



RESILIENCE

AGSTAR PLC
Annual Report 2016/17



RESILIENCE

➞ The year under review has been a difficult one, for both your Company and the industry in which we operate. Yet we have demonstrated our inherent strength and continued to grow. Today, AgStar is flexible and agile, able to adapt to a changing business landscape by capitalizing on new opportunities for growth.

In spite of our many challenges we continue to strive for excellence, transforming and evolving to meet the changing needs of the hundreds of stakeholders we serve, and confident that our resilience will bring us growth in the years to come.



Registered Name: AgStar PLC
Company Registration No: PV1618 PB/PQ

A Public Quoted Company in Sri Lanka

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OUR VISION

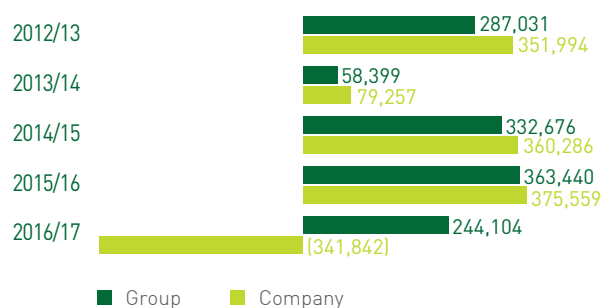
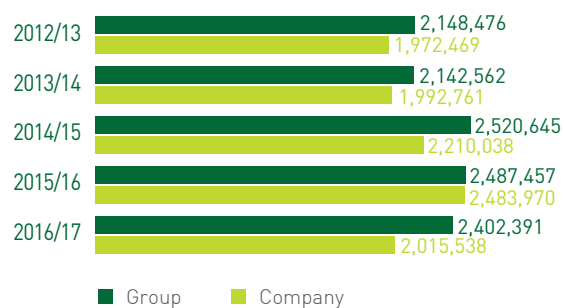
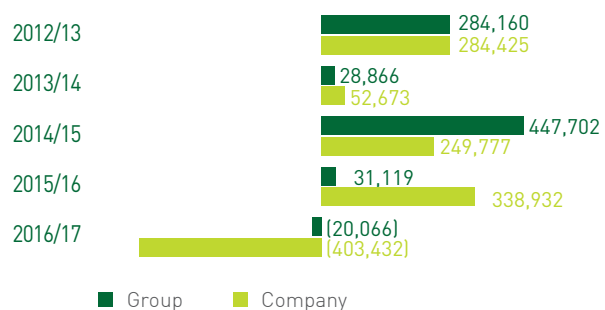
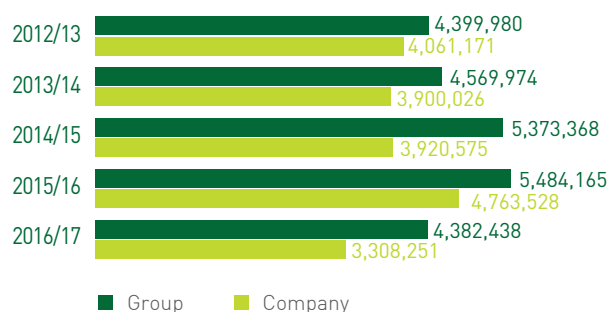
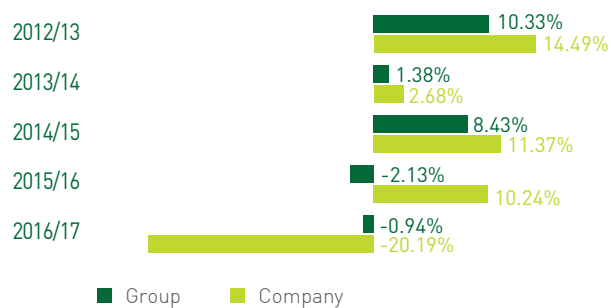
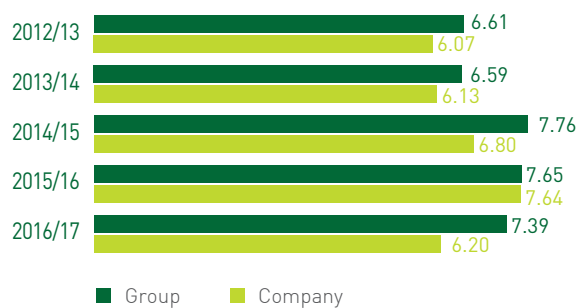
To be the preferred choice for agri inputs, agri products and related services

OUR MISSION

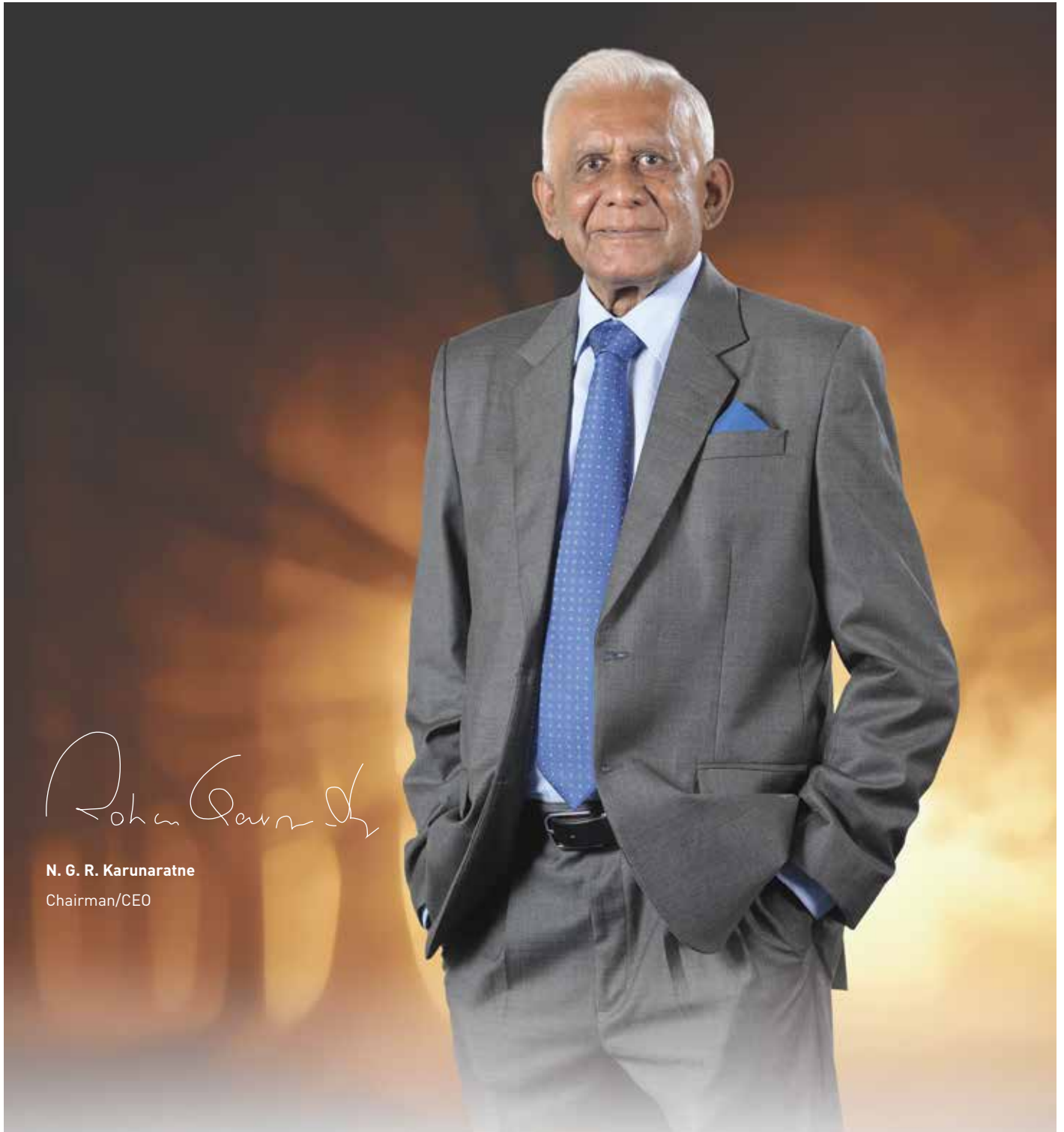
To foster growth and prosperity in agriculture by providing superior quality products and services

FINANCIAL HIGHLIGHTS

Year ended 31st March		2017	2016 Restated	Change
OPERATING RESULTS				
Group Revenue (Continuing Operations)	(Rs'000)	2,784,899	1,728,683	61%
Gross Profit (Continuing Operations)	(Rs'000)	515,969	577,448	-11%
Net Finance Income/(Costs) (Continuing Operations)	(Rs'000)	(38,460)	2,912	-1420%
Profit before Tax (Continuing Operations)	(Rs'000)	244,104	363,440	-33%
Profit for the Year (Continuing & Discontinued Operations)	(Rs'000)	(22,466)	(52,876)	58%
FINANCIAL POSITION				
Stated Capital	(Rs'000)	1,204,094	1,204,094	0%
Non Controlling Interests	(Rs'000)	-	-	-
Property, Plant & Equipment (Continuing Operations)	(Rs'000)	1,029,492	1,041,158	-1%
Current Assets	(Rs'000)	3,140,494	4,292,951	-27%
Total Assets	(Rs'000)	4,382,438	5,484,166	-20%
Non Current Liabilities	(Rs'000)	66,436	178,314	-63%
Current Liabilities	(Rs'000)	1,913,610	2,818,394	-32%
Total Equity	(Rs'000)	2,402,391	2,487,457	-3%
FINANCIAL INDICATORS				
Earnings / (Deficit) Per Share	(Rs)	(0.07)	(0.16)	56%
Dividend Per Share	(Rs)	0	0.2	100%
Net Assets Per Share	(Rs)	7.39	7.65	-3%
Return on Equity	(%)	(0.94)	(2.13)	-56%
Return on Total Assets	(%)	(0.51)	(0.96)	-47%
Gross Profit Ratio	(%)	18.5	33.4	-44%
Net Profit Ratio (Continuing Operations)	(%)	6	13.7	-56%
Current Ratio	(Times)	1.64	1.52	8%
Liquidity Ratio	(Times)	1.16	1.09	6%
Gearing	(%)	14.8	41.6	-64%

Profit Before Tax (Continuing Operations) (Rs. '000)**Net Assets** (Rs. '000)**Total Comprehensive Income** (Rs. '000)**Total assets** (Rs. '000)**Return on equity** (%)**Net assets per share** (Rs.)

CHAIRMAN'S STATEMENT



N. G. R. Karunaratne
Chairman/CEO

I welcome you to the Fifteenth Annual General Meeting of AgStar PLC and have pleasure in presenting to you the Annual Report and Audited Financial Statements for the year ended 31st March 2017.

The year under review was difficult for the Agri Business sector, primary in view of adverse weather. Sri Lanka experienced the worst drought in four decades. The failure of both monsoons resulted in a significant reduction in crop production and market demand for agri inputs. The fertilizer industry too recorded a 40% drop in usage. Despite this, our core fertilizer business remained resilient achieving satisfactory financial results.

AgStar diversification to rice business has not been auspicious, having to face a number of major issues and challenges over the last two years. Crop shortage/failure, adverse weather, escalation of paddy prices, State intervention including fixing of price ceilings and ad hoc policy changes have adversely affected the viability of the rice business.

Further, the Government has exacerbated the plight of local rice millers by encouraging the import of rice with attractive duty concessions to meet the crop shortfall. The price structure is now beneficial to imported rice which previously did not have a market in Sri Lanka. Our diversified rice business is currently a victim of a policy anomaly. Consequently genuine millers, as our selves are being penalized as we have to purchase at current market prices and are unable to make a profit at the stated controlled selling price.

The Board's strategy for diversification to rice business was to achieve a balanced business portfolio with sustainable growth prospect. The industry hitherto had reasonable profit margins. However, State intervention on price control and unfair duty concession on rice imports have impeded the viability of local rice businesses.

Your Board, after a detailed study and much deliberation, has come to the regrettable conclusion that rice milling is not a viable business proposition under the circumstances described above, and has therefore taken a prudent decision to close down and exit from rice business.

FINANCIAL PERFORMANCE

The Group performance was below expectation with the impact of the losses from the rice businesses. Our main rice mill at Anuradhapura recorded a financial loss of 139 million and the Dehiattakandiya rice mill a loss of Rs.51 million for the year.

Consequent to the decision of the Board of Directors to dispose the Rice Business provision has been made in the Company financial accounts for the impairment of the full investment value of Mahaweli Rice Processing Industries (Pvt) Ltd (now known as Mahaweli Agri Trading (Pvt) Ltd) and AgStar Grains (Pvt) Ltd amounting to Rs. 172 million and Rs. 340 million respectively.

Accordingly the Group loss from discontinued operations net of tax was Rs.189.85 million and the profit from continued business a favorable Rs. 167.38 million, for the current year. The comparative figures, restated for the previous year was a loss of Rs.290.29 million and a profit of Rs.237.42 million respectively, thus ensuring a marginal improvement in the overall losses in the profit and loss statement of Rs. 30.41 million this year.

I regret to inform the Board considering the large financial losses from rice businesses has taken a prudent decision not to declare a dividend for this year.

Your board's decision to take the resultant losses upfront from the rice businesses was to avoid our shareholders the risk to diminished profits in the future.



OUR CORE FERTILIZER BUSINESS REMAINED RESILIENT ACHIEVING SATISFACTORY FINANCIAL RESULTS



CHAIRMAN'S STATEMENT ➞



I am firmly of the view that your Board has taken the right decision and results of the Group would reflect a substantial improvement in our financial performance in the coming years.

Details of the performance of the group businesses are given in the Managing Director's review.

FUTURE OUTLOOK

Over the last 15 years we have been widening our product range utilizing our industrial knowledge and skills. Our high end growth strategy has enhanced our products in all agricultural activities.

In the short to medium term we have identified growth opportunities in core business areas, where the market potential has significantly increased as a result of the removal of the fertilizer quota scheme.

Our focus in the future is to identify and develop new environmental and economically viable avenues in the agricultural spectrum. We plan to venture into new areas where free market operations prevail.

We will also focus on acquisitions and partnerships to grow our business portfolio enabling improved return to our stakeholders. We remain confident that we can continue to

specialize and dominate the Agri Business sector we operate in by exploiting the opportunities we have created and delivering greater value in the years ahead.

APPRECIATION

I wish to extend my deep appreciation to the Managing Director, the Executive Management Team and Employees for their dedication and commitment which enabled us to withstand the challenges faced this year.

I thank my colleagues of the Board of Directors for their guidance and valued contribution.

I also take this opportunity to thank our Business Partners, Customers, and Financial Institutions for their continued support.

I look forward to a promising year as we take on new challenges to create greater value for our stake holders.

N. G. R. Karunaratne

Chairman/CEO

29th May 2017

MD'S REVIEW ➞



A. P. Weerasekera
Managing Director

“
**THE GROUP
 TURNOVER
 INCREASED
 FROM RS.
 1,728 MILLION
 IN 2015/16
 TO RS. 2,785
 MILLION IN
 2016/17,**
 ”

The 2016/2017 year was extremely challenging in more ways than one, predominantly the drought condition that prevailed persistent over the two cultivation season's Yala and Maha. Despite this backdrop the AgStar group business achieved and improved results over the previous year.

The group turnover increased from Rs. 1,728 million in 2015/16 to Rs. 2,785 million in 2016/17, while the profit after tax of a negative Rs. 52.87 million posted in the preceding year was reduced to Rs. 22.46 million. A detailed look into the challenges that beset our various business segments during the year will offer a keener insight into the manifold challenges faced by the company.

FERTILIZERS

In the previous year, there was a mood of optimism with the government announcement of the withdrawal of the fertilizer quota system and removal of the restrictions placed to the private sector to market fertilizer to paddy sector, thus the available market expanded approximately by 70%.

However, the expectation to increase the sales volume failed to materialize in the year under review as a result of prevalence of severe drought and removal subsidy, causing 40% drop in fertilizer usage. The combination of these two factors brought down fertilizer usage drastically and as such we were unable to benefit from the opening-up of the fertilizer market.

Compounding the challenge further the government introduced the control price of Rs 2,500 per 50 Kg bag of main straight fertilizer – Urea, TSP, and MOP replacing the earlier import subsidy scheme. Unfortunately the regulator i.e. the State has held on to the

given fixed sales price despite fluctuations in the world market prices, currency exchange and tax changes. The lack of a flexible pricing resulted in having to frequently sell below the landed cost price and incurring losses on sale.

We are hopeful the regulator will introduce a fair pricing mechanism for the benefit of the state and the industry.

