loss	9	(19,121)	(15,114)	-	-
Deferred tax charge recognised in Other Comprehensive Income		2,178	1,219	-	-
Effect of change in tax rates - charge / (release) recognised in Statement of Profit or Loss	9	189,193	(10,140)	-	-
Balance at the end of the year		393,793	221,543	-	-

In 2022, numerous changes to the tax law enacted in Sri Lanka, including an increase in the corporate tax rate from 14% and 24% to 30%. This change resulted in an additional liabilities of Rs.189.2 Mn related to the remeasurement of the deferred tax liabilities of Group being recognised during the year ended 31 December 2022 (2021 - Rs. 10.1 Mn).

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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:

	2022		2021	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
Property, plant and equipment	928,460	278,538	1,042,057	175,265
Biological assets - Non current	516,470	154,941	540,229	75,632
Defined benefit obligation	(29,071)	(8,721)	(30,821)	(4,386)
Provision for slow moving and obsolete items	(64,349)	(19,305)	(103,506)	(18,041)
Tax loss	(5,144)	(1,543)	(5,836)	(817)
Provision for staff related expense	(1,406)	(422)	(2,621)	(629)
Right-of-use assets and lease liabilities	(32,318)	(9,695)	(22,836)	(5,481)
	1,312,642	393,793	1,416,666	221,543

24.3 Effective tax rate

Deferred tax of the Group companies have been computed by applying effective tax rate at the reporting date as follows:

	2022	2021
Ceylon Grain Elevators PLC	30%	17%
Three Acre Farms PLC	30%	14%
Millennium Multibreeder Farms (Private) Limited	30%	14%
Ceylon Warehouse Complex (Private) Limited	30%	24%
Ceylon Aquatech (Private) Limited	30%	24%
Ceylon Pioneer Poultry Breeders Limited	30%	24%

24.4 Unrecognised 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.

	2022	2021
Ceylon Pioneer Poultry Breeders Limited		
Tax losses carried forward	117,229	149,771
Tax effect there on	35,169	35,945
Ceylon Aquatech (Private) Limited		
Tax losses carried forward	12,784	25,247
Tax effect there on	3,835	6,059

25. EMPLOYEE BENEFITS

Defined benefit obligation

	Group		Company	
	2022	2021	2022	2021
Balance at the beginning of the year	148,206	173,583	117,385	138,040
Provisions made during the year	(4,188)	(15,211)	(3,001)	(11,426)
Benefits paid by the plan	(2,545)	(10,166)	(1,982)	(9,229)
Balance at the end of the year	141,473	148,206	112,402	117,385
Movement in the present value of the defined benefit obligations				
Balance at the beginning of the year	148,206	173,583	117,385	138,040
Benefits paid by the plan	(2,545)	(10,166)	(1,982)	(9,229)
Current service cost	14,909	13,939	11,304	10,531
Past service cost	-	(7,133)	-	(5,609)
Interest on obligation	11,856	13,835	9,391	11,002
Actuarial gain during the year	(30,953)	(35,852)	(23,696)	(27,350)
Balance at the end of the year	141,473	148,206	112,402	117,385
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of unfunded obligations	141,473	148,206	112,402	117,385
Recognised liability for defined benefit obligations	141,473	148,206	112,402	117,385
Expense recognised in the Statement of Profit or Loss				
Current service cost	14,910	13,939	11,304	10,531
Past service cost	-	(7,133)	-	(5,609)
Interest on obligation	11,856	13,835	9,391	11,002
	26,766	20,641	20,695	15,924
Expense recognised in the Statement of Other Comprehensive Income				
Actuarial gain during the year	(30,953)	(35,852)	(23,696)	(27,350)
	(30,953)	(35,852)	(23,696)	(27,350)

The provision for retiring gratuity for the year is based on the actuarial valuation made on 31 December 2022.

The actuarial valuation was carried out by Acturial & Management Consultants (Private) Limited for retiring gratuity for employees as at 31 December 2022.

The liability is not externally funded.