CROPCARE

During the year under review, the government ban on the weedicide, Glyphosate, came into force. The weedicide which contributed to 63% of our turnover in the year 2014/15, dropped to 34.7% in 2015/16 and recorded 0% in 2016/17. However, we have already preempted this downward trend and in order to compensate, introduced 'green' products backed by aggressive marketing initiatives. However, we were unable to capitalize on the new product line due to the drought which caused a drop in cultivation extents by farmers. As a result, the crop care segment experienced a marked drop in profits during the year. We are simultaneously developing a new line of products which we hope overcome the above unfavorable situation.

PRITH SEEDS

Prith Seeds performed exceptionally despite tough market condition surpassing the given sales targets for the year. Prith Seeds product portfolio mainly consist quality hybrid vegetable seeds catering up country market. New products have been identified and product development trails are underway.

AGSTAR SEEDS

AgStar Seeds sales performance was adversely affected with a severe drought experienced during both Yala and Maha cultivation season. This resulted in a decline

MD'S REVIEW ➞

in cultivation extent. This situation affected the sales performance resulting in a large value of seeds to be destroyed due to lower germination. Against this backdrop, we are pleased to report that we are successfully made inroads to development of Maize seeds, our own variety- Maxa 999 imported from BISI International – Indonesia in the Monaragala District. It is now planned to expand the market in Monaragala District and introduce the variety to the North Central Province.

PROPERTY BUSINESS

This segment of the business witnessed an appreciation in value of its asset base consisting of its two land banks in Korathota and Ekala by almost Rs. 160 million for the year under review. As at 31st March 2017, the assets were valued at Rs. 1.1 billion. During

“

OUR NEW INVESTMENT IN SEEDS BUSINESS REAPED REMARKABLE RESULTS

”

the year under review, we embarked on development of the Korathota land. In Ekala, we are hoping to build an additional 75,000 sq ft of warehousing on this 9-acre land to add value and appreciate the property value, as it is ideally located to become a key warehousing hub and generate additional income for the Group.

EXPORTS

Turnover increased marginally in the traditional export market of Mexico, Oman and Czech Republic. The receipt of GSP+ facilities by Sri Lanka will give a greater impetus to enhance our export trade to the European



markets and the USA by offering value added products range spices, virgin coconut oil and coconut water.

In the local market segment we have obtained a substantial increase in our turnover to the hotel sector marketing sugar and creamer sachets. In addition we have introduced coconut oil and sunflower oil under our brand name.

GRAINS

In the year under review, AgStar Grains Private Ltd and Mahaweli Rice Processing Industries Private Ltd, incurred significant losses of Rs. 139 million and Rs. 51 million respectively. This was a result of an extremely challenging year which witnessed drought conditions followed by the government reducing the guaranteed price of paddy and exacting greater controls over its selling price. This disrupted the normal demand supply pricing mechanism leading the company to incur a heavy loss. As a result of this downward trend, the Board has decided to exit the Grains side of the business due to excessive government involvement. Going forward, we have shifted the focus of Mahaweli to agri trading and changed the company name to Mahaweli Agri Trading Pvt Ltd. Our intention is to move away from pure rice milling to other agri inputs and agri trading.

LOOKING AHEAD

Despite the various challenges that arose during the year under review, we remain hopeful that conditions will become more favorable to the agri business in the 2017/18 financial year. Our decision to write off investments into the Grains business and subsequent restructuring and the paradigm shift in our product portfolio focus is expected to hold the company in good stead in the



DESPITE THE VARIOUS CHALLENGES, WE REMAIN HOPEFUL THAT CONDITIONS WILL BECOME MORE FAVORABLE TO THE AGRICULTURE BUSINESS IN THE 2017/18



months ahead. The company will focus on improving its out-grower network and continue to sustain relationships with suppliers, customers and other stakeholders.

As part of our corporate stewardship, AgStar PLC had set up the rice milling business with the ultimate goal of benefitting the farmer and providing them access to the entire value chain from seed to market. Unfortunately, the unfavorable regulatory controls and other factors did not help us to realize our vision for the wellbeing of the nation's farmers. We remain hopeful that the government will take into account these concerns to bring about a more beneficial outcome for all stakeholders in the sector.

APPRECIATION

I take this opportunity to thank the Chairman and Board of Directors for their unstinted support and guidance in leading the company in what was one of the most challenging years

in our history. The AgStar team has been resilient and focused their combined energies on navigating a difficult year. We have the interests of our shareholders at heart and will continue to seek new growth opportunities.

A. P. Weerasekera
Managing Director

29th May 2017

BOARD OF DIRECTORS ➞

LEFT TO RIGHT

Mrs. S N Wickramasinghe

Independent & Non Executive Director

Mr. A G Weerasinghe

Independent & Non Executive Director

Mr. W A P Perera

Non Executive Director

Mr. N G R Karunaratne

Chairman/CEO

Mr. H P J de Silva

Independent & Non Executive Director



LEFT TO RIGHT

Mr. I C Nanayakkara

Non Executive Director

Mr. A P Weerasekera

Managing Director

Mr. D N N Lokuge

Deputy Chairman

Mr. D S K Amarasekera

Non Executive Director



BOARD OF DIRECTORS ➞

1. MR. N. G. R. KARUNARATNE

Chairman / Chief Executive

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

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

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

2. MR. A. P. WEERASEKERA

Managing Director

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

Mr. Weerasekera previously was at CIC Agri business having joined the company in 1993. He was Finance Manager of CIC and gathered a wide experience in the management of agro business related activities. Mr. Weerasekera is also the Managing Director of AgStar group subsidiaries and Director of Smart Travel International (Pvt) Ltd.

3. MR. D. N. N. LOKUGE

Deputy Chairman

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

4. MR. ISHARA NANAYAKKARA

Non- Executive Director

Mr. Ishara Nanayakkara is a prominent entrepreneur serving on the Boards of many corporates and conglomerates in the region. He initially ventured into the arena of financial services with a strategic investment in Lanka ORIX Leasing Company PLC and was appointed to the Board in 2002. Today, he is the Deputy Chairman of LOLC and the Executive Deputy Chairman of LOLC Finance PLC, holding directorships in many of its subsidiaries and associate companies.

Backed by over a decade of professional experience in the industry, Mr. Nanayakkara holds the role of Chairman of Commercial Leasing & Finance PLC, one of Sri Lanka's leading financial service providers for over 28 years, as well as LOLC Life Assurance Limited. He is also Deputy Chairman of Seylan Bank PLC, a premier commercial bank in

the country. His vision to cater to the entire value chain of the finance sector manifested in the development of Micro Finance, Islamic Finance, factoring through LOLC Factors, LOLC Life & General Insurance Companies and stock broking through LOLC Securities Ltd.

Leveraging LOLC Group's expertise in the SME sector, the expansion into the Micro Sector was spearheaded by Mr. Nanayakkara, who is the Chairman of their Micro Credit Companies: LOLC Micro Credit Company Ltd, the only private sector microfinance institution in the country with foreign equity, and BRAC Lanka Finance PLC. He also holds a directorship at PRASAC, the largest microfinance Company in Cambodia. Mr. Nanayakkara's interest in microfinance lead to the inauguration of LOLC Myanmar Micro Finance Company Ltd, a green field investment in Myanmar in which he was the founding Chairman, and currently serves as a Director. His proficiency in micro finance in the region is further demonstrated by his involvement at strategic level in LOLC Cambodia Ltd (Previously known as Thaneakea Phum Ltd); the 5th largest microfinance company in Cambodia. He was also recently appointed as a director in LOLC International Private Limited & LOLC Private Limited.

Mr. Nanayakkara's motivation to expand into various growth peripheries is further illustrated through his role as the Executive Chairman of Brown & Company PLC & Browns Investments PLC. Browns Group is a renowned conglomerate with leading market position in trade, leisure, power generation, healthcare, manufacturing, consumer appliances and agriculture equipment. Through strategic investments, he is committed to catalyzing development in the growth sectors of the Sri Lankan economy. Mr. Nanayakkara's involvement in the Boards of Associated Battery Manufacturers (Cey) Ltd and Sierra Constructions Ltd, reflects this business philosophy.

Endorsing his entrepreneurial spirit, Mr. Ishara Nanayakkara received the prestigious 'Young Entrepreneur of the Year' Award at the Asia Pacific Entrepreneurship Awards (APEA) in 2012. He holds a diploma in Business Accounting from Australia.

5. W. A. P. PERERA

Non-Executive Director

Mr. W. A. P. Perera is a founder Director of AgStar Fertilizers PLC and serves as the Chairman of Sierra Cables PLC and a founder Director of Sierra Holdings (Pvt) Limited and Sierra Construction (Pvt) Limited. He has over 35 years experience in the Engineering and Construction industry.

6. MR. D.S.K. AMARASEKERA

Non -Executive Director

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

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

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

7. MR. H. P. JANAKA DE SILVA

Independent and Non -Executive Director

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

Mr. de Silva served as a Consultant to National Development Bank during the period of August 2003 to December 2007 and advised the bank on the integration of financial and accounting systems on the merger of NDB Bank with NDB. He joined Union Bank of Colombo Ltd at the pre operational stage of the bank as General Manager/Chief Operations Officer and was appointed as the Managing Director/CEO in May 2002. During the period from April 1992 to April 1995 Mr. de Silva Served as the

BOARD OF DIRECTORS →

Director-Operations of American Express Bank, Colombo and was responsible for all operational activities and functioned as the Quality Coordinator of the Colombo Office. In September 1976 Mr. de Silva joined Bank of Ceylon as Assistant General Manager/Controller and was elevated to the position of Corporate Adviser in 1979. In February 1987 Mr. de Silva joined Sampath Bank as the founder General Manager/CEO.

8. MR. A. G. WEERASINGHE

Independent and Non-Executive Director

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

Mr. Weerasinghe holds a B.A. in Economics from the University of Ceylon, Peradeniya.

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

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

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

Mr. Weerasinghe joined Bank of Ceylon in 1967 and was appointed the first Manager of Bank Of Ceylon agricultural Service center branch in 1972 one of 300 branches opened throughout the Island to serve small farmers. He has extensive experience in supervised lending and collection in the above sector.

9. MRS. S. N. WICKRAMASINGHE

Independent and Non-Executive Director

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

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

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

10. MR. DANESH ABEYRATHNE

Alternative Director to Mr. Ishara Nanayakkara

He holds Bachelor of Science (Engineering) (Hons), Associate Member of the Chartered Institute of Management Accountants (UK), Associate Member of the Chartered Institute of Marketing (UK), Associate Member of the Chartered Global Management Accountants (USA), Associate Member of Institute of Engineers (SL).

Mr. Abeyrathne is the present Director/Chief Operating Officer of the Gal-Oya Plantations (Pvt) Ltd. and a Director of Gal-Oya Holdings (Pvt) Ltd. Also he serves as a member of the management team of the group plantation companies.

He has 10 years of experience in managerial level in several leading companies including multinationals. He has worked for international projects when he was working for multinationals.

11. SUNJEEVANI KOTAKADENIYA

Alternative Director to Mr. K. Amarasekera

Sunjeevani is the Chief Financial Officer of LOLC Group and counts thirty years of experience in financial management, general management, treasury management and corporate planning in multiple industries. Her exposure to financial services spans across finance, insurance, leasing, factoring fund management, unit trusts and stock broking companies. Her non-financial services experience covers the sectors of leisure, agriculture and plantations, trading, construction and renewable energy. She has been involved in several strategic mergers and acquisitions, business transformation, new business set up and has been a proponent of change management steering change management initiatives.

She is a Director of several companies in the LOLC Group including Browns Hotels and Resorts Ltd. and its subsidiaries, Browns Capital PLC and its subsidiaries and LOLC Motors Ltd.

She was a Member of CIMA Sri Lanka Board 2012-2015 and a Member of Sri Lanka Accounting Standards Committee, and a Member of the Board of National Council for Child and Youth Welfare.

CORPORATE MANAGEMENT TEAM →



LEFT TO RIGHT

- | | |
|---------------------------------|---|
| Mr. Daya Jayasekara | - Director - Technical |
| Mr. Kanishka Samaraweera | - General Manager - Exports |
| Mr. Rajith Perera | - General Manager - Finance |
| Mrs. Uma Shanmuganathan | - General Manager - Accounts & Admin |
| Mr. Aruna Kumarasinghe | - SBU Head - AgStar Seeds and Prith Seeds |



LEFT TO RIGHT**Mr. Athula Gunarathne**

- General Manager - Sales, Product
Development & Compliance

Mr. Lakmal Dasanayake

- General Manager - Mahaweli Fertilizer

Mr. Vipula Waidyaratne

- General Manager - Grains Business

Mr. Saman Premasiri

- Sales Manager - Seeds

Mr. Chandana Udawela

- Sales Manager

Mr. Asela Indika

- Sales Manager



MANAGEMENT DISCUSSION & ANALYSIS

“ DESPITE NUMBER OF EXTERNAL CHALLENGERS PREVAILED, AGSTAR WAS ABLE TO ADVANCE ITS POSITION FORWARD DURING THE YEAR ”

Mounting external pressures weighed down the growth potential of AgStar PLC during the 2016/17 financial year by a significant margin. The adverse conditions from the previous year, namely, severe regulatory pressures, inclement weather conditions and unfavourable market demand for some key client sectors, persisted into the year under review as well, proving to be a drag on various strategies implemented by the company to recoup losses. Nevertheless, the resilient nature of the Group helped it tide over the crisis, with the Board taking some hard decisions to set it on the path to renewed profitability in the new financial year.

The AgStar product portfolio consists of chemical fertilizer, organic fertilizers, granular fertilizers, water soluble fertilizers, seed paddy, grain seeds, hybrid exotic vegetable



Group Turnover

Rs. 2,785 million

FERTILIZER OPERATION

Factory at Ekala



SEEDS OPERATIONS

Factory at Polonnaruwa



FERTILIZER OPERATION**Factory at Ekala****FERTILIZER OPERATION****Factory at Ekala**

seeds, local vegetable seeds, agro chemicals, growth stimulants and specialty agro products categorized into Crop care, Fertilizer, Seeds, Grains, Exports and Property segments of the business.

MACRO ECONOMIC OVERVIEW

In 2016, the Sri Lanka recorded a GDP growth of 4.4 per cent in comparison to 4.8 per cent in the previous year. Unfavourable weather conditions that prevailed during the year adversely impacted economic activity, primarily in the Agriculture sector.

Agriculture, Forestry and Fishing related activities contracted by 4.2 per cent in 2016, resulting in a reduction in their share in real GDP to 7.1 per cent in 2016. Adverse weather conditions that prevailed in 2016 resulted in a contraction mainly in paddy, tea and rubber subsectors. The production of paddy (-8.3 per cent), tea (-11.0 per cent), rubber (-10.7 per cent) and coconut (-1.5 per cent) were the worst affected during the year. The decline in paddy production following the record bumper harvest in 2015, was largely due to the decline in 2016 Yala production by 21.9 per cent, despite the marginal improvement in 2015/16 Maha production by 0.9 per cent.

FERTILIZER OPERATION**Customer Segment****EXPORT OPERATION****Cinnamon Processing**

Total Group Assets

Rs. 4,382 million

MANAGEMENT DISCUSSION & ANALYSIS ➞

VALUE CREATION IS THE ULTIMATE GOAL OF ALL WHAT WE DO

Tea production in 2016 witnessed a substantial decline due to both supply and demand side factors. The prolonged drought in tea growing areas during early 2016, the changes in weather patterns with overcast conditions in mid-2016 and the severe drought condition in late 2016 had a negative effect on tea production. Reduction in the application of fertilizer and weedicides is also thought to have contributed to this decline.



Furthermore, rubber production declined to the lowest volume reported in the past 50 years with a drop in both the extent under tapping and the number of tapping days, in response to low international prices for natural rubber owing to subdued petroleum prices.

Meanwhile, production of coconut dipped marginally during the year and high domestic prices were observed as a result of increased demand from coconut-based industries and high export prices. Vegetable production observed an increase mainly due to an increase in the extent cultivated, as the effect of adverse weather conditions prompted a shift from other food crops to vegetable growing during the year.

FERTILIZER

Our Fertilizer business has been the mainstay of the Group's profitability over the years despite the fact that its imports are tightly regulated. However, this came to an end due to a slew of policy decisions by the regulatory authorities over the last two years which drove our Fertilizer business to a virtual standstill. Drought conditions during the same period further exacerbated the situation. In the previous year, there was a mood of optimism in the industry because the withdrawal of the fertilizer subsidy and subsequent opening of the market due to removal of quota control was being seen as an opportunity for growth. However, this expectation failed to materialize in the year under review. As a result, the company experienced a more than 40% drop in fertilizer usage due to removal of subsidy and the prevalence of drought. The combination of these two factors brought down fertilizer usage. As a result, even though our sales drop was marginal, our expected volume growth did

not materialise and as such we were unable to benefit from the opening up of the industry.