Distribution of present value of defined benefit obligation in future years ;

	2022	
	Group	Company
Within the next 12 months	5,600	4,501
Between 2 - 5 years	36,643	30,013
Between 5 - 10 years	49,629	39,643
Beyond 10 years	49,601	38,245
	141,473	112,402

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Actuarial assumptions

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

	Group	Company
	2022	2021
Discount rate	19.00%	11.60%
Future salary increases	15.00%	10.00%

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%.

The average future working life time of an individual, as per the assumptions made as at 31 December 2022 is 12.91 years.

The discount rate has been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee Benefit Obligations as per LKAS 19.

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.

Movement by 1%	2022		2021	
	Increase	Decrease	Increase	Decrease
Group				
Discount rate	(9,042)	13,977	(12,142)	13,922
Future salary scale	14,888	(9,982)	14,690	(12,989)
Company				
Discount rate	(8,030)	9,035	(9,380)	10,731
Future salary scale	9,781	(8,788)	11,333	(10,045)

26. CONTINGENT LIABILITIES

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

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

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

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

(b) A 3175 - Inter Company Employees Union Vs. CGE and Subsidiaries ('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/A796/2007). 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 the Supreme Court. The case is due to be taken up for mention on 10 May 2023.

(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 reference was gazetted by the Minister dated 26 May 2006 referring the case for hearing at the Industrial Court.

This dispute was referred as 'Non offer of employment'. Lawyers appearing for CGE took up an objection in the Industrial Court that there is no such dispute called 'Non offer of employment'. The Industrial Court in its preliminary order rejected the said objection and thereafter CGE made an appeal to the Court of Appeal. Court of Appeal delivered its 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 passed away in the year 2019 and as a result the proceedings were temporarily terminated until a new arbitrator is appointed.

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 was 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. Thereafter, the Minister directed to continue with the original reference. However, due to the fact that the previous reference was withdrawn, there is uncertainty as to what steps need to be taken. The matter was fixed for 11 May 2023 for the parties to file written submissions.

27. 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;

Company Name	Within one year	Within 1 - 5 years	More than 5 years	Total
Ceylon Grain Elevators PLC	97,137	388,548	1,359,918	1,845,603
Ceylon Warehouse Complex (Private) Limited	16,275	65,100	227,850	309,225
	113,412	453,648	1,587,768	2,154,828

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

- (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.

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28. STATED CAPITAL

	Company	
	2022	2021
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.

29. NON - CONTROLLING INTERESTS

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

	Group	
	2022	2021
Balance as at the beginning of the year	2,302,405	2,055,639
Share of net profit of subsidiaries	282,006	409,980
Share of other comprehensive income of subsidiaries	2,110	3,022
Dividend paid	(100,749)	(166,236)
Balance as at the end of the year	2,485,772	2,302,405

(b) NCI Percentage for the year ended 31 December

Company Name	Principal place of business	Operating Segment	Ownership interest held by NCI	
			2022	2021
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	1,804,704	1,762,542
Current assets	5,188,346	4,514,837
Non - current liabilities	(359,697)	(198,014)
Current liabilities	(824,118)	(698,656)
Net assets	5,809,235	5,380,709
Carrying amount of NCI	2,485,772	2,302,405

Statement of Profit or Loss and Other Comprehensive Income

Revenue	8,317,005	4,869,958
Profit for the year	659,047	958,122
Other comprehensive income for the year, net of tax	4,931	7,063
Total comprehensive income	663,978	965,185

Profit attributable to NCI	282,006	409,980
Other comprehensive income attributable to NCI, net of tax	2,110	3,022
Total comprehensive income attributable to NCI	284,116	413,002

Net cash (used in) / generated from operating activities	(671,647)	826,317
Net cash used in investing activities	(500,476)	(313,836)
Net cash used in financing activities	(100,749)	(166,236)
Net (decrease) / increase in cash and cash equivalent	(1,272,872)	346,245

30. 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, aim 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	
	2022	2021	2022	2021
Financial Assets				
Measured at amortised cost				
Trade and other receivables	20	971,743	697,659	828,714
Amount due from related companies	18	18,091	16,332	18,435
Cash and cash equivalents	21	1,681,326	9,493,679	599,183
		2,671,160	10,207,670	1,446,332
				5,731,190

Notes	Group		Company	
	2022	2021	2022	2021
Financial Liabilities				
Other financial liabilities				
Amount due to related companies	23	465,223	5,641,696	4,235,668
Trade and other payables	22	600,132	919,081	352,018
Interest bearing borrowings	21	536,474	-	536,474
		1,601,829	6,560,777	5,124,160
				6,602,126

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Financial Instruments - Statement of Profit or Loss

	2022		2021	
	Gain / income	Losses / expenses	Gain / income	Losses / expenses
Group				
Other financial liabilities				
Interest bearing instruments	1,213,188	33,270	306,395	1,626
Total	1,213,188	33,270	306,395	1,626
Company				
Other financial liabilities				
Interest bearing instruments	879,645	33,199	128,482	1,413
Total	879,645	33,199	128,482	1,413

30.1 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	
		2022	2021	2022	2021
Amount due from related companies	18	18,091	16,332	90,236	121,077
Trade and other receivables	20	971,743	697,659	828,714	634,020
Cash and cash equivalents	21	1,681,326	9,493,679	599,183	5,066,674
		2,671,160	10,207,670	1,518,133	5,821,771

(b) Impairment losses

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

Group	2022		2021	
	Gross	Impairment	Gross	Impairment
Not past due	374,498	-	494,072	-
Post due 0 - 30 days	143,384	-	103,009	-
Past due 31 - 365 days	423,505	-	79,920	-
More than one year	220,108	189,752	209,030	188,373
	1,161,495	189,752	886,031	188,373

Company	2022		2021	
	Gross	Impairment	Gross	Impairment
Not past due	372,166	-	435,149	-
Post due 0 - 30 days	141,610	-	103,009	-
Past due 31 - 365 days	294,326	-	79,690	-
More than one year	204,856	184,245	199,037	182,866
	1,012,958	184,245	816,885	182,866

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

	Group		Company	
	2022	2021	2022	2021
Balance at the beginning of the year	188,373	187,785	182,866	182,278
Impairment loss recognised	1,379	588	1,379	588
Balance at the end of the year	189,752	188,373	184,245	182,866

Impairment of trade receivables for year 2022 and 2021 was calculated based on 'Expected Credit Loss' (ECL) model.

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

Group	2022		2021	
	Gross	Impairment	Gross	Impairment
Not past due	18,091	-	16,332	-
Past due 0 - 365 days	-	-	-	-
More than 365 days	-	-	-	-
	18,091	-	16,332	-

Company	2022		2021	
	Gross	Impairment	Gross	Impairment
Not past due	18,435	-	30,496	-
Past due 0 - 365 days	-	-	-	-
More than 365 days	71,801	(71,801)	90,581	(90,581)
	90,236	(71,801)	121,077	(90,581)

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

	Group		Company	
	2022	2021	2022	2021
Balance at the beginning of the year	-	-	90,581	90,581
Reversal of impairment provision	-	-	(18,780)	-
Balance at the end of the year	-	-	71,801	90,581

30.2 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 2022

	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Group							
Non-derivative financial liabilities							
Trade and other payables	600,132	(600,132)	(600,132)	-	-	-	-
Amount due to related companies	465,223	(465,223)	(465,223)	-	-	-	-
	1,065,355	(1,065,355)	(1,065,355)	-	-	-	-

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	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Company							
Non-derivative financial liabilities							
Trade and other payables	352,018	(352,018)	(352,018)	-	-	-	-
Amount due to related companies	4,235,668	(4,235,668)	(4,235,668)	-	-	-	-
	4,587,686	(4,587,686)	(4,587,686)	-	-	-	-

As at 31 December 2021

	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Group							
Non-derivative financial liabilities							
Trade and other payables	919,081	(919,081)	(919,081)	-	-	-	-
Amount due to related companies	5,641,696	(5,641,696)	(5,641,696)	-	-	-	-
	6,560,777	(6,560,777)	(6,560,777)	-	-	-	-