Compounding challenges further, the opening up of the market and removal of the subsidy was followed by a price control of Rs. 2500 per bag of urea, TSP and MOP since 1st March 2015, which has resulted in us having to sell at cost price in the absence of a flexible pricing mechanism.

FUTURE PROSPECTS

The removal of quotas now implies that we are free to plan our own volumes and we hope our new range of organic fertilizers will soon be established in the market.



CROPCARE WILL CONTINUE TO FOCUS ON DIVERSIFYING FURTHER WHILE FORGING STRATEGIC PARTNERSHIP



CROP CARE

This segment consisted of a range of products for agro chemicals, specialty fertilizers, growth stimulants and some organic products. However, pesticides contributed to a major share of our profits in the past. The ban on Glyphosate has proved a major blow to the segment's profitability. Further, the government announcement to curtail imports of several other chemicals we have exposure to places an additional dampener on our profitability.

MANAGEMENT DISCUSSION & ANALYSIS ➞

We are currently in the process of introducing an organic weedicide as a substitute for Glyphosate and have received permission from the regulator to bring down the products and conduct trials. This is an organic 100% weedicide and we are hopeful that if trials are successful it will receive official approval for total weed control. We expect the product to come on board into our portfolio during the next financial year.

During the period under review, we introduced a 100% organic liquid fertilizer and liquid fungicide is also undergoing research and trials presently. The regulator is clearly inclined towards promoting organic products going ahead and we intend to align our product portfolio to this trend as well.

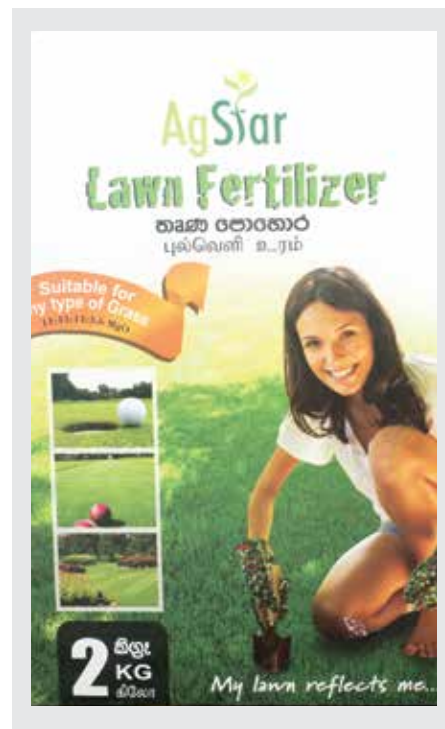
Unfortunately, illegal imports of Glyphosate have been seized on several occasions by customs authorities which reflects the strong demand for this product in the absence of a suitable substitute. In absence of this profitable product, we tried to push for a higher volume of business from other products to make up for revenue shortfall, but our efforts were stymied due to lack of favourable cultivating conditions.

As a result, we had to go into the interiors of the country to conduct farmer related activities and promotions to generate some business. Our decision to recruit a manager in the North, supported by a small staff, and expand the dealer network helped generate additional business to make up for the absence of a popular weedicide product.

We perceive opportunities in the segment and are committed to seeking ways in which to improve further. Tighter regulations are coming into force in the import of pesticides while simultaneously the process to conduct organic trials are slow as well, which are hampering growth in the sector. In the future, we will ensure our new product range is primarily organic in its formulation. In an effort to further diversify the portfolio and reduce dependence on any one category, we are innovating with water soluble, granular, new chemicals and growth stimulant products and organic products, which reflect promising growth potential in the future.

FUTURE PROSPECTS

The company will accelerate its efforts to build an organic and green product portfolio by allocating a greater proportion of its annual



budget to R&D efforts, while strengthening sales and marketing initiatives. Expansion of the dealer network and aggressive marketing efforts will continue. The Crop Care segment will continue to focus on diversifying further while forging strategic partnerships.



SEEDS

AgStar Seeds

The industry and by a natural corollary the company was severely affected by the inclement weather conditions that led to drought over two planting seasons during the year under review. The highlight for AgStar Seeds was the branding of its maize seeds under the brand name of Maxa, which was the main achievement during the year. Since 2007, the maize business has been slow, but within a short time since the re-branding, the company has won tenders from various government institutions which has helped firmly establish the Maxa brand.

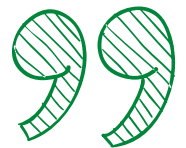
Last year we had imported onion seeds anticipating high demand but due to climatic conditions it was not possible to sell and we had to write off the total stock. The same had to be done for a stock of beans as on delivery we discovered that this was not the stock we intended to introduce to the market. These instances caused a loss to the company. Buoyed by the sale of our maize seeds, we will further develop the maize product line by leveraging on our Indonesian supplier with whom we hope to collaborate closely to develop more products. Going ahead, our focus will be on high volume business.

Prith Seeds

Operating profits of Prith Seeds went up by 100% while turnover increased by 28% over the previous year. Profits from operations improved and we added bean seeds to our product line and we have been able to develop market and expand to different areas such as Jaffna, Kalpitiya and Puttalam, as earlier we were only established in upcountry areas. Greater geographic expansion has certainly helped the market. Meanwhile, our chilli hybrid seeds exhibited five-fold growth during



PRITH SEEDS POSTED A 28% INCREASE IN TURNOVER DURING THE YEAR



MANAGEMENT DISCUSSION & ANALYSIS

EXPORT OPERATIONS

Organic Products



the year. Watermelon, cucumber and cabbage seeds too performed very well. At the same time, our main product, which is capsicum, has been affected drastically due to market conversion to hybrid seeds.

FUTURE PROSPECTS

Our focus ahead will be to increase our product lines while expanding out-grower programmes for seed paddy through technical support and extension services. We are considering offering farmers a total package consisting of seeds, agro chemicals and so on as part of our marketing efforts. Prith Seeds has successfully consolidated its value chain with suppliers, staff and customers, which has been invaluable and we hope to build on this further in the months ahead.

GRAINS

In the year under review, AgStar Grains Pvt Ltd and Mahaweli Rice Processing Industries Pvt Ltd, incurred a loss of Rs. 139 mn and Rs. 51 mn respectively. As a result of this downward trend, the Board has decided to exit the Grains side of the business due to excessive government involvement. Going forward, we have shifted the business of Mahaweli to agri trading and changed the company name to Mahaweli Agri Trading Pvt Ltd.. Our decision will see a move away from pure rice milling to other agri inputs and agri trading.

EXPORTS

This segment of the business experienced a growth in turnover and this was achieved by reducing recurring cost expenditure and by tapping into new markets such as Mexico, UAE and Oman, in addition to existing markets of UAE, USA and UK. The decision taken to concentrate on value added products in the local market in order to generate additional revenue proved wise. Currently, we are supplying sunflower oil to Keells Supermarkets under the K Choice brand since

October 2016. We have also launched AgStar sunflower oil and white and brown sugar sachets for the local market.

The drought conditions posed a big problem as prices went up which put pressure on profit margins. Dried fruits and dried vegetables will be added to our portfolio soon. We continue to adhere to quality standards and identification on niche markets and also directly work with farmers who cultivate export crops. Furthermore, our adherence to USDS and EU quality certifications and ISO 2005 ensures acceptability by high-end markets, as it satisfies their quality demands and exacting hygiene standards.

FUTURE OUTLOOK

The company will sustain its focus on exploring new and untapped markets while effecting greater penetration in existing markets. We will also consolidate local business to further augment our revenues. Lastly, we will continue innovating new products to meet evolving trends in global markets.

PROPERTY

Property Business

This segment of the business witnessed an appreciation in value of its asset base consisting of its two land banks in Korathota and Ekala by almost Rs. 270 mn for the year under review. As at 31st March 2017, the assets were valued at Rs. 1.1 bn. During the year under review, we embarked on development of the Korathota land. In Ekala, we are hoping to build 75,000 sq ft of warehousing on this 9-acre land to add value and appreciate the property value, as it is ideally located to become a key warehousing hub and generate additional income for the Group.



PROPERTY SECTOR WITNESSED AN APPRECIATION IN VALUE OF ITS ASSETS BASE WHICH WERE VALUED ABOVE RS. 1.1BN



FINANCIAL REVIEW

The Group posted a turnover of Rs 2.785 mn for the 2016/17 financial year, representing a 61% increase when compared to the figure of Rs 1.729 mn in the previous year. As usual, the fertilizer segment was the highest contributor towards the Group revenue. The Group made a loss of Rs 22.4 mn for the year 2016/17 as against the loss of Rs 52.8 mn in the year 2015/16, depicting a reduction in losses by 57% year on year. The total asset base of the Group decreased by 20% during 2016 and return on assets was at (0.51%) showed an improvement of 47% as compared to a figure of (0.96%) % in the previous year.

Earnings per share reflected a decrease, namely Rs. 0.07 negative as compared to Rs. 0.16 negative in previous year. There were no new share issues during the period under review and the return on shareholders' equity was negative, (0.93%) as against (2.13%) in the year 2015/16.

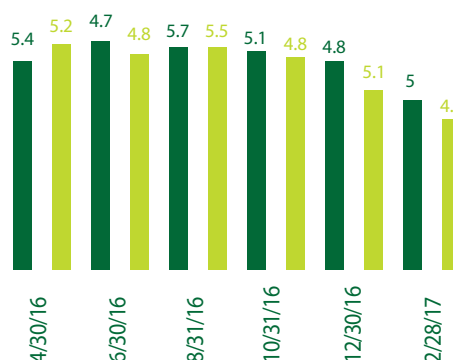
SHAREHOLDER INFORMATION

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

Share Prices

The share prices showed a gradual decline through the year under review ending at Rs 4.3 per share as on 31st March 2017. The highest share price recorded during the financial year was at Rs. 6.8 whereas the lowest recorded at Rs. 4.2. The table of graphs depicts the AgStar share price trends during the year under review.

Share Price



Dividend per Share



MANAGEMENT DISCUSSION & ANALYSIS

➔

The Interest Cover

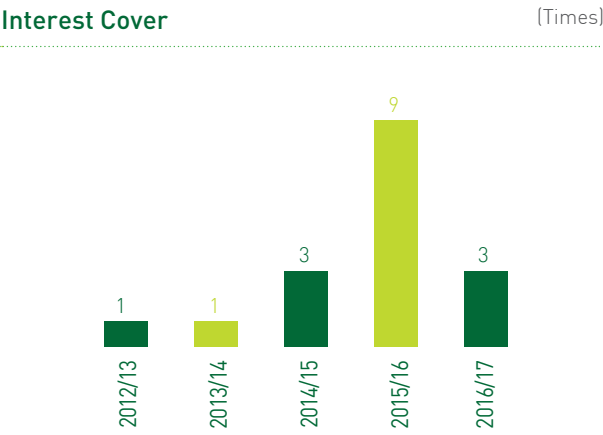
The interest cover during the year reduced to 3 from the figure of 9 times (on profit from continued business) in 2015/16. This is a result of the overall increase in interest cost in the group as a whole compared to the previous year

Dividends

No dividend has been proposed by the Board for the Financial year 2016/17.

Conclusion

Despite the drawbacks and certain difficulties prevailed during the period under review, AgStar is confident enough to resilient enough to face them and overcome in near future. Operational adjustments have been made in order to gain the benefit out of the present market situation. Our specialty and our recognition in the market remain confidently and it is said that the best is produced after going through many difficulties.



SUSTAINABILITY REPORT

“AGSTAR CLOSELY ENGAGES WITH FARMING COMMUNITIES ON ACTIVITIES WITH FARMERS BY OFFERING VALUABLE TECHNICAL INPUTS.”

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

• Education

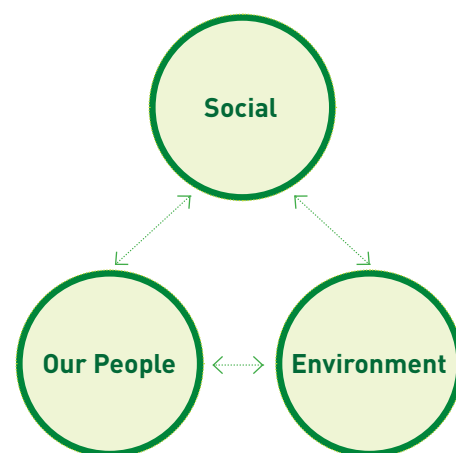
Creating awareness amongst the farmer community about improved cultivation methods and enhancing their knowhow by playing a consultancy and advisory role has had a far-reaching impact. AgStar staff advises farmers on adopting good agriculture practices as well as developing leadership abilities by improving their financial and



SOCIAL RESPONSIBILITY PROJECTS

Social responsibility is instilled in the company's DNA and all the business sectors work in close collaboration with key stakeholders - farmers - to improve the agricultural output, enhance farmer livelihood and develop food security for the nation. The company closely engages with farming communities on activities related to Seeds, Fertilizer, Grains, Crop care and adds value to the strong relationships with farmers by offering valuable technical inputs such as methods for high yields and adopting best practices in farming.

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



marketing skills. Our CSR projects have in the past also included their families, by training local school children and family members on ICT and language skills. AgStar Seeds conducts farmer training programmes for its outgrower network which is involved in the production of seed paddy and vegetable seeds.

PragnaPradeepa gifts education

In order to promote educational aspirations amongst students, the company makes regular donations of school materials such as the PragnaPradeepa campaign. For 25 years, PragnaPradeepa has been enlightening the lives of children with the gift of education.

SUSTAINABILITY REPORT →



AgStar makes a donation towards the project every year to support the under-privileged school children in the Borella area. For this year's handing over ceremony, AgStar, invited United National Party Provincial Councillor Jayantha de Silva, to distribute school books and study equipment to 10,000 students at an event on 14th December 2016 at Campbell Park in 2016.

• Health and Sanitation

The company is active in enhancing health and sanitation awareness in local communities and during the period under review, AgStar held a Health Camp at Pambewatta estate in Parakaduwa. The objective of the initiative was to enhance the health conditions for the company's stakeholders in keeping with our positioning as a brand that cares for its stakeholders and promotes its well-being. During the course of the Health Camp, the attending medical staff checked blood sugar & FBC/ECG/Blood pressure/vision and other general health problems of participants amounting to over 250. The company bore the cost of provided medicine/meals/doctors fees

and other services. The partners in the project were Araya Private hospital and the Siyanetha Vision center. The Health Camp was successful in identifying non communicable diseases and cataract amongst the participants whilst also advising them on prevention measures. The Health Camp achieved a wide coverage of people from Rathnapura District - Ehaliyagoda area, Ambalanpitiya, Godagampala and Pabegama Villages.

• Nutrition

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

AgStar PLC reaches out to flood victims

On 15 May 2016 Sri Lanka was hit by a severe tropical storm that caused widespread flooding and landslides in 22 out of 25 districts in the country, destroying homes and submerging entire villages. At least 104 people are known

to have died following this disaster and 99 people were missing, the majority due to a landslide in Aranayake, Kegalle District, which devastated three villages. An estimated 301,602 people have been affected by this disaster, including at least 21,484 people who remain displaced from their homes. As a result of the floods and landslides, 623 houses have been completely destroyed and 4,414 homes have been damaged. Colombo, Kaduwela, Peliyagoda and Kelaniya areas were submerged under water. In a bid to allay the suffering of the flood victims, AgStar PLC donated dry rations, new clothes, baby food and mineral water to over 2,000 affected people in the area. Kanishka Samaraweera - with the assistance of Lions District 306c2 - went to the affected areas and gave away to the victims.

• Environment

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

• Farming Commercialization

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

• Social Welfare activities

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

CORPORATE GOVERNANCE

GENERAL GOVERNANCE POLICY

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

It is the firm belief of the Board of Directors that an effective self-regulatory framework is vital to pursue stakeholder confidence in the context of increasing trends in deregulation and lack of regulations in certain areas.

AgStar PLC ("AgStar") has continued its commitment to maintain high standards of corporate governance in order to ensure the integrity, accountability and transparency of all transactions and as well as to ensure equal importance to business performance in order to ensure value creation.