Company

Non-derivative financial liabilities

Trade and other payables	739,649	(739,649)	(739,649)	-	-	-	-
Amount due to related companies	5,862,477	(5,862,477)	(5,862,477)	-	-	-	-
	6,602,126	(6,602,126)	(6,602,126)	-	-	-	-

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

30.3 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	2022		2021	
	USD	EUR	USD	EUR
Cash and cash equivalents	306,837	-	325,647	-
Trade payables	(418,955)	4,083	(1,315,178)	9,700
Amount due to related companies	(1,142,853)	-	(27,400,871)	-
Total Exposure	(1,254,971)	4,083	(28,390,402)	9,700

Company	2022		2021	
	USD	EUR	USD	EUR
Cash and cash equivalents	153,152	-	298,932	-
Trade payables	(178,031)	4,083	(1,474,745)	9,700
Amount due to related companies	(1,171,053)	-	(27,385,096)	-
Total Exposure	(1,195,932)	4,083	(28,560,909)	9,700

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	
	2022	2021	2022	2021
USD	337.02	198.88	372.00	203.00
EUR	369.32	235.10	386.93	226.86

Foreign currency sensitivity

The impact to the profit or 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	1,141	(1,141)	570	(570)
Trade payables	(1,559)	1,559	(662)	662
Amount due to related companies	(4,251)	4,251	(4,356)	4,356
	(4,669)	4,669	(4,448)	4,448

(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 relates 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	
	2022	2021	2022	2021
Fixed rate instruments	-	-	-	-
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
Variable rate instruments				
Financial assets	1,556,030	6,604,750	500,822	2,215,441
Financial liabilities	-	-	-	-
	1,556,030	6,604,750	500,822	2,215,441

NOTES TO THE FINANCIAL STATEMENTS

All amounts in Sri Lankan Rupees thousands
For the year ended 31 December 2022

Interest rate sensitivity

The impact to the profit or 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	1,111	(1,111)	859	(859)
Short-term bank deposits	15,560	(15,560)	5,008	(5,008)
	16,671	(16,671)	5,867	(5,867)

(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 shareholders.

31. RELATED PARTY TRANSACTIONS

31.1 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	
		2022	2021	2022	2021
Short-term employee benefits	5	5,580	5,348	2,790	2,558
Post employment benefits		-	-	-	-
		5,580	5,348	2,790	2,558

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 31.2 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 Agro-business 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. Cheng Koh Chuen, Bernard	The CGE purchases raw materials from PCL. Also the Company sells processed chicken to PCL.
Prima Management Services (Private) Limited (PMS) Associate Company	Mr. Cheng Chih Kwong, Primus	PMS provides ICT solutions and services to the Company.
Hapiways Management Services Pte Limited (HMS) Group Company	Mr. Cheng Chih Kwong, Primus	CGE purchases 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.
Prima Scholarship Fund (Private) Limited (PSF) Group Company	Mr. Cheng Chih Kwong, Primus Mr. Cheng Koh Chuen, Bernard	PSF maintains a fund on behalf of Group of Companies, with the purpose of providing higher education scholarships for employees' children.

NOTES TO THE FINANCIAL STATEMENTS

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

31.2 Recurrent related party transactions

The Group has a related party relationship with its subsidiaries, associates and related Group companies as disclosed in note number 31.1 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 2022.

(a) Transaction with Subsidiaries

Company	CWCL	CLAS	CAT	TAF	MMF	CPPBL	Total	Total
	Value	%	Value	%	Value	%	Value	2021
Sale of goods	-	-	-	-	607,017	2.7%	-	6,597,115
Purchase of goods	-	6,331	-	-	166,909	0.8%	-	2,723,755
Sale of services	13,562	0.1%	-	26.7%	7,281	0.0%	-	6,105,516
Purchase of services	103,648	0.5%	-	0.1%	-	-	-	46,509
Recovery of expenses	-	-	-	0.0%	-	0.0%	-	103,648
Settlement of third party dues	8,756	-	-	-	17,475	-	-	103,518
Funds received / (paid)	266,582	100.209	19,411	2,699,770	1,419,511	5,000	359,725	290,117
							4,510,483	(146,873)