AGSTAR'S ADOPTION OF CORPORATE GOVERNANCE

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

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

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

CORPORATE GOVERNANCE ➞

Corporate Governance Principle	Principle No.	Level of Compliance																																																												
		<table><tr><th>Name of Director</th><th>Board Meetings</th><th>Audit Committee Meetings</th><th>Remuneration Committee Meetings</th><th>Related Party Committee Meetings</th></tr><tr><td>Mr. N. G. R. Karunaratne</td><td>7/7</td><td></td><td></td><td>4/4</td></tr><tr><td>Mr. D. N. N. Lokuge</td><td>2/7</td><td></td><td></td><td></td></tr><tr><td>Mr. A. P. Weerasaekara</td><td>7/7</td><td></td><td></td><td>4/4</td></tr><tr><td>Mr. A. P. W. Perera</td><td>5/7</td><td></td><td></td><td></td></tr><tr><td>Mr. D. S. K. Amarasekara</td><td>1/7</td><td></td><td></td><td></td></tr><tr><td>Mr. I. C. Nanayakkara</td><td>0/7</td><td></td><td></td><td></td></tr><tr><td>Mr. A. G. Weerasinghe</td><td>7/7</td><td>5/5</td><td>1/1</td><td>4/4</td></tr><tr><td>Mr. H. P. J. De Silva</td><td>6/7</td><td>5/5</td><td>1/1</td><td>4/4</td></tr><tr><td>Ms. S. Wickramasinghe</td><td>5/7</td><td></td><td></td><td></td></tr><tr><td>Mr. D. Abeyrathne (Alt. Director to Mr. Nanayakkara)</td><td>1/2</td><td></td><td></td><td></td></tr><tr><td>Mrs. S. Kotakadeniya (Alt. Director to Mr. Amarasekera)</td><td>1/2</td><td></td><td></td><td></td></tr></table>	Name of Director	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Related Party Committee Meetings	Mr. N. G. R. Karunaratne	7/7			4/4	Mr. D. N. N. Lokuge	2/7				Mr. A. P. Weerasaekara	7/7			4/4	Mr. A. P. W. Perera	5/7				Mr. D. S. K. Amarasekara	1/7				Mr. I. C. Nanayakkara	0/7				Mr. A. G. Weerasinghe	7/7	5/5	1/1	4/4	Mr. H. P. J. De Silva	6/7	5/5	1/1	4/4	Ms. S. Wickramasinghe	5/7				Mr. D. Abeyrathne (Alt. Director to Mr. Nanayakkara)	1/2				Mrs. S. Kotakadeniya (Alt. Director to Mr. Amarasekera)	1/2			
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		<p>The Responsibilities of the Board</p> <p>The Board is ultimately accountable for ensuring that, as a collective body, it has the appropriate skills, knowledge and experience to perform its role effectively.</p> <p>The Board is responsible for the following:-</p> <ul style="list-style-type: none">• formulation, implementation and monitoring of strategy• effective systems to secure integrity of information, internal controls and risk management• compliance with laws, regulations and ethical standards• ensuring all stakeholder interests are considered in corporate decisions																																																												

Corporate Governance Principle	Principle No.	Level of Compliance
Directors		<p>The Board has delegated several functions to Board Committees, while retaining final decision rights pertaining to matters under the purview of the Committees. The composition and the functions of these sub-committees are discussed in detailed under the relevant sections of this Report.</p> <p>Obtaining Independent Professional advice</p> <p>In discharging their duties the Directors are permitted to seek independent professional advice from external parties when necessary at the expense of the Company.</p> <p>Company Secretary</p> <p>The Directors have access to the advice and services of the Company Secretary. The Company Secretary advises on the need to comply with Board Procedures, relevant statutory obligations and other applicable rules and regulations.</p> <p>Independent Judgment</p> <p>All Directors employ independent judgment in all decisions pertaining to strategy, performance, resource allocation and standards of business conduct and acts free from any undue influence and bias from other parties</p> <p>Dedication of adequate time and effort to matters of the Board and the Company</p> <p>The Board members dedicate adequate time and effort to fulfill their duties as Directors of the Company and ensure that they are satisfactorily discharged.</p> <p>Newly appointed Directors who do not have previous public company experience at Board level are provided with appropriate training on their role and responsibilities. New Directors participate in a comprehensive and tailored induction program including meetings with members of the senior management. The induction program includes a full review of corporate responsibility. Subsequent training is available on an ongoing basis to meet any particular needs.</p>
Chairman & Managing Director	A.2	A clear division of responsibility is maintained between the Chairman and the Managing Director ensuring that the balance of power and authority is preserved.
Chairman's role	A.3	<p>The Chairman being responsible for the running of the Board facilitates the effective discharge of Board proceedings and ensures that:</p> <ul style="list-style-type: none"> • effective participation of both Executive and Non-Executive Directors is secured • all Directors are encouraged to make effective contributions to proceedings • the views of Directors on issues under consideration are ascertained, and • Board is in control of the affairs of the Company and alert to its obligations to all stakeholders

CORPORATE GOVERNANCE ➞

Corporate Governance Principle	Principle No.	Level of Compliance
Financial Acumen	A.4	The members of the Board possess the necessary knowledge and competence to offer guidance on matters of finance
Board balance	A.5	<p>The Board considers the independent Directors as free of any business relationship or other circumstance and independent of management that could materially interfere with or could be reasonably perceived to materially interfere with the exercise of their, unfettered or independent judgment.</p> <p>To determine their independence, the Board reviews all Directors' interests that may give rise to a potential or perceived conflict, and any circumstances relevant to their current or ongoing independence as set out in the Rules and Regulations of the Colombo Stock Exchange.</p> <p>Mr. H. P. J. de Silva and Mr. A. G. Weerasinghe meet the criteria for independence specified by Rule 7.10.4 of the Listing Rules of the Colombo Stock Exchange. These Directors have submitted written declarations of their independence as required by section 7.10.2(b) of the Listing Rules.</p>
Supply of Information	A.6	<p>The Board is provided with timely information in an appropriate manner enabling it to discharge its duties effectively.</p> <p>In the event the information volunteered by management is not adequate the Directors make further inquiries. The Chairman ensures all Directors are appropriately briefed on issues arising at Board meetings.</p> <p>The minutes, agenda and connected papers required for a Board Meeting are dispatched to the Directors in advance enabling them with sufficient time to review the papers and request for any additional information or clarifications on matters when necessary.</p>
Appointments to the Board	A.7	<p>The Board has not established a Nominations Committee for making recommendations on Board appointments. Hence appointments to the Board are made collectively and with the consent of all the Directors.</p> <p>Upon the appointment of a new Director to the Board, the Company informs the Colombo Stock Exchange a brief resume of the Director which includes;</p> <ul style="list-style-type: none"> the nature of his expertise in relevant functional area, other Directorships or memberships in Board sub committees, whether the Director is considered an Independent Director.










Corporate Governance Principle	Principle No.	Level of Compliance
Re-election	A.8	In compliance with the Articles of Association of the Company, one third of the Directors retire by rotation at every Annual General Meeting. A Director appointed during the year retires at the next Annual General Meeting of the Company and seeks re-appointment in terms of the Articles of the Company.
Disclosure of Information in respect of Directors	A.9	Current Directors' biographical details are set out on pages 14 to 19 of this Annual Report. These include their main external commitments.
Appraisal of the Managing Director	A.10	The Annual appraisal of the Managing Director is carried out by the Board at pre-agreed performance targets.
Remuneration Procedure	B.1	<p>The Board has established a formal and transparent procedure for developing policy on Executive remuneration and for fixing the remuneration. In order to avoid potential conflicts of interest, the Board has delegated powers to the Remuneration Committee to make recommendations to the Board on remuneration policy and practice that is consistent with the Objectives of the Company.</p> <p>The Remuneration Committee consists of two Non-Executive independent Directors. The names of the members of the Committee are indicated in the Directors' Report on the State of Affairs of the Company.</p>
Level and makeup of remuneration	B.2	<p>The level of remuneration for both Executive and Non-Executive Directors is sufficient to attract and retain the Directors to run the Company successfully. The Remuneration Committee compares the levels of remuneration of the Company in relation to other companies in the industry.</p> <p>The Remuneration Committee report appears on page 46 of this Report.</p>
Directors	B.3	The total remuneration of the Directors' disclosed in Note 11 to the Financial Statements.
Constructive use of The Annual General Meeting	C.1	<p>The Shareholders of the Company have the opportunity to meet and question the Board at the Annual General Meeting. Each item of business to be considered at the Annual General Meeting is included with the Notice of Meeting which is sent to shareholders at least 15 Working days prior to the meeting.</p> <p>The Chairpersons of the Audit and Remuneration Committees are present at the Annual General Meeting to answer any questions raised by the shareholders.</p>
Major transactions	C.2	There were no major transactions during the year as defined by Section 185 of the Companies Act No. 01 of 2007 which materially affect the net asset base of AgStar PLC or Consolidated Group net asset base.

CORPORATE GOVERNANCE ➞





Corporate Governance Principle	Principle No.	Level of Compliance
Financial reporting	D.1	<p>The Board ensures that the quarterly and annual Financial Statements of the Company are prepared and published in compliance with the requirements of the Companies Act No 07 of 2007, Sri Lanka Accounting Standards and the Colombo Stock Exchange.</p> <p>The Statement of Directors' Responsibility in preparation of the Financial Statements is given on page 50 of this Report.</p> <p>The declaration by the Board that the Company is a going concern is given in the Directors' Report on the state of affairs of the Company.</p>
Internal control	D.3	<p>The Audit Committee consists of two Independent Directors. The members of the Committee are indicated in the Directors' Report on the state of affairs of the Company.</p> <p>The Committee is empowered to examine and report on the following :-</p> <ul style="list-style-type: none"> • Review the financial reporting system • Review internal control framework and identify business risks • Review the quality of external and internal audit performance • Review compliance with laws, regulations and professional standards • Recommend the appointment and fees of external auditors <p>The Committee met four times during the year The Chairman/Chief Executive and the Managing Director of the Company attended all meeting by invitation.</p>
Code of business Conduct and ethics	D.4	<p>The Directors have adopted and adhered to the Code of Business Conduct and Ethics for Directors.</p> <p>A set of Guidelines for ethical behavior has also been compiled to help employees to act with responsibility and to, make the right decisions in their daily work. This Code of Conduct explains the principles for dealings with business associates, general partners, colleagues and in the community in which we operate. Thus it supports all employees in acting ethically not only in their dealings with one another but also outside the Company.</p>




Corporate Governance Principle	Principle No.	Level of Compliance
Institutional and Other investors		
Shareholder voting	E.1	<p>The company is committed to maintaining good communications with investors. The Chairman conducts a structured dialogue with the shareholders based on the mutual understanding of objectives and ensures that the views of the shareholders are communicated to the Board as whole.</p> <p>All shareholders are encouraged to participate at meetings of the Company, and a form of proxy accompanies each notice providing shareholders who are unable to attend such meeting the opportunity to cast their vote.</p>

Disclosures pertaining to Corporate Governance Practices



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

CORPORATE GOVERNANCE ➞

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

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

CORPORATE GOVERNANCE ➞

CSE Rule No	Applicable Rule	Requirement	Status of Compliance	Reference to Annual Report
9.2.2	Composition of Related Party Transaction Review Committee	The Committee should comprise a combination of non-executive directors and independent non-executive directors. The composition of the Committee may also include executive directors, at the option of the Listed Entity. One independent non-executive director shall be appointed as Chairman of the Committee.		Corporate Governance Report, the Directors' Report on the state of affairs of the Company and the Related Party Transaction Review Committee Report
9.2.1	Functions of the Related Party Transaction Review Committee	Reviewing all Related Party Transactions except for transactions set out in Rule 9.5		Corporate Governance Report, Related Party Transaction Review Committee Report



Compliant

REPORT ON RISK MANAGEMENT

No business that does not face any risk can be found in the world. Irrespective of the nature and the size of the business, risk is inevitable in doing business. In broad, such risk factor can be two fold, systematic risk and unsystematic risk. Systematic risk is the risk which cannot be diversified or avoided. On the other hand the unsystematic risk represents

the risk unique to the respective business operation which in turn could be mitigated or avoided with risk management activities.

AgStar PLC and its group companies being an entity that closely engages in the agricultural and related products always are open for systematic risk such as adverse weather

conditions, impediment Government rules and regulations in relation to the agro industry etc. However, the risk management activities of the company which are an intrinsic part of the business processes from the beginning to the end are expected to mitigate the risk of the group. The following is the highlights of the key risks and the associated risk mitigating activities of the AgStar group.

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

REPORT ON RISK MANAGEMENT

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

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

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

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

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

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

The Directors have a reasonable expectation, that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and

therefore have continued to adopt the going concern basis in preparing the Financial Statements.

Messrs KPMG, Chartered Accountants, the Auditors of the Company, have examined the Financial Statements made available by the Board of Directors together with all relevant financial records, related data, and minutes of Shareholders' and Directors' meetings and expressed their opinion in their Report on page 57 of the Annual Report.

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the government that were due on behalf of the Company and the Group as at the date of the statement of financial position have been paid, or where relevant provided for, except as disclosed in note 33 to the Financial Statements covering contingent liabilities.

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

By Order of the Board



P.R.Secretarial Services (Pvt) Limited

Secretaries

Colombo

29th May 2017

REMUNERATION COMMITTEE REPORT

COMPOSITION OF COMMITTEE

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

- make recommendations to the Board regarding the content of the Board's Annual Report to the shareholders on Directors' remuneration (including the Company's policy and Executive Director's remuneration, details of individual remuneration and other terms and conditions)

COMMITTEE MEETINGS

The committee met once the year under review as per the table on page 34 of this report and the minutes of the meeting are presented to the Board.

REMUNERATIONS TO DIRECTORS

The remuneration paid to Directors during the year under review is indicted in note 11 to the financial statements.

ATTENDANCE

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



Janaka de Silva

Chairman- Remuneration Committee
Colombo

29th May 2017

ROLE OF THE COMMITTEE

The role of the Remuneration Committee is to;

- formulate remuneration policy of the company to attract and retain high caliber personnel and motivate them
- make recommendations to the Board and monitor the level and structure of remuneration for senior management
- make recommendations to the Board on the Company's framework of executive remuneration and its cost, and to determine on behalf of the Board specific remuneration packages and conditions of employment (including compensation entitlement) for Executive Directors

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

ADOPTION OF THE CODE OF BEST PRACTICES ON RELATED PARTY TRANSACTIONS

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

PURPOSE OF THE COMMITTEE

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

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

COMPOSITION OF THE COMMITTEE

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

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

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

CHARTER OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

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

- Receive regular reports from the Management, and be provided with any information it requests relating to its responsibilities.
- Establish policies and procedures that provide general pre-approvals to certain classes or types of related party transactions;
- Review and evaluates the terms and conditions, and to determine the advisability of any related party transaction;
- Determine whether the relevant Related Party Transaction is fair, and in the best interests of the Company and its shareholders as a whole;
- Recommend to the Board what action, if any, should be taken by the Board with respect to any Related Party Transaction;

- Obtain the advice and assistance from legal, technical, financial and other advisors from within or without the Company as deemed necessary by the Committee in order to carry out its duties; and
- Form and delegate authority to sub-committees consisting of one or more members where appropriate, provided that the decision of such sub-committees shall be presented to the full Committee at its next meeting.

RESPONSIBILITIES

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

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

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

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

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

MEETINGS

The Committee shall meet on quarterly basis and the attendance at meetings is given in table on page 34 of this Annual Report.

Review of Related party transaction During 2016/17 period four meetings were held by the Committee.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT ➞

REVIEW OF RELATED PARTY TRANSACTIONS

The Committee reviewed all related party transactions of the Company for the year 2016/17. All related party transactions entered during the year were of a recurrent, trading nature and which is necessary for day-to-day operations of the Company.

In the opinion of the Committee, terms of these transactions were not favorable to the related parties than those generally available to the public. The details of related party transactions entered during the year are given in Note 31.1 to the financial statements on page 107 of this Annual Report.

POLICIES AND PROCEDURES

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

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

DECLARATION

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



A. G. Weerasinghe

Chairman

Related Party Transaction Review Committee

29th May 2017

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DIRECTORS' REPORT ON THE STATE OF AFFAIRS OF THE COMPANY

The details set out in the following report provide information required by the Companies Act No 07 of 2007 and the listing rules of the Colombo Stock Exchange of Sri Lanka and are guided by recommended best practices on Corporate Governance. This Report was approved by the Board of Directors by Resolution passed as of 29th May 2017.

GENERAL

The Directors of AgStar PLC (the Company) have pleasure in submitting their report together with the audited Financial Statements of the Company, and the audited consolidated Financial Statements of the Group for the year ended 31st March, 2017 and the Auditors' Report thereon.

REVIEW OF PERFORMANCE FOR THE YEAR ENDED 31ST MARCH, 2017

The operations of the Company and its subsidiaries for the year ended 31st March, 2017 are reviewed in the Chairman's Report and the Managing Director's review.

COMPANY ACTIVITIES AND STRUCTURE

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

(Reg :No PV 1618) On 26th December, 2007. The name of the Company was changed to AgStar Fertilizers Limited (Reg. No. PV 1618 PB) pursuant to the change of its status to a limited liability company. On 16th February,

2012 the shares of AgStar Fertilizers Limited were listed on the DiriSavi Board of the Colombo Stock Exchange and the name of the Company thus changed to AgStar Fertilizers PLC with effect from 8th May, 2012. Subsequently, the name was changed to AgStar PLC with effect from 21st July 2014.