(b) Transaction with Group Companies

Group	HMS	CAI	PCL	PSF	Total	Total
	Value	%	Value	%	Value	2021
Sale of goods	-	-	18,350	0.1%	-	234,012
Purchase of goods	1,996,228	11.2%	113,981	0.6%	-	2,137,846
Purchase of services	80,932	0.5%	14,515	0.1%	-	96,427
Reimbursement of expenses	1,562	-	32,406	-	-	39,581
Funds received / (paid)	(9,246,417)	201,920	(210,916)	(4,220)	(9,259,633)	(11,170,240)

Company	HMS	CAI	PCL	PSF	Total	Total
	Value	%	Value	%	Value	2021
Sale of goods	-	-	18,350	0.1%	-	233,962
Purchase of goods	1,984,899	8.9%	113,981	0.5%	-	2,125,004
Purchase of services	80,932	0.4%	14,515	0.1%	-	96,427
Reimbursement of expenses	1,562	-	32,406	-	-	39,581
Funds received / (paid)	(9,221,369)	203,434	(210,916)	(4,220)	(9,233,071)	(11,150,003)

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

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

(c) Transaction with Associate

Group	PMS		Total	Total
	Value	%	2022	2021
Purchase of services	77,280	0.4%	77,280	95,820
Funds paid	54,557		54,557	109,295

Company	PMS		Total	Total
	Value	%	2022	2021
Purchase of services	77,280	0.4%	77,280	95,820
Funds paid	54,557		54,557	109,295

(d) The receivables from related companies and payables to related companies on sale / purchase of goods / services are set out in Note 18 and 23 respectively. These receivables and payables are unsecured, interest free and have no fixed repayment terms.

(e) 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.

31.3 Non-recurrent related party transaction

There were no non-recurrent related party transactions exceeding the threshold for the period ended 31 December 2022.

32. EVENTS AFTER THE REPORTING PERIOD

There are no events which require adjustment to, or disclosure in the Financial Statements.

33. 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.

34. DIRECTORS' RESPONSIBILITY

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

35. NET ASSETS PER SHARE

	Group		Company	
	2022	2021	2022	2021
Net assets attributable to ordinary shareholders	8,483,107	8,088,542	4,769,648	4,670,181
Weighted average number of ordinary shares in issue (thousands)	60,000	60,000	60,000	60,000
Net assets per share (Rs.)	141.39	134.81	79.49	77.84

36. DIVIDEND PER SHARE

	Company	
	2022	2021
Final dividend	-	360,000
Total dividend	-	360,000
Weighted average number of ordinary shares in issue (thousands)	60,000	60,000
Dividend per share (Rs.)	-	6.00

LEGACY OF FOUR DECADES OF CONSISTENT PERFORMANCE

For over four decades CGE has consistently delivered value to investors delivering a resilient performance,. We have generated sustainable investor returns and value over the years which validate our strong business model.