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

The Company has seven subsidiary companies and their activities are given on page 63 of this Annual Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

The Statement of Directors Responsibility for Financial Reporting is given on Page No 45

The Financial Statements of the Company and the Group are given on pages 58 to 116.

ACCOUNTING POLICIES

The Accounting Policies adopted in preparation of Financial Statements are given on pages 63 to 80 There were no material changes in the Accounting Policies of the Group during the year under review.

AUDITORS

The Financial Statements for the year ended 31st March, 2017 have been audited by Messrs KPMG (Chartered Accountants.)

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

The fees paid to the Auditors are disclosed in Note No 11 on Page 83 to the Financial Statements.

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

INDEPENDENT AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on page No 57 of this Report.

RESULTS AND APPROPRIATIONS

The profit after tax of the parent Company, AgStar PLC was loss of Rs 405.8 million (2016-Rs 254 million), whilst the Group loss attributable to the equity holders of the parent for the year was Rs 22 million (2016- profit of Rs 53 million). Results of the Company and of the Group are given in the Income Statement.

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

Financial Results	31st March	31st March
	2017	2016 (Restated)
Operating Profit	282,563,975	360,528,340
Finance Cost	(100,822,097)	(46,246,813)
Finance Income	62,362,235	49,158,573
Profit before Tax	244,104,113	363,440,100
Tax Expense	(76,716,842)	(126,023,495)
Profit from continuing operations	167,387,271	237,416,605
Profit from discontinued operations (net of tax)	(189,853,750)	(290,292,669)
Profit/(loss) for the Year	(22,466,479)	(52,876,064)
Actuarial gain /loss (net of tax)	2,400,696	2,372,211
Profit/(loss) Available to Group's Shareholders	(20,065,783)	(31,811,898)
Balance Brought Forward from Previous Year	887,318,486	1,004,424,373
Amount Available for Appropriation	867,252,703	952,318,486
Final Dividend of Rs. 0.20 per share (2016-Rs. 0.20 per share)	(65,000,000)	(65,000,000)
Balance to be Carried Forward Next Year	802,252,703	887,318,486

DIVIDENDS

The Company declared no dividend payment for 2016/ 2017 financial year.

1,204,093,67 comprising 307,526,310 ordinary voting shares and 17,473,690 non-voting shares) a given in note 25 to the financial statements.

movements of reserves are disclosed in the Statement of Changes in Equity on Pages No 60 to 61 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

An analysis of the Property, Plant and Equipment of the Company and the Group is disclosed in Note No 16 to the Financial Statements on pages 90 to 94. The book value of property, plant and equipment as at the reporting date amounted to Rs. 1,029 million (restated -2016-Rs. 1,041 million) and Rs. 239 million (restated-2016-Rs. 245 million) for the Group and Company respectively.

STATED CAPITAL

The Stated Capital of the Company as at 31st March, 2017 was Rs. 1,204,093,678 comprising 307,526,310 ordinary voting shares and 17,473,690 non-voting shares (2016- Rs.

DONATIONS

The Company and its subsidiaries have not made any donations during the year.

CAPITAL COMMITMENTS

The Capital Expenditure Commitments as at 31st March, 2017 is given on page 108.

REVENUE RESERVES

The reserves consist of retained earnings. The revenue reserves as at 31st March 2017 for the Group and Company amounted Rs. 802 million (2016-Rs. 887 million) and Rs. 719 million (2016- Rs. 1,188 million). Details and

PROVISION FOR TAXATION

The provision for taxation is computed at the rates as disclosed in Note No.12 on page 83 to 84 the Financial Statements.

STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge and belief, all statutory payments in relation to all relevant regulatory and statutory authorities have been paid or adequately provided for in the Financial Statements. A statement of compliance by the Board of Directors in relation to statutory payments is included in the Statement of Directors Responsibilities on page 45 of this Report.

DIRECTORS' REPORT ON THE STATE OF AFFAIRS OF THE COMPANY

CONTINGENT LIABILITIES

Contingent Liabilities outstanding as at 31st March, 2017 are given in Note No 33 on page 108 to the Financial Statements.

EVENTS AFTER THE REPORTING PERIOD

The events occurring after the reporting dates are given in Note No 34 on page No 109 of the report.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

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

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

AUDIT COMMITTEE

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

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

REMUNERATION COMMITTEE

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

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

RELATED PARTY TRANSACTION REVIEW COMMITTEE

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

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

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

Mr. A. P. Weerasekera (Managing Director)

Company's compliance with rules on corporate governance are given in corporate governance report on pages 33 to 42. The Audit Committee Report and the Remuneration Committee Report are disclosed in Page No 56 and Page No. 46 respectively.

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

COMPLIANCE WITH RULES & REGULATIONS

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

GOING CONCERN

After considering the financial position as at 31st March 2017 and considering the future prospects of the Company and its subsidiaries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operations in foreseeable future. Therefore the Directors have adopted the assumption of going concern in preparing these Financial Statements.

EMPLOYMENT POLICY

The Group policy is to respect the merits of the individuals and provide career opportunities, irrespective of sex, race or religion. The Group's strength of manpower as at 31st March, 2017 was 153.

EQUITABLE TREATMENT TO STAKE HOLDERS AND THEIR INTEREST

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

ENVIRONMENTAL PROTECTION

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

Directors during the Year

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

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

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

Mr. A. P. Weerasekera (Managing Director)

Mr. W. A. P. Perera

Mr. D. S. K. Amarasekera

Mr. I. C. Nanayakkara

Mr. A. G. Weerasinghe

Mr. H. P. J. de Silva

Mrs. S. Wickramasinghe

Mr. W.K.D. T. Abeyrathne - (Alt. Director to Mr. I.C. Nanayakkara)

Mrs.V.G.S. S. Kotakadeniya - (Alt. Director to Mr. D.S.K. Amarasekera)

The detailed profiles of the Board of Directors of the Company are given on pages 14 to 19 of this Report.

ROTATION/ RE-ELECTION OF DIRECTORS

- I. Mr. A.P.Weerasekara, and Mr.D.S.K.Amarasekera retire by rotation in accordance with Article 23 (6) of the Articles of Association of the Company and being eligible, offer themselves for re-election.
- II. Mr. N.G.R. Karunaratne who is presently 80 years of age will cease to hold office at the conclusion of the Annual General Meeting and it is proposed to move a resolution for his re-appointment for a further period of one year or up to the date of the next Annual General Meeting (whichever occurs first) and for the non-application of the age limit referred to in Section 210 of the Companies Act No. 7 of 2007.

- III. Mr. H.P. J. de Silva who is presently 72 years of age will cease to hold office at the conclusion of the Annual General Meeting and it is proposed to move a resolution for his re-appointment for a further period of one year or up to the date of the next Annual General Meeting (whichever occurs first) and for the non-application of the age limit referred to in Section 210 of the Companies Act No. 7 of 2007.
- IV. Mr. A.G. Weerasinghe who is presently 75 years of age will cease to hold office at the conclusion of the Annual General Meeting and it is proposed to move a resolution for his re-appointment for a further period of one year or up to the date of the next Annual General Meeting (whichever occurs first) and for the non-application of the age limit referred to in Section 210 of the Companies Act No. 7 of 2007.

INDEPENDENT DIRECTORS

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

Mr. A. G. Weerasinghe
Mr. H. P. J. de Silva
Ms. S. Wickramasinghe

DIRECTORS INTEREST REGISTER

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

DIRECTORS' INTEREST IN CONTRACTS

The Directors in terms of Section 192 of the Companies Act No 7 of 2007, have declared their interests in contracts with the Company. The Directors did not have any material interest in any contract of significance in Group's business except those disclosed in note 31 to the Financial Statements.

DIRECTORS' INTEREST IN SHARES

Name of The Director	As At 31st March 2017		As At 31st March 2016	
	Ordinary voting shares	Non-voting shares	Ordinary voting shares	Non-voting shares
Mr. N. G. R. Karunaratne	8,229,310	Nil	8,229,310	Nil
Mr. D. N. N. Lokuge	3,125,000	Nil	3,125,000	Nil
Mr. A. P. Weerasekera	8,053,310	5,824,550	8,053,310	5,824,550
Mr. W. A. P. Perera	3,120,000	Nil	3,120,000	Nil
Mr. D. S. K. Amarasekera	Nil	Nil	Nil	Nil
Mr. I. C. Nanayakkara	Nil	Nil	Nil	Nil
Mr. A. G. Weerasinghe	Nil	Nil	Nil	Nil
Mr. H. P. J. de Silva	Nil	Nil	Nil	Nil
Mrs. S. Wickramasinghe	Nil	Nil	Nil	Nil

DIRECTORS' REPORT ON THE STATE OF AFFAIRS OF THE COMPANY

DIRECTORS FEES AND REMUNERATION

The amount of the Directors fees and Remuneration paid during the year is given in note No. 11 to the Financial Statements on page 83.

RELATED PARTY TRANSACTIONS

The Directors have disclosed the transactions with Related Parties in terms of the Sri Lanka Accounting Standards which are set out in note 31 to the Financial Statements.

SHAREHOLDERS

The number of registered shareholders' of the Company as at 31st March, 2017 was 943.

The distribution and analysis of shareholdings were as follows:

Number of Shares	As At 31st March, 2017			As At 31st March, 2016		
	No. of Share Holders	No. of Shares	% of Total	No. of Share Holders	No. of Shares	% of Total
1-1000	557	131,063	0.04%	515	136,450	0.04%
1001-10000	247	1,075,698	0.35%	276	1,202,063	0.39%
10001-100000	104	3,340,421	1.09%	124	3,767,433	1.23%
100001-1000000	21	7,128,668	2.32%	21	7,016,502	2.28%
1000001- & Over	14	295,850,460	96.20%	14	295,403,862	96.06%
Total	943	307,526,310	100%	950	307,526,310	100%

Resident / Non Resident

	As at 31st March, 2017			As at 31st March, 2016		
	No of Share Holders	No of Shares	% of Total	No of Share Holders	No of Shares	% of Total
Resident	938	307,518,060	99.99%	945	307,522,060	99.99%
Non Resident	5	8,250	0.01%	5	4,250	0.01%
Total	943	307,526,310	100%	950	307,526,310	100%

INDIVIDUAL/INSTITUTION

	As at 31st March, 2017			As at 31st March, 2016		
	No of Share Holders	No of Shares	% of Total	No of Share Holders	No of Shares	% of Total
Individual	894	35,359,271	11.50%	898	45,714,737	14.9%
Institutional	49	272,167,039	88.50%	52	261,811,573	85.1%
Total	943	307,526,310	100.0%	950	307,526,310	100%

LIST OF 20 MAJOR SHAREHOLDERS (VOTING)

NAME	SHAREHOLDING	PERCENTAGE [%]
Sierra Holdings (Pvt) Limited	97,514,400	31.71%
Lanka Orix Leasing Company PLC	60,213,500	19.58%
Browns Investments PLC	40,520,061	13.18%
Sierra Construction (Pvt) Limited	37,025,290	12.04%
P And K Investments (Pvt) Limited	20,500,000	6.67%
Sampath Bank PLC/ Dr. T. Senthilvel	10,627,982	3.46%
Mr. N. G. Rohan Karunaratne	8,229,310	2.68%
Mr. A.P. Weerasekera	8,053,310	2.62%
F L M C Plantations (Private) Limited	3,150,000	1.02%
Mr. D.N.N. Lokuge	3,125,000	1.02%
Mr.W.A.P. Perera	3,120,000	1.01%
Mrs. A.C.P. Irugalbandara	1,500,000	0.49%
Mr. Sarath Karunarathna	1,250,000	0.41%
Sierra Engineering And Construction (Private) Limited	1,021,607	0.33%
Mr.M.S.S.Ghazaly	1,000,000	0.33%
Mrs.A.C.P. Irugalbandara	1,000,000	0.33%
Mrs. G.S.M. Irugalbandara	1,000,000	0.33%
Mr. M. I. Samsudeen	550,000	0.18%
Mrs. M. F. Mujahira	452,308	0.15%
Commercial Bank Of Ceylon PLC/L.C.R.Pathirana	368,745	0.12%
Total	300,221,513	97.62%

PUBLIC SHAREHOLDING

The percentage of public shareholding as at the 31st of March 2017 was Voting- 16.17% and Non-Voting - 0.01%

ANNUAL REPORT

The Board of Directors approved the Company Financial Statements together with the reviews which forms part of the Annual Report on 29th May, 2017. The appropriate number of copies will be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standard Monitoring Board and the Registrar of Companies within the time frame.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 30th June 2017 at 10:00a.m. at Excel World. The notice of Annual General Meeting is given on page no 118.

On behalf of the Board of Directors.



Director
Mr. N. G. R. Karunaratne



P.R. Secretarial Services (Pvt) Ltd
Company Secretary

Colombo
29th May 2017



Director
Mr. A. P. Weerasekera

AUDIT COMMITTEE REPORT

PURPOSE OF THE COMMITTEE

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

COMPOSITION

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

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

MEETINGS

There were 5 meetings of the committee during the year under review; each attendance is stated in the table on page 34 of this report.

FINANCIAL REPORTING

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

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

EXTERNAL AUDIT

The committee has recommended to the Board of Directors that Messer's KPMG to be appointed as the auditors of the company for the year ending 31st March 2018 subject to the approval of the shareholders at the Annual General Meeting.

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

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



Janaka De Silva

Chairman – Audit Committee
Colombo.

29th May 2017

INDEPENDENT AUDITORS' 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
+94 - 11 254 1249
Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF AGSTAR PLC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of AgStar PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at March 31, 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 58 to 116 of the annual report.

BOARD'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical

requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- a) The basis of opinion and scope and limitations of the audit are as stated above
- b) In our opinion:
 - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - The financial statements of the Company give a true and fair view of its financial position as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo

May 29, 2017

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

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne 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 ACA		
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA		
Ms. C.T.K.N. Perera ACMA (UK)		

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



(All amounts in Sri Lankan Rupees)

For the year ended 31st March,	Note	Group		Company	
		2017	2016 (Restated)	2017	2016 (Restated)
Continuing operations					
Revenue	7	2,784,898,917	1,728,682,549	2,624,006,258	1,458,517,559
Cost of sales		(2,268,930,171)	(1,151,234,315)	(2,192,747,215)	(984,837,745)
Gross profit		515,968,746	577,448,234	431,259,043	473,679,814
Other income	8	78,918,011	40,104,254	64,298,342	72,119,077
Selling and distribution expenses		(95,112,100)	(68,037,672)	(60,194,611)	(44,892,491)
Administrative expenses		(211,581,044)	(188,986,476)	(149,836,508)	(125,501,837)
Other expenses	9	(5,629,638)	-	(589,130,000)	-
Operating profit/(loss)		282,563,975	360,528,340	(303,603,734)	375,404,563
Finance income		62,362,235	49,158,573	54,144,777	40,047,364
Finance costs		(100,822,097)	(46,246,813)	(92,383,536)	(39,893,336)
Net finance income/(costs)	10	(38,459,862)	2,911,760	(38,238,759)	154,028
Profit/(loss) before tax	11	244,104,113	363,440,100	(341,842,493)	375,558,591
Income tax expense	12	(76,716,842)	(126,023,495)	(63,961,290)	(121,265,234)
Profit/(loss) from continuing operations		167,387,271	237,416,605	(405,803,783)	254,293,357
Discontinued operations					
Loss from discontinued operations (net of tax)	13	(189,853,750)	(290,292,669)	-	-
Profit/(loss) for the year		(22,466,479)	(52,876,064)	(405,803,783)	254,293,357
Other comprehensive income					
Revaluation of property, plant and equipment		-	96,530,239	-	96,530,239
Deferred tax impact on revaluation of property, plant and equipment		-	(12,612,454)	-	(12,612,454)
Actuarial gain on defined benefit obligations		3,334,300	1,069,690	3,294,738	1,000,999
Income tax on other comprehensive income		(933,604)	(299,513)	(922,527)	(280,280)
		2,400,696	84,687,962	2,372,211	84,638,504
Items that are or may be reclassified to profit or loss					
Other comprehensive income for the year (net of tax)		2,400,696	84,687,962	2,372,211	84,638,504
Total comprehensive income for the year		(20,065,783)	31,811,898	(403,431,572)	338,931,861
Attributable to:					
Equity holders of the Company		(22,466,479)	(52,876,064)	(405,803,783)	254,293,357
Non-controlling interests		-	-	-	-
Profit/(loss) for the year		(22,466,479)	(52,876,064)	(405,803,783)	254,293,357
Attributable to:					
Equity holder of the parent		(20,065,783)	31,811,898	(403,431,572)	338,931,861
Non-controlling interests		-	-	-	-
Total comprehensive income for the year		(20,065,783)	31,811,898	(403,431,572)	338,931,861
Earnings per share					
Earnings/(deficit) per share - basic/ diluted (Rs)	14	(0.07)	(0.16)	(1.25)	0.78

The notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION



(All amounts in Sri Lankan Rupees)

As at 31st March,	Note	Group			Company		
		2017	2016 (Restated)	2015 (Restated)	2017	2016 (Restated)	2015 (Restated)
Assets							
Non-current assets							
Property, plant and equipment	16	1,029,491,892	1,041,158,332	929,074,396	239,570,562	244,974,485	121,995,063
Intangible assets	17	57,425,992	63,455,630	7,429,638	-	-	-
Investment property	18	155,000,000	86,500,000	69,000,000	-	-	-
Investments in subsidiaries	19	-	-	-	476,229,088	785,429,088	705,199,990
Deferred tax assets	20	26,114	99,871	256,647	-	-	-
Total non-current assets		1,241,943,998	1,191,213,833	1,005,760,681	715,799,650	1,030,403,573	827,195,053
Current assets							
Inventories	21	922,668,272	1,207,073,954	647,621,959	835,224,799	1,000,360,829	315,527,622
Trade and other receivables	22	1,371,143,514	1,717,503,116	2,374,694,466	1,312,628,467	1,678,422,294	2,269,895,272
Amount due from related companies	23	-	-	-	287,849,157	496,771,937	412,388,487
Cash and cash equivalents	24	159,761,883	547,523,847	159,216,165	38,039,294	435,969,842	52,893,393
		2,453,573,669	3,472,100,917	3,181,532,590	2,473,741,717	3,611,524,902	3,050,704,774
Assets classified as held for sale	13	686,920,433	820,850,831	1,186,074,868	118,710,000	121,600,000	42,675,136
Total current assets		3,140,494,102	4,292,951,748	4,367,607,458	2,592,451,717	3,733,124,902	3,093,379,910
Total assets		4,382,438,100	5,484,165,581	5,373,368,139	3,308,251,367	4,763,528,475	3,920,574,963
Equity							
Stated capital	25	1,204,093,678	1,204,093,678	1,204,093,678	1,204,093,678	1,204,093,678	1,204,093,678
Revaluation reserve		396,044,994	396,044,994	312,127,209	91,930,485	91,930,485	8,012,700
Retained earnings		802,252,703	887,318,486	1,004,424,373	719,513,871	1,187,945,443	997,931,367
Equity attributable to the owners of the Company		2,402,391,375	2,487,457,158	2,520,645,260	2,015,538,034	2,483,969,606	2,210,037,745
Non-controlling interests		-	-	-	-	-	-
Total equity		2,402,391,375	2,487,457,158	2,520,645,260	2,015,538,034	2,483,969,606	2,210,037,745
Liabilities							
Non-current liabilities							
Employee benefits	26	20,845,248	20,800,179	18,148,728	20,703,221	20,682,644	18,148,728
Deferred income	27	6,833,830	6,349,925	-	6,833,830	6,349,925	-
Deferred tax liabilities	28	38,757,424	151,164,190	211,028,899	16,695,137	122,562,536	181,640,466
Long term borrowings	29	-	-	325,000	-	-	-
Total non-current liabilities		66,436,502	178,314,294	229,502,627	44,232,188	149,595,105	199,789,194
Current liabilities							
Trade and other payables	30	1,014,105,051	1,290,171,496	1,093,451,982	996,438,336	1,235,179,507	919,370,252
Loans and borrowings	29	356,787,151	1,034,565,777	673,313,421	150,264,960	821,696,142	411,502,641
Amount due to related companies	23	-	-	-	1,149,259	2,892,111	-
Current tax liabilities		58,257,382	50,202,366	151,888,585	57,963,934	49,811,192	146,387,552
Bank overdrafts	24	44,649,340	23,461,221	39,466,451	42,664,656	20,384,812	33,487,579
		1,473,798,924	2,398,400,860	1,958,120,439	1,248,481,145	2,129,963,764	1,510,748,024
Liabilities classified as held for sale	13	439,811,299	419,993,269	665,099,813	-	-	-
Total current liabilities		1,913,610,223	2,818,394,129	2,623,220,252	1,248,481,145	2,129,963,764	1,510,748,024
Total liabilities		1,980,046,725	2,996,708,423	2,852,722,879	1,292,713,333	2,279,558,869	1,710,537,218
Total equity and liabilities		4,382,438,100	5,484,165,581	5,373,368,139	3,308,251,367	4,763,528,475	3,920,574,963

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

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

Mr. A.S. Rajith Perera

General Manager - Finance

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

Signed for and on behalf of the Board:

Mr. N.G.R. Karunaratne

Chairman / CEO

Mr. A. P. Weerasekera

Managing Director

29th May 2017
Colombo

COMPANY STATEMENT OF CHANGES IN EQUITY

(All amounts in Sri Lankan Rupees)

	Notes	Stated Capital	Revaluation reserve	Retained earnings	Total
Balance as at 31st March 2015		1,204,093,678	8,012,700	997,931,367	2,210,037,745
Profit for the year		-	-	254,293,357	254,293,357
Other comprehensive income					
As previously reported		-	113,217,785	720,719	113,938,504
Prior year adjustment	36	-	(29,300,000)	-	(29,300,000)
		-	83,917,785	720,719	84,638,504
Total comprehensive income for the year		-	83,917,785	255,014,076	338,931,861
Contributions and distributions					
Dividend	15	-	-	(65,000,000)	(65,000,000)
Total contributions and distributions		-	-	(65,000,000)	(65,000,000)
Total transaction with owners of the Company		-	-	(65,000,000)	(65,000,000)
Re- stated balance as at 31st March 2016		1,204,093,678	91,930,485	1,187,945,443	2,483,969,606
Profit for the year		-	-	(405,803,783)	(405,803,783)
Other comprehensive income		-	-	2,372,211	2,372,211
Total comprehensive income for the year		-	-	(403,431,572)	(403,431,572)
Contributions and distributions					
Dividend	15	-	-	(65,000,000)	(65,000,000)
Total contributions and distributions		-	-	(65,000,000)	(65,000,000)
Total transaction with owners of the Company		-	-	(65,000,000)	(65,000,000)
Balance as at 31st March 2017		1,204,093,678	91,930,485	719,513,871	2,015,538,034

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



(All amounts in Sri Lankan Rupees)

		Stated Capital	Revaluation reserve	Retained earnings	Total	Non controlling interests	Total
Balance as at 31st March 2015		1,204,093,678	312,127,209	1,004,424,373	2,520,645,260	-	2,520,645,260
Profit for the year		-	-	(52,876,064)	(52,876,064)	-	(52,876,064)
Other comprehensive income							
As previously reported		-	113,217,785	770,177	113,987,962	-	113,987,962
Prior year adjustment	36	-	(29,300,000)	-	(29,300,000)	-	(29,300,000)
		-	83,917,785	770,177	84,687,962	-	84,687,962
Total comprehensive income for the year		-	83,917,785	(52,105,887)	31,811,898	-	31,811,898
Contributions and distributions							
Dividend	15	-	-	(65,000,000)	(65,000,000)	-	(65,000,000)
Total contributions and distributions		-	-	(65,000,000)	(65,000,000)	-	(65,000,000)
Total transaction with owners of the Company		-	-	(65,000,000)	(65,000,000)	-	(65,000,000)
Re- stated balance as at 31st March 2016		1,204,093,678	396,044,994	887,318,486	2,487,457,158	-	2,487,457,158
Profit for the year		-	-	(22,466,479)	(22,466,479)	-	(22,466,479)
Other comprehensive income		-	-	2,400,696	2,400,696	-	2,400,696
Total comprehensive income for the year		-	-	(20,065,783)	(20,065,783)	-	(20,065,783)
Contributions and distributions							
Dividend	15	-	-	(65,000,000)	(65,000,000)	-	(65,000,000)
Total contributions and distributions		-	-	(65,000,000)	(65,000,000)	-	(65,000,000)
Balance as at 31st March 2017		1,204,093,678	396,044,994	802,252,703	2,402,391,375	-	2,402,391,375

The notes on form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

[All amounts in Sri Lankan Rupees]

For the year ended 31st March,	Note	Group		Company	
		2017	2016 (Restated)	2017	2016 (Restated)
Cash flow from operating activities					
Profit/ (loss) before tax from continuing operations		244,104,113	363,440,100	[341,842,493]	375,558,591
Loss before tax from discontinued operations		[199,948,384]	[281,930,252]	-	-
Adjustment for:					
Depreciation		74,605,530	67,692,903	23,875,250	21,484,812
Amortization on intangible assets		400,000	400,000	-	-
Interest income		[4,818,639]	[4,808,717]	[2,415,714]	[2,609,944]
Interest expenses		157,909,143	116,837,390	92,383,536	39,893,336
Provision for impairment of investments in subsidiaries		-	-	550,200,000	-
Provision for impairment of amount due from subsidiaries		-	-	38,930,000	-
Impairment of property, plant and equipments		19,450,888	-	-	-
Impairment of goodwill		5,629,638	-	-	-
Change in fair value of investment property		[63,896,422]	[14,103,372]	-	-
Gain on disposal of property plant and equipment		[5,122,140]	[7,739,631]	[5,122,140]	[7,739,631]
Amortisation of deferred income		[2,758,554]	[2,676,308]	[2,758,554]	[2,676,308]
Dividend income		-	-	[50,399,998]	[52,695,000]
Subsidy write off		-	13,446,880	-	13,446,880
Impairment of other receivables		-	9,684,282	-	-
Impairment /(reversal) of trade receivables		65,185,181	14,399,861	10,573,745	1,133,540
Inventories write off/ adjustments to NRV		26,925,286	35,008,681	-	-
Provision for retirement gratuity		4,849,577	4,375,274	4,785,524	4,296,298
Creditors not payable written back		-	[7,133,878]	-	-
Operating profit before working capital changes		322,515,217	306,893,213	318,209,156	390,092,574
Changes in:					
(Increase)/decrease in inventories		327,447,400	[121,535,882]	165,136,030	[684,833,207]
(Increase)/decrease in trade and other receivables		[420,594,697]	58,799,710	[350,971,859]	43,484,880
(Increase)/decrease in subsidy receivable		709,691,943	543,340,678	709,691,943	543,340,678
(Increase)/decrease amounts due from related companies		-	-	[62,850,020]	[84,383,450]
Increase/(decrease) trade and other payables		[275,859,189]	182,518,775	[238,741,171]	315,809,255
Increase/(decrease) amounts due to related companies		-	-	[1,742,852]	2,892,111
Cash generated from operating activities		663,200,674	970,016,494	538,731,227	526,402,841
Interest expense paid		[157,909,143]	[116,837,390]	[92,383,536]	[39,893,336]
Income tax paid		[168,378,821]	[308,689,673]	[162,598,475]	[289,812,258]
Employee benefit paid		[1,470,209]	[761,383]	[1,470,209]	[761,383]
Net cash flows from operating activities		335,442,501	543,728,048	282,279,007	195,935,864
Cash flows from investing activities					
Interest income received		4,818,639	4,808,717	2,415,714	2,609,944
Investment in subsidiaries		-	[80,121,848]	-	[80,229,098]
Dividend income received		-	-	50,399,998	52,695,000
Proceeds from disposal of property, plant and equipment		5,125,700	11,135,350	5,125,700	11,135,350
Acquisition of property, plant and equipment		[25,666,282]	[121,755,781]	[23,999,629]	[117,788,742]
Addition to work in progress		-	[17,657,938]	-	[13,372,604]
Additions to investment property		[4,603,578]	[3,396,628]	-	-
Net cash used in investing activities		[20,325,521]	[206,988,128]	33,941,783	[144,950,150]
Cash flows from financing activities					
Proceeds from short term borrowings		4,373,643,267	4,838,977,586	2,148,431,858	2,601,976,257
Repayment of short term borrowings		[5,031,486,119]	[4,708,657,364]	[2,819,863,040]	[2,190,767,960]
Net investment in finance lease liabilities		[325,000]	[1,014,795]	-	[1,014,795]
Dividend paid		[65,000,000]	[65,000,000]	[65,000,000]	[65,000,000]
Net cash from / (used in) financing activities		[723,167,852]	64,305,427	[736,431,182]	345,193,502
Net cash increase/(decrease) in cash and cash equivalents		[408,050,870]	401,045,346	[420,210,392]	396,179,216
Cash and cash equivalents at the beginning of the year		525,618,500	124,573,154	415,585,030	19,405,814
Cash and cash equivalents at 31st March (Note 24)		117,567,630	525,618,500	[4,625,362]	415,585,030

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1. Reporting entity

AgStar PLC, ("the Company") is a public limited liability Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange. The Company's registered office and the principal place of business is located at No. 09, Bawa Place, Colombo 8.

The consolidated financial statements of the Company as at, and for the year ended 31st March 2017 comprise the financial statements of Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

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

- AgStar PLC – Carry on business of importing, blending and marketing of fertilizer products.
- AgStar Cropcare (Pvt) Ltd – Carry on business of importing formulating and marketing of chemicals, fertilizers and specialty products.
- AgStar Seeds (Pvt) Ltd – Carry on business of producing, trading and marketing of seeds and planting materials.
- AgStar Grains (Pvt) Ltd – Carrying on the business of procurement, processing and marketing of rice and other grains. (Discontinued operation)
- Mahaweli Agro Trading (Pvt) Ltd (previously named as Mahaweli Rice Processing Industries (Pvt) Ltd) – Company was carrying out business of procurement, processing and marketing of rice (Discontinued operation). Currently carrying on the business of trading fertilizer, maize & other grains.
- AgStar Properties (Pvt) Ltd – Set up for property development and construction of warehousing and storage facilities.
- AgStar Exports (Pvt) Ltd – Carrying on business of exporting agricultural based products.
- Prith Seeds (Pvt) Ltd - Carry on business of Importing, producing, trading and marketing of seeds and planting materials.

In the opinion of the Board of Directors the parent company undertaking and controlling party is Sierra Holdings (Private) Limited

2. BASIS OF PREPARATION

2.1. Statement of compliance

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

2.2. Responsibility for financial statements

The Board of Directors of the Company acknowledges their responsibility for the Financial Statements, as set out in the "Annual Report of the Board of Directors", "Statement of Directors' Responsibilities for Financial Statements" and the "certification on the Statement of Financial Position".

2.3. Approval of financial statements by Directors

The financial statements of the Group and the Company for the year ended 31st March 2017 were approved and authorised for issue by the Board of Directors on the 29th May 2017. 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 58;
- 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 59;
- 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 61;
- 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 utilization of those cash flows. Refer page 62;
- Notes to the financial statements comprising significant accounting policies and other explanatory information. Refer pages 63 to 116.

NOTES TO THE FINANCIAL STATEMENTS

2.4. Basis of measurement

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

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

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

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

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

2.5. Functional currency

The financial statements are presented in Sri Lankan Rupees, which is the Group's functional currency. There was no change in the Group's presentation and functional currency during the year under review.

2.6. 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.

2.7. Use of materiality and offsetting

2.7.1 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative' which was effective from January 01, 2016.

Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the Group and the Company. Understandability of the financial statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.7.2 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the significant accounting policies of the Company

2.8. Use of estimates and judgments

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

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

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

2.8.1 Fair value of non-financial assets

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

- In the principal market for the asset or liability
- Or

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

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

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

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

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

2.8.2 Impairment of non-financial assets

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

2.8.3 Useful lives of depreciable assets

Management reviews its estimation of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the useful life of certain property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

2.8.4 Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. The fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

2.8.5 Defined benefit obligation

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

2.8.6 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

2.8.7 Recognition of deferred tax assets

Management applies significant judgment on the extent to which deferred tax assets can be recognised based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various future tax jurisdictions.

2.9. Going concern

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Basis of consolidation

3.1.1. Business combinations and goodwill

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

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

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

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

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

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

to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Where goodwill has been allocated to a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

3.1.2. Subsidiaries

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation

of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

3.1.3. Non-controlling interest

The proportion of the profits or losses after taxation applicable to outside shareholders of subsidiary companies is included under the heading "Non – controlling interests" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Losses applicable to the non-controlling interests in a subsidiary is allocated to the non-controlling interest even if doing so causes the non-controlling interests to have a deficit balance.

The interest of the minority shareholders in the net assets employed of these companies are reflected under the heading "Non-controlling interests" in the Consolidated Statement of Financial Position.