FIVE YEAR FINANCIAL SUMMARY

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

	2022	2021	2020	2019	2018
GROUP					
Operating results for the period					
Revenue	17,888,014	24,055,488	18,462,998	17,713,305	17,085,577
Operating profit	5,258,022	1,461,114	1,515,776	1,225,766	1,325,734
Interest income	1,213,188	306,395	341,049	368,051	373,889
Net finance cost	(5,307,287)	(122,866)	(179,081)	(101,595)	(123,163)
Share of profit of equity-accounted investee	13,806	12,071	14,580	6,384	9,779
Profit before taxation	1,177,729	1,656,714	1,692,324	1,498,606	1,586,239
Taxation	(160,714)	50,976	(421,450)	(268,753)	(375,329)
Profit from ordinary activities	1,017,015	1,707,690	1,270,874	1,229,853	1,210,910
Non - controlling interest	(282,006)	(409,980)	(327,061)	(330,670)	(320,415)
Profit attributable to the Group	735,009	1,297,710	943,813	899,183	890,495
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	7,465,111	7,070,546	6,555,874	6,178,635	5,461,400
Non - controlling interest	2,485,772	2,302,405	2,055,639	1,842,801	1,556,631
Non - current liabilities	1,347,761	1,054,017	967,555	943,705	480,247
	12,316,640	11,444,964	10,597,064	9,983,137	8,516,274
Intangible assets	57,451	62,745	32,330	25,077	24,558
Property, plant and equipment and investments	2,870,503	2,589,084	2,730,160	2,947,428	2,803,141
Right-of-use assets	702,722	738,082	678,096	709,072	-
Investment in an associate company	88,571	74,765	62,694	48,114	41,730
Biological assets	516,470	540,229	647,194	593,972	555,918
Current assets	11,108,731	15,338,206	9,870,192	8,307,857	8,145,822
Current liabilities	(3,027,807)	(7,898,147)	(3,423,602)	(2,648,383)	(3,054,895)
	12,316,640	11,444,964	10,597,064	9,983,137	8,516,274
COMPANY					
Key ratios and other information					
Earnings per share (Rs.)	7.38	15.27	11.40	8.45	9.60
Dividends per share (Rs.)	-	6.00	18.00	4.50	3.00
Dividends payout ratio (%)	-	39.29	157.89	53.25	31.25
Market price per share (Rs.)	80.50	121.75	111.00	68.50	59.50
Price earnings ratio (No. of times)	10.91	7.97	9.74	8.11	6.20
Debt / equity ratio (No. of times)	-	-	-	-	-
Interest cover (No. of times)	10.13	764.22	370.37	575.56	549.21
Net assets per share (Rs.)	79.49	77.84	75.69	73.65	68.25
Current ratio (No. of times)	3.67	1.94	2.04	2.23	2.06
Shares traded	17,717,366	33,872,694	27,300,900	6,885,334	7,039,013
US \$ Exchange rate - (average)	337.02	198.88	186.14	179.02	164.04
US \$ Exchange rate - (year end spot)	372.00	203.00	186.90	181.70	182.75

STATEMENT OF VALUE ADDED

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

	2022	2021	2020	2019	2018
Value Added					
Revenue	21,310,693	26,074,100	19,869,784	20,527,716	19,933,520
Cost of materials and services	(16,035,194)	(20,909,965)	(15,368,662)	(14,905,609)	(14,376,404)
Value added by operations	5,275,499	5,164,135	4,501,122	5,622,107	5,557,116
Other income	70,377	19,743	30,400	23,703	33,911
Interest income	1,213,188	306,395	341,049	368,051	373,889
Share of profit of associate	13,806	12,071	14,580	6,384	9,779
Total value added	6,572,870	5,502,344	4,887,151	6,020,245	5,974,695

	2022	%	2021	%	2020	%	2019	%	2018	%
Value Distribution										
Employees										
Salaries, wages, other benefits	1,410,026	21.45	1,477,166	26.85	1,429,977	29.26	1,311,812	21.79	1,301,961	21.79
Government										
Income tax	353,869	5.38	(26,831)	(0.49)	480,323	9.83	353,810	5.88	353,699	5.92
Sales tax	3,422,679	52.07	2,018,612	36.69	1,406,786	28.79	2,814,411	46.75	2,847,943	47.67
Capital providers and creditors										
Interest expenses	47,714	0.73	1,624	0.03	3,197	0.06	1,328	0.02	1,222	0.02
NCI	284,116	4.32	413,002	7.51	323,662	6.62	331,507	5.51	320,106	5.36
Shareholders										
Dividend	-	-	360,000	6.54	1,080,000	22.10	270,000	4.48	180,000	3.01
Value distributed	5,518,404	83.96	4,243,573	77.12	4,723,945	96.66	5,082,868	84.43	5,004,931	83.77
Value Retained										
Depreciation and amortisation	299,901	4.56	294,099	5.34	325,967	6.67	310,142	5.15	262,826	4.40
Reserves	754,565	11.48	964,672	17.53	(162,761)	(3.33)	897,235	10.42	706,938	11.83
Value retained within the business	1,054,466	16.04	1,258,771	22.88	163,206	3.34	1,207,377	15.57	969,764	16.23
	6,572,870	100.00	5,502,344	100.00	4,887,151	100.00	6,020,245	100.00	5,974,695	100.00