Acquisitions of non-controlling interests are accounted for as transactions with the equity holders in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. Changes to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS ➞

3.1.4. Loss of control

On the loss of control, the Group immediately derecognises the assets including goodwill and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

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

3.1.5. Reporting date

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

3.1.6. Intra-group transactions

Pricing policies of all intra-group sales are identical to those adopted for normal trading transactions, which are at market prices. Transfer prices between Group entities are set on an arms-length basis in a manner similar to transactions with third parties

3.1.7. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2. Foreign currencies

3.2.1. Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot

rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

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

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

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

3.3 Financial instruments

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

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

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

3.3.1. Non-derivative financial assets

3.3.1.1 Initial recognition and measurement

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

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

3.3.1.1.1 Financial assets at fair value through profit or loss

A financial asset is recognised at fair value through profit or loss, if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of trading in the near term. Financial assets at fair value through profit or loss are measured at fair value, and any changes therein, are recognised in the income statement.

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

3.3.1.1.2 Loans and receivables

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

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

3.3.1.1.3 Held-to-maturity financial assets

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

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

3.3.1.1.4 Available-for-sale financial assets

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

Subsequent to initial recognition, they are measured at fair value and any changes therein, other than impairment losses and foreign currency differences on available for sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised the gain or loss accumulated in equity is reclassified to the income statement.

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

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

3.3.1.2 Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that is impaired. A financial asset is impaired if, there is objective evidence as a result of one or

NOTES TO THE FINANCIAL STATEMENTS

more events that has occurred after the initial recognition of the financial asset (an incurred 'loss event') and the estimated future cash flows of the investment have been affected.

3.3.1.2.1 Loans & Receivables

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

The Group considers impairment of trade receivables at both a specific significant individual debtor level and collectively. Any Group Company which has any individually significant debtors assesses them for specific impairment. All individually insignificant debtors that are not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together based on similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred and adjusted for the management's judgment. The carrying amount of the trade receivables is reduced through the use of the bad debt provision account and the amount of the loss is recognised in the income statement. If there is no realistic prospect of future recovery of a debt, the amount is written off.

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

3.3.1.2.2 Available for sale

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

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

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

3.3.1.3 De-recognition of financial assets

The Group derecognises a financial asset when;

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

On derecognition of a financial asset, the difference between the carrying amount of the asset or the carrying amount allocated to the portion of the asset transferred and the sum of the consideration received together with receivable and

any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

3.3.2 Non-derivative financial liabilities

3.3.2.1 Initial recognition and measurement

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

3.3.2.1.1 Financial liabilities at fair value through profit or loss

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

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

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

3.3.2.1.2 Other financial Liabilities

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

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

3.3.2.2 De-recognition of financial assets and liabilities

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

3.3.3 Offsetting of financial instruments

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

3.3.4 Share capital

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

3.4 Assets Held for Sale and Discontinued Operations

(i) Assets Held for Sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

(ii) Discontinued Operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

NOTES TO THE FINANCIAL STATEMENTS

- is a subsidiary acquired exclusively with a view to re-sale.
Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented as if the operation had been discontinued from the start of the comparative year.

3.5. Property, plant & equipment

3.5.1 Recognition and measurement

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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to the working condition for its intended use, and borrowing costs if the recognition criteria are met. This also includes cost of dismantling and removing the items and restoring them in the site on which they are located.

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

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

Any revaluation increase arising on the revaluation of such land is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised

in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation of land is recognised in the income statement to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of the same land.

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

3.5.2 Significant components of property, plant & equipment

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

3.5.3 Subsequent cost

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing a part of an item, when it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of the parts that are replaced are derecognised from the cost of the asset. The cost of day to day servicing of property, plant and equipment are recognised in the income statement as and when incurred.

3.5.4 Depreciation

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

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

The estimated useful lives are as follows:

Buildings	10-20 years
Plant and Machinery	10-15 years
Motor Vehicles	5 years
Furniture and Fittings	10 years
Computer Hardware / Software	3 years
Office Equipments	10 years
Leasehold Motor Vehicles	4 years
Pallets	5 years
Building Fittings	4 years

3.6 Investment properties

3.6.1 Recognition and measurement

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

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the statement of profit or loss in the year in which they arise. Fair values are evaluated at frequent intervals by an accredited external, independent valuer.

Investment properties are de-recognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on de-recognition or disposal are recognised in the Income Statement in the year of de-recognition or disposal. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts for such property in accordance with

the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted using Group accounting policy for property, plant and equipment.

3.7 Leases

3.7.1 Finance leases

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

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

3.7.2 Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the assets are classified as operating leases. Payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

The initial cost of acquiring a leasehold property treated as an operating lease is recognised as a non-current asset and is amortised over the period of the lease in accordance with the pattern of benefits expected to be derived from the lease. The carrying amount of leasehold property is tested for impairment annually.

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3.7.3 Determining whether an arrangement contains a lease

At the inception of an arrangement, the Group determines whether such an arrangement is a lease or contains a lease. This will be apparent if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At the inception or on reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those in respect of the lease and those for other elements, on the basis of their relative fair values. In respect of a finance lease, if the Group concludes that it is impractical to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently as payments are made the liability is reduced and imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

3.8 Intangible assets

3.8.1 Initial Recognition and measurement

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

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

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

The cost of an internally generated intangible asset arising from the development phase of an internal project which is capitalised includes all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by the Management.

Other development expenditure and expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding is expensed in the income statement as and when incurred.

3.8.2 Subsequent costs

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

3.8.3 Subsequent measurement

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

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

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

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

3.8.4 Intangible assets recognised by the Group

3.8.4.1 Brand distribution agency

The Company acquired GSN SEMENCES, a French breeder, producer, maintainer and seller of vegetable seeds, an entity belonging to the French cooperative group VIVADOUR, based in

the region of Gascony, south-west of France and the Company, the Company was granted the right inter alia of the exclusivity of the brand GSN on the whole of Sri Lankan market, the exclusivity for promoting and marketing the products of GSN in Sri Lanka through its distributor network and for the right of co-branding (GSN to be able to write Seram Agro name on label and to include its logo).

3.8.4.2 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The policy on measurement of goodwill at initial recognition is given in note 17.2.

Goodwill is subsequently measured at cost less accumulated impairment losses.

3.8.4.3 Computer software

All computer software costs incurred and licensed for use by the Group, which do not form an integral part of related hardware, and can be clearly identified and reliably measured with the probability of leading to future economic benefits, are capitalised under intangible assets.

In accordance with 3.7.4 above, the Group companies assess the useful life of each computer software that has a finite useful life. Based on this assessment the Group companies amortise computer software over approximately 3 to 5 years.

3.8.5 Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is allocated to the carrying amount of the equity accounted investee.

3.8.6 De-recognition

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

3.8.7 Amortisation

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

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

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

3.9 Inventories

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

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

3.10 Impairment – Non-financial assets

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

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

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

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

3.10.1 Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

3.10.2 Reversal of impairment

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in the income statement.

3.11 Liabilities and provisions

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

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

3.12 Employee benefits

3.12.1 Short-term employee benefits

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

3.12.2 Defined contribution plan

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

3.12.2.1 Employee provident fund and Employee trust fund

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

3.12.3 Defined benefit plan - retiring gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date.

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

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

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

The liability is not externally funded.

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

3.13 Provisions

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

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

3.14 Revenue

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

3.14.1 Revenue recognition

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

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

3.14.2 Sale of goods

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

3.14.3 Use by others of entity assets

3.14.3.1 Interest income

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

3.14.3.2 Dividend income

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

3.14.3.3 Rental income

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

3.15 Expenditure

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

3.16 Finance Income /(Expenses)

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

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

3.17 Government grants and subsidies

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

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When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Grants and subsidies which intend to compensate an expense or loss already incurred or received for the purpose of immediate financial support with no future related costs, are recognised in the income statement in the period in which the grant becomes receivable.

Grants and subsidies related to assets are immediately recognised in the statement of financial position as deferred income, and recognised in the income statement on a systematic and rational basis over the useful life of the asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and recognised in the income statement over the expected useful life in a pattern of consumption of the benefit of the underlying asset.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the applicable market rate, the effect of this favourable interest is regarded as a government grant.

3.18 Income tax expense

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

3.18.1 Current Tax

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

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the financial statements. When the amount of taxation already paid in respect of

current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset in the financial statements.

3.18.2 Deferred taxation

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

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

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each 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 recognised by individual companies within the Group are disclosed separately as assets and liabilities in the Group statement of financial position and are not offset against each other.

3.18.3 Economic service charge

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

3.19 Movement of reserves

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

3.20 Statement of Cash flows

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

3.21 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.

3.22 Commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non occurrence of uncertain future events, which are beyond the Group's control.

Commitments and Contingent liabilities are disclosed in note 33 to the financial statements.

3.23 Events occurring after the reporting date

All material events after the reporting date have been considered, disclosed and adjusted where applicable.

4. NEW AND AMENDED STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing these financial statements and the Group plans to apply these standards as and when they become effective. The Group is

currently in the process of evaluating the potential effects of adoption of these standards and amendments on its financial statements. Such impact has not been quantified as at the balance sheet date.

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

The final version of SLFRS 9 - Financial Instruments that replaces LKAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of SLFRS 9. SLFRS 9 brings together all three aspects of the accounting for the financial instruments i.e. classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early application is permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting the requirements are generally applied prospectively with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During the financial year, the Group has performed a high level impact assessment of all three aspects of IFRS 9 and the Group expects no significant impact to its income statement or statement of financial position. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analysis or additional reasonable and supportable information being made available to the Group in the future.

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

SLFRS 15 establishes a five step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under SLFRS. Either a full retrospective application or a modified retrospective

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application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016/17, the Group performed a preliminary assessment of IFRS 15, and determined that the impact on the financial statements would be insignificant. However, which this is subject to changes arising from a more detailed ongoing analysis.

SLFRS 16 – Leases – effective for annual periods beginning on or after 1st of January 2019

SLFRS 16 replaces LKAS 17 Leases and related interpretations (IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases under LKAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under SLFRS 16 is substantially unchanged from the current requirements under LKAS 17. Lessors will continue to classify all leases using the same classification principle as in LKAS 17 and distinguish between two types of leases: operating and finance leases.

SLFRS 16 also requires lessees and lessors to make more extensive disclosures than under LKAS 17.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

In 2017/18, the Group plans to assess the potential effect of SLFRS 16 on its consolidated financial statements.

(All amounts in Sri Lankan Rupees)

6 SEGMENT INFORMATION

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

Trading - Items which are directly imported and sold without further processing are categorised under this.

Processing - This segment includes the items which are further processed at the Company before sold.

For the year ended 31st March,	2017			2016		
	Trading	Processing	Total	Trading	Processing	Total
Total external segment revenue	1,491,912,587	1,292,986,330	2,784,898,917	338,762,777	1,389,919,772	1,728,682,549
Cost of sales	(1,383,640,456)	(885,289,715)	(2,268,930,171)	(225,964,207)	(925,270,108)	(1,151,234,315)
Gross profit	108,272,131	407,696,615	515,968,746	112,798,570	464,649,664	577,448,234
Unallocated expenses						
Other income			77,318,582			40,104,254
Selling and distribution expenses			(95,112,100)			(68,037,672)
Administrative expenses			(209,981,615)			(188,986,476)
Other expenses			(5,629,638)			-
Operating profit			282,563,975			360,528,340
Net finance costs			(38,459,862)			2,911,760
Profit before tax			244,104,113			363,440,100
Income tax expense			(76,716,842)			(126,023,495)
Profit for the year from continuing operations			167,387,271			237,416,605

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

For the year ended 31st March,	2017	2016	2017	2016
7 REVENUE				
Sale of goods	2,784,898,917	1,728,682,549	2,624,006,258	1,458,517,559
	2,784,898,917	1,728,682,549	2,624,006,258	1,458,517,559

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

NOTES TO THE FINANCIAL STATEMENTS ➞

(All amounts in Sri Lankan Rupees)

For the year ended 31st March,	Note	Group		Company	
		2017	2016 Restated	2017	2016 Restated
8 OTHER INCOME					
Dividend income	8.1	-	-	50,399,998	52,695,000
Change in fair value of investment property		63,896,421	14,103,372	-	-
Gain on disposal of property plant and equipment		5,122,140	7,739,631	5,122,140	7,739,631
Amortization of deferred income		2,758,554	2,676,308	2,758,554	2,676,308
Creditors not payable written back		-	7,113,178	-	-
Sundry income		7,140,896	8,471,765	6,017,650	9,008,138
Total of other income		78,918,011	40,104,254	64,298,342	72,119,077
8.1 Dividend income					
- Unquoted		-	-	50,399,998	52,695,000
Net dividend income			-	50,399,998	52,695,000
9 OTHER EXPENSES					
Impairment of goodwill		(5,629,638)	-	-	-
Provision for impairment of investment in Mahaweli Agro Trading (Pvt) Limited (previously named as Mahaweli Rice Processing Industries (Pvt) Ltd)		-	-	172,700,000	-
Provision for impairment of investment in AgStar Grains (Pvt) Limited		-	-	340,000,000	-
Provision for impairment of due from AgStar Grains (Pvt) Limited		-	-	38,930,000	-
Provision for impairment of investment in AgStar Exports (Pvt) Limited		-	-	37,500,000	-
Total		(5,629,638)	-	589,130,000	-
10 NET FINANCE COSTS					
Finance income					
Interest income on FCBU		2,364,007	2,198,773	-	-
Interest income on investment		2,454,632	2,609,944	2,415,714	2,609,944
Gain on translation of foreign currency		57,543,596	44,349,856	51,729,063	37,437,420
Total finance income		62,362,235	49,158,573	54,144,777	40,047,364
Finance costs					
Interest expense on short term loans		98,288,557	43,163,476	90,456,376	38,657,716
Interest expense on finance lease obligation		-	35,010	-	35,010
Interest expense on bank overdraft		2,191,999	1,813,197	1,927,160	1,200,610
Loss on translation of foreign currency		341,541	1,235,130	-	-
Total finance costs		100,822,097	46,246,813	92,383,536	39,893,336
Net finance costs recognised in profit or loss		(38,459,862)	2,911,760	(38,238,759)	154,028

(All amounts in Sri Lankan Rupees)

For the year ended 31st March,	Note	Group		Company	
		2017	2016 Restated	2017	2016 Restated
11					
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS					
Stated after charging all expenses including the following :					
Directors' emoluments		23,018,185	21,194,000	23,018,185	21,194,000
Auditors' remuneration - Statutory audit		718,000	640,000	380,000	330,000
Employee benefits	11.1	111,657,714	87,925,690	72,746,235	63,794,899
Depreciation and amortisation		40,178,160	51,958,162	23,875,248	21,484,812
Impairment of Inventory		872,923	-	-	-
Inventories write off		25,030,561	9,641,809	-	-
Subsidy write off		-	13,446,880	-	13,446,880
Impairment of other receivables		-	9,684,282	-	-
Trade debtors write off/ write back		4,446,795	-	-	-
Impairment loss/(gain) on trade receivables		9,331,340	3,517,738	10,573,745	1,133,540
Legal expenses		22,302,053	2,930,492	20,522,019	623,181
11.1					
Employee benefit expenses					
Salaries, wages and other related cost		98,642,359	73,810,225	59,794,933	49,758,410
Contributions to defined contribution plans		8,165,778	9,740,191	8,165,778	9,740,191
Provision for retirement benefit obligations		4,849,577	4,375,274	4,785,524	4,296,298
Total of employee benefit expenses		111,657,714	87,925,690	72,746,235	63,794,899
12					
INCOME TAX EXPENSE					
Current tax expense					
Taxation on profit for the year	12.1	172,167,708	172,600,040	169,211,092	164,517,006
(Over)/under provision in respect of previous years		1,746,882	28,544,242	1,540,124	28,718,892
Withholding tax on dividend paid by subsidiaries		5,955,000	5,855,000	-	-
Sub-total		179,869,590	206,999,282	170,751,216	193,235,898
Deferred tax expense					
Origination/(reversal) of temporary differences		(103,152,748)	(80,975,787)	(106,789,926)	(71,970,664)
Income tax expense recognised in profit or loss		76,716,842	126,023,495	63,961,290	121,265,234

NOTES TO THE FINANCIAL STATEMENTS ➞

(All amounts in Sri Lankan Rupees)

For the year ended 31st March,	Group		Company	
	2017	2016 Restated	2017	2016 Restated
12.1 Reconciliation between current tax expense and the accounting profit				
Profit/(loss) before taxation - continuing operations	244,104,113	363,440,100	(341,842,493)	375,558,591
Loss before taxation - discontinuing operations	(199,948,384)	(281,930,252)	-	-
Consolidation adjustments	63,694,590	66,896,345	-	-
Adjusted profit before tax	107,850,319	148,406,193	(341,842,493)	375,558,591
Non business income	(117,337,596)	(82,317,153)	(52,815,712)	(65,720,883)
Aggregate allowable expense	(123,508,807)	(141,968,059)	(16,257,591)	(31,727,139)
Aggregate disallowable expense	107,606,573	91,616,652	628,539,412	54,256,333
Subsidy Received	709,691,943	568,938,955	709,691,943	568,938,955
Tax exempt profit	(33,640,164)	(30,831,155)	-	-
Tax loss of subsidiaries for the year	286,496,196	375,938,071	-	-
Statutory income / (loss) from business	937,158,464	929,783,504	927,315,559	901,305,857
Non-business income liable to tax	3,045,502	2,927,865	2,415,714	2,633,740
Tax loss claimed during the year	(325,405,946)	(316,378,859)	(325,405,946)	(316,378,859)
Taxable income	614,798,020	616,332,510	604,325,327	587,560,738
Income Tax @ 10%	24,262	26,937	-	-
Income Tax @ 28%	172,143,446	172,573,103	169,211,092	164,517,006
Tax on profit for the year	172,167,708	172,600,040	169,211,092	164,517,006
Current tax expense on discontinued operations	-	-	-	-
Current tax expense on continuing operations	172,167,708	172,600,040	169,211,092	164,517,006
Tax on profit for the year	172,167,708	172,600,040	169,211,092	164,517,006
Tax loss reconciliation Continuing operations				
Tax loss brought forward	934,878,003	1,294,530,008	894,656,792	1,266,587,312
Adjustment to tax loss brought forward	-	(56,557,742)	-	(55,551,661)
Loss incurred during the year	53,782,161	13,284,596	-	-
Loss utilised during the year	(325,405,946)	(316,378,859)	(325,405,946)	(316,378,859)
Tax loss carried forward	663,254,218	934,878,003	569,250,846	894,656,792

(All amounts in Sri Lankan Rupees)

For the year ended 31st March,	Group		Company	
	2017	2016 Restated	2017	2016 Restated
Tax loss reconciliation Discontinued operations				
Tax loss brought forward	164,285,868	78,453,280	-	-
Loss incurred during the year	51,816,143	85,832,588	-	-
Tax loss carried forward discontinued operations	216,102,011	164,285,868	-	-

12.2 The income tax provision of AgStar PLC., its subsidiaries which are resident in Sri Lanka have been calculated on their adjusted profits at 28% in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto (other than in respect of companies set out in notes 12.3 and 12.4 below.)