SHAREHOLDER INFORMATION

ANALYSIS OF SHAREHOLDERS ACCORDING TO THE NUMBER OF SHARES AS AT 31 DECEMBER 2022

Shareholdings	Number of Shareholders	Resident		Non Resident			Total		
		Number of Shares	Percentage	Number of Shareholders	Number of Shares	Percentage	Number of Shareholders	Number of Shares	Percentage
1 - 1,000	3,946	995,857	1.66	21	10,402	0.02	3,967	1,006,259	1.68
1,001 - 10,000	1,058	3,535,874	5.89	19	84,803	0.14	1,077	3,620,677	6.03
10,001 - 100,000	201	5,976,130	9.96	5	239,907	0.40	206	6,216,037	10.36
100,001 - 1,000,000	25	5,537,067	9.23	1	428,817	0.71	26	5,965,884	9.94
Over 1,000,000	3	8,475,293	14.13	3	34,715,850	57.86	6	43,191,143	71.99
	5,233	24,520,221	40.87	49	35,479,779	59.13	5,282	60,000,000	100.00

CATEGORIES OF SHAREHOLDERS AS AT 31 DECEMBER

	2022			2021		
	Number of shareholders	Number of ordinary shares	Percentage	Number of shareholders	Number of ordinary shares	Percentage
Individual	5,023	9,648,974	16.08	5,398	10,695,262	17.83
Institutional	259	50,351,026	83.92	305	49,304,738	82.17
	5,282	60,000,000	100.00	5,703	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	5,279	32,726,003	54.54	5,700	32,726,003	54.54

FLOAT ADJUSTED MARKET CAPITALISATION

The float adjusted market capitalisation as at 31 December 2022 was Rs. 2,634.3 Mn under Option 5 of Section 7.14.1 (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

LIST OF MAJOR SHAREHOLDERS BASED ON THEIR SHAREHOLDINGS

	31 December 2022		31 December 2021	
	Number of Shares	Percentage	Number of Shares	Percentage
Prima Limited, Singapore	27,270,800	45.45	27,270,800	45.45
Employees' Provident Fund	5,350,549	8.92	5,350,549	8.92
Supra Limited, Hong Kong	5,179,797	8.63	5,179,797	8.63
Eka Limited	2,265,253	3.78	2,265,253	3.78
Employees' Trust Fund Board	1,567,090	2.61	1,397,426	2.33
Rubber Investment Trust Limited A/C No. 01	1,557,654	2.60	-	-
Hatton National Bank PLC Senfin Growth Fund	808,822	1.35	808,822	1.35
Mr. D. G. Wijemanna	485,233	0.81	-	-
Hallsville Trading Group Incorporation	428,817	0.72	428,817	0.71
E. W. Balasuriya & Co. (Private) Limited	392,792	0.65	392,792	0.66
Hatton National Bank PLC A/C No.4 (HNB Retirement Pension Fund)	324,806	0.54	-	-
Senkadagala Finance PLC	300,127	0.50	-	-
Commercial Bank of Ceylon PLC A/C No. 04	250,000	0.42	250,000	0.42
Mr. S. Vamadevan	250,000	0.42	381,515	0.64
Macksons Holdings (Private) Limited	211,000	0.35	-	-
Pioneer Homes (Private) Limited	206,147	0.34	200,000	0.33
Mercantile Fortunes (Private) Limited	194,338	0.32	190,000	0.32
Mr. U. G. R. H. V. Dharmasiri	185,482	0.31	-	-
Amana Bank / Hi-Line Trading (Pvt) Ltd	170,000	0.28	170,000	0.28
N. Vaitilingam & Company Limited	170,000	0.28	170,000	0.28
Total	47,568,707	79.28	44,455,771	74.10

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.

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

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

PAST SERVICE COST

Is the change in the present value of the defined benefit obligation for employee service in prior, resulting from a plan amendment or a curtailment.

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.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

Revenue minus Operating Expenses.

INTEREST COVER

Profit Before Interest and Tax over Finance Expenses.

INVENTORY TURNOVER

Cost of goods sold for the year divided by average inventory Market Capitalisation Number of shares in issue at the end the of period multiplied by the share price at the end of the period.

NET ASSETS

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

NET ASSET PER SHARE

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

NET DEBT

Debt minus Cash and Short Term Deposits.

NET TURNOVER PER EMPLOYEE

Net Turnover over average number of employees.

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.

REVENUE PER EMPLOYEE

Total Sales over Number of employees at the year-end

RETURN ON CAPITAL EMPLOYED

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

RETURN ON EQUITY

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

SHAREHOLDERS' FUNDS

Stated Capital, Capital Reserves and Revenue Reserves.

SHAREHOLDERS' EQUITY RATIO

Total Equity divided by Total Assets.

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 40th Annual General Meeting of the Company will be held on Wednesday, 24 May 2023 at the Sri Lanka Foundation Institute Auditorium, No. 100, Sri Lanka Padanama Mawatha, Independent 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 2022, with the Report of the Auditors' 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 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 74 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".

4. 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 80 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".

5. 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 (having reached 70 years of age on 12th 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 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 74 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".

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

BY ORDER OF THE BOARD

(Sgd.)

S S P Corporate Services (Private) Limited
Secretaries

Colombo 3

28 April 2023

Note:-

- (a) A shareholder 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.

NOTES

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FORM OF PROXY

I/We (NIC No.)

of being a member/s of Ceylon Grain Elevators PLC, hereby appoint

..... (NIC No.) of or failing him

Mr. Wickrema Senaka Weerasooria of Colombo or failing him
 Mr. Cheng Chih Kwong, Primus of Singapore or failing him
 Mr. Chan Kong Meng, Lawrence of Colombo or failing him
 Mr. Cheng Eng Loong of Singapore or failing him
 Mr. Cheng Koh Chuen, Bernard of Singapore or failing him
 Dr. Prathap Ramanujam of Colombo or failing him
 Mr. Rajanayagam Nalliah Asirwatham 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, 24 May 2023, 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:

Ordinary business	For	Against
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 2022, with the Report of the Auditors' thereon.	☐	☐
2. To re-elect Mr. Cheng Koh Chuen, Bernard, Director who retires by rotation at the Annual General Meeting in terms of Article 87 of the Articles of Association.	☐	☐
3. 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.	☐	☐
4. 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.	☐	☐
5. 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.	☐	☐
6. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors and to authorise the Directors to determine their remuneration.	☐	☐
7. To authorise the Directors to determine contributions to charities and other purposes.	☐	☐

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

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

FORM OF PROXY**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 represent 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 Agro-business 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 Bank PLC
Cargills Bank Limited
Pan Asia Banking Corporation PLC
Seylan Bank PLC
Amana Bank PLC

LAWYERS

Varners Lanka Law office
D.L. & F. De Saram

AUDITORS

KPMG, Colombo, Sri Lanka

COMPANY SECRETARY

S S P Corporate Services (Private) Limited
No. 101, Inner Flower Road, Colombo 3

BOARD OF DIRECTORS

Mr. Wickrema Senaka Weerasooria
Non-Executive Independent Chairman

Mr. Cheng Chih Kwong, Primus
Executive Director and Chief Executive Officer

Mr. Chan Kong Meng, Lawrence
Executive Director and Group General Manager

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
Financial Controller

Mr. Jeff Li Zhen Jie
AGM (Technical)

Mr. Lalith Abeywardena
AGM (Sales)

Mr. Sumith Peiris
AGM (Material Management)

Mr. Neil Jayaweera
AGM (Processing)

This Annual Report is
conceptualised, designed
and produced by
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Ceylon Grain Elevators PLC

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Fax : +94 11 2524163

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

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ceylon-grain-elevators/](https://prima.com.lk/businesses/ceylon-grain-elevators/)