Tax status of companies in the Group which are enjoying income tax exemptions/concessionary tax rates are given in note 12.3 and 12.4

12.3 Companies exempt from income tax

Companies exempt from tax		
Company	Statute	Period
AgStar Properties (Pvt) Ltd	Section 17(A) of the Inland Revenue Act No.10 of 2006	7 years ending 2018/2019
AgStar Grains (Pvt) Ltd	Section 17 of BOI Law No. 4 of 1978	6 years ending 2023/2024

12.4 Companies liable to tax at concessionary rates

Company	Statute	Period
AgStar Exports (Pvt) Ltd	12% under section 50 of Inland Revenue Act No. 10 of 2006	Indefinite
AgStar Properties (Pvt) Ltd	10% for coconut sale	

NOTES TO THE FINANCIAL STATEMENTS ➞

(All amounts in Sri Lankan Rupees)

13 DISCONTINUED OPERATIONS

The Directors resolved in March 2017 to discontinue the rice processing operations carried out by Mahaweli Agro Trading (Pvt) Limited (previously named as Mahaweli Rice Processing Industries (Pvt) Limited) and AgStar Grains (Pvt) Limited. The negotiations for the disposal of discontinued assets and liabilities are in progress.

The comparative consolidated statement of profit or loss and Other Comprehensive Income has been restated to show the discontinued operation from continuing operations.

The results of aforesaid operations for the year are presented below:

For the year ended 31st March,	Group		Company	
	2017	2016 Restated	2017	2016 Restated
13.1 Loss after tax from discontinued operations				
Revenue	608,056,590	585,607,151	-	-
Cost of sales	(629,968,881)	(711,699,697)	-	-
Gross loss	(21,912,291)	(126,092,546)	-	-
Other income	250,740	461,174	-	-
Selling and distribution expenses	(15,007,383)	(13,765,188)	-	-
Administrative expenses	(33,098,204)	(34,458,990)	-	-
Provision for impairment of receivables	(51,407,046)	(10,882,123)	-	-
Provision for impairment of inventories	(1,894,725)	(25,366,872)	-	-
Impairment of Property, plant and equipment	(19,450,888)	-	-	-
Operating loss	(142,519,797)	(210,104,545)	-	-
Finance income	-	-	-	-
Finance costs	(57,428,587)	(71,825,707)	-	-
Net finance costs	(57,428,587)	(71,825,707)	-	-
Loss before tax from discontinued operations	(199,948,384)	(281,930,252)	-	-
Tax expense:				
Current tax	-	(4,172)	-	-
Deferred tax	10,094,634	(8,358,245)	-	-
Loss for the year from discontinued operations	(189,853,750)	(290,292,669)	-	-
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	(189,853,750)	(290,292,669)	-	-

*Cost of sales includes depreciation of property, plant and equipment amounting to Rs. 34,827,370/-

(All amounts in Sri Lankan Rupees)

As at 31st March,	2017	Group		2017	Company	
		2016 Restated	2015 Restated		2016 Restated	2015 Restated
13.2 Major Classes of Assets and Liabilities						
Classified as Held for Sale						
Assets						
Property, plant and equipment	519,105,735	576,090,530	523,754,490	118,710,000	121,600,000	42,675,136
Inventories	101,918,957	171,885,962	627,378,741	-	-	-
Trade receivables	63,440,654	71,318,465	30,088,247	-	-	-
Cash in hand and cash at bank	2,455,087	1,555,874	4,853,390	-	-	-
Assets classified as held for sale	686,920,433	820,850,831	1,186,074,868	118,710,000	121,600,000	42,675,136
Liabilities						
Loans and borrowings	432,824,500	413,213,726	645,435,655	-	-	-
Trade and other payables	6,986,799	6,779,543	19,634,208	-	-	-
Bank overdrafts	-	-	29,950	-	-	-
Liabilities classified as held for sale	439,811,299	419,993,269	665,099,813	-	-	-
Net assets directly associated with disposal group	247,109,134	400,857,562	520,975,055	118,710,000	121,600,000	42,675,136

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lankan Rupees)

For the year ended 31st March,	Group		Company	
	2017	2016 Restated	2017	2016 Restated
13.3 Cash flows generated from/(used in) discontinued operations				
Net cash flow from / (used in) operating activities	(49,664,246)	281,209,570	-	-
Net cash used in investing activities	(1,600,000)	(4,356,141)	-	-
Net cash from / (used in) financing activities	50,084,400	(281,730,959)	-	-
Net cash inflow/ (outflow)	(1,179,846)	(4,877,530)	-	-
13.4 Deficit per share				
Diluted / deficit per share for the year from discontinued operations	(0.58)	(0.89)	-	-

(All amounts in Sri Lankan Rupees)

14 EARNINGS/(DEFICIT) PER SHARE (BASIC/DILUTED)

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

For the year ended 31st March,	Group		Company	
	2017	2016 Restated	2017	2016 Restated
Profit/(Loss) attributable to ordinary shareholders (Rs.)	(22,466,479)	(52,876,064)	(405,803,783)	254,293,357
Weighted average number of ordinary shares at 31st March	325,000,000	325,000,000	325,000,000	325,000,000
Earnings/(Deficit) per share (Rs.)	[0.07]	[0.16]	[1.25]	0.78

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

For the year ended 31st March,	2017	2016
Final ordinary dividend paid - Rs. 0.20 per share (2015/2016 - 0.20 per share)	65,000,000	65,000,000

15 DIVIDEND PER SHARE

The Directors have not recommended dividend payment for the year ended 31st March 2017.

NOTES TO THE FINANCIAL STATEMENTS ➞

(All amounts in Sri Lankan Rupees)

	Land	Buildings	Plant and machinery	Motor vehicles
16 PROPERTY, PLANT AND EQUIPMENT- COMPANY				
Cost / valuation				
Freehold				
At the beginning of the year	183,800,000	150,129,007	96,870,727	14,412,079
Prior year adjustment (Note 36)	(29,300,000)	-	-	-
Additions during the year	-	1,707,230	2,962,402	13,500,000
Transferred to assets classified as held for sale	(63,800,000)	(57,800,000)	-	-
Transferred within inter-companies	-	(861,460)	(18,821,134)	-
Transferred (to)/from leasehold	-	(21,200,000)	-	-
Surplus on revaluation (Note 36)	-	-	-	-
Adjustments on revaluation	-	-	-	-
Disposals	-	-	-	(4,760,725)
At the end of the year	90,700,000	71,974,777	81,011,995	23,151,354
Leasehold				
At the beginning of the year	-	-	-	9,550,000
Transferred (to)/from freehold	-	21,200,000	-	-
Disposals	-	-	-	(9,550,000)
At the end of the year	-	-	-	-
Gross carrying amount	90,700,000	93,174,777	81,011,995	23,151,354
Accumulated Depreciation/Impairment				
Freehold				
At the beginning of the year	-	-	52,248,467	9,730,011
Charge for the year	-	7,535,879	8,328,568	3,768,231
Transferred to assets classified as held for sale	-	(2,890,000)	-	-
Transferred within inter-companies	-	(32,453)	(11,492,941)	-
Transferred (to)/from leasehold	-	(1,060,000)	-	-
Adjustments on revaluation	-	-	-	-
Disposals	-	-	-	(4,503,183)
At the end of the year	-	3,553,426	49,084,094	8,995,059
Leasehold				
At the beginning of the year	-	-	-	9,550,000
Charge for the year	-	-	-	-
Transferred (to)/from freehold	-	1,060,000	-	-
Disposals	-	-	-	(9,550,000)
At the end of the year	-	1,060,000	-	-
Net carrying amount as at 31st March 2017	90,700,000	88,561,351	31,927,901	14,156,295
Net carrying amount as at 31st March 2016	183,800,000	150,129,007	44,622,260	4,682,068
Net carrying amount as at 31st March 2015	39,569,976	31,002,886	52,195,988	12,947,199

Furniture and fittings	Factory equipments	Pallets	Office and computer equipments	Capital work in progress	Total 2017	Total 2016	Total 2015
15,116,406	4,407,785	2,722,402	27,252,208	-	494,710,614	288,292,559	299,940,834
-	-	-	-	-	(29,300,000)	-	-
1,091,079	73,185	11,500	4,654,233	-	23,999,629	131,161,344	28,797,822
-	-	-	-	-	(121,600,000)	(121,600,000)	(43,299,653)
-	-	-	-	-	(19,682,594)	-	(73,696)
-	-	-	-	-	(21,200,000)	-	11,790,000
-	-	-	-	-	-	96,530,239	-
-	-	-	-	-	-	(18,397,500)	-
-	-	-	(23,735)	-	(4,784,460)	(32,176,028)	(52,162,400)
16,207,485	4,480,970	2,733,902	31,882,706	-	322,143,189	343,810,614	244,992,907
-	-	-	-	-	9,550,000	9,550,000	21,340,000
-	-	-	-	-	21,200,000	-	(11,790,000)
-	-	-	-	-	(9,550,000)	-	-
-	-	-	-	-	21,200,000	9,550,000	9,550,000
16,207,485	4,480,970	2,733,902	31,882,706	-	343,343,189	353,360,614	254,542,907
11,677,802	2,843,360	2,520,898	19,815,591	-	98,836,129	123,622,359	128,211,455
898,806	280,206	137,303	2,926,257	-	23,875,250	21,484,812	29,522,689
-	-	-	-	-	(2,890,000)	-	(624,517)
-	-	-	-	-	(11,525,394)	-	(18,917)
-	-	-	-	-	(1,060,000)	-	11,790,000
-	-	-	-	-	-	(18,397,500)	-
-	-	-	(20,175)	-	(4,523,358)	(27,873,542)	(45,882,866)
12,576,608	3,123,566	2,658,201	22,721,673	-	102,712,627	98,836,129	122,997,844
-	-	-	-	-	9,550,000	9,550,000	18,672,500
-	-	-	-	-	-	-	2,667,500
-	-	-	-	-	1,060,000	-	(11,790,000)
-	-	-	-	-	(9,550,000)	-	-
-	-	-	-	-	1,060,000	9,550,000	9,550,000
3,630,877	1,357,404	75,701	9,161,033	-	239,570,562	-	-
3,438,604	1,564,425	201,504	7,436,617	-	-	244,974,485	-
3,366,594	1,843,942	470,631	4,878,671	-	-	-	121,995,063

NOTES TO THE FINANCIAL STATEMENTS ➞

(All amounts in Sri Lankan Rupees)

	Land	Buildings	Plant and machinery	Motor vehicles
16 PROPERTY, PLANT AND EQUIPMENT - GROUP				
Cost / valuation				
Freehold				
At the beginning of the year	734,963,000	658,139,888	359,835,729	14,837,079
Prior year adjustment (Note 36)	(29,300,000)	-	-	-
Additions	-	3,186,868	3,101,054	13,500,000
Transferred from capital work-in-progress	-	-	-	-
Transferred to assets classified as held for sale	(63,800,000)	(295,069,506)	(258,968,894)	(3,730,000)
Transferred (to)/from leasehold	-	(21,200,000)	-	3,305,000
Transferred to investment property	-	-	-	-
Surplus on revaluation (Note 36)	-	-	-	-
Adjustments on revaluation	-	-	-	-
Acquisition of subsidiary	-	-	-	-
Disposals	-	-	-	(4,760,725)
At the end of the year	641,863,000	345,057,250	103,967,889	23,151,354
Leasehold				
At the beginning of the year	-	-	-	12,855,000
Transferred (to)/from freehold	-	21,200,000	-	(3,305,000)
Disposals	-	-	-	(9,550,000)
At the end of the year	-	21,200,000	-	-
Gross carrying amount	641,863,000	366,257,250	103,967,889	23,151,354
Accumulated depreciation/Impairment				
Freehold				
At the beginning of the year	-	43,006,441	86,727,475	9,886,502
Charge for the year	-	28,608,510	36,262,357	3,853,231
Impairment of property, plant & equipment	-	18,531,753	919,135	-
Transferred to assets classified as held for sale	-	(41,413,824)	(59,866,457)	(2,959,742)
Transferred (to)/from leasehold	-	(1,060,000)	-	2,718,249
Adjustments on revaluation	-	-	-	-
Disposals	-	-	-	(4,503,183)
At the end of the year	-	47,672,880	64,042,510	8,995,057
Leasehold				
At the beginning of the year	-	-	-	11,607,249
Charge for the year	-	-	-	661,000
Transferred (to)/from freehold	-	1,060,000	-	(2,718,249)
Disposals	-	-	-	(9,550,000)
At the end of the year	-	1,060,000	-	-
Net carrying amount as at 31st March 2017	641,863,000	317,524,370	39,925,379	14,156,297
Net carrying amount as at 31st March 2016	734,963,000	615,133,447	273,108,254	6,198,328
Net carrying amount as at 31st March 2015	590,732,976	345,663,050	113,884,067	14,661,972

Furniture and fittings	Factory equipments	Pallets	Office and computer equipments	Capital work in progress	Total 2017	Total 2016	Total 2015
17,612,054	4,749,979	2,962,193	30,942,966	404,700	1,824,447,588	1,609,305,751	1,348,979,901
-	-	-	-	-	(29,300,000)	-	-
1,106,293	73,185	11,500	4,687,381	-	25,666,282	121,755,781	88,019,820
-	-	-	-	-	-	17,657,938	-
(895,248)	-	(67,891)	(1,976,123)	(404,700)	(624,912,362)	(624,743,634)	(542,115,740)
-	-	-	-	-	(17,895,000)	-	11,790,000
-	-	-	-	-	-	-	(69,000,000)
-	-	-	-	-	-	96,530,239	283,084,997
-	-	-	-	-	-	(18,397,500)	-
-	-	-	-	-	-	500,000	-
-	-	-	(23,735)	-	(4,784,460)	(32,204,621)	(53,031,738)
17,823,099	4,823,164	2,905,802	33,630,489	-	1,173,222,048	1,170,403,954	1,067,727,240
-	-	-	-	-	12,855,000	12,855,000	24,570,751
-	-	-	-	-	17,895,000	-	(11,790,000)
-	-	-	-	-	(9,550,000)	-	-
-	-	-	-	-	21,200,000	12,855,000	12,780,751
17,823,099	4,823,164	2,905,802	33,630,489	-	1,194,422,048	1,183,258,954	1,080,507,991
12,155,677	3,185,555	2,608,169	21,576,658	-	179,146,477	158,387,427	142,559,399
1,180,380	280,206	212,726	3,547,120	-	73,944,530	67,030,092	51,245,900
-	-	-	-	-	19,450,888	-	-
(244,866)	-	(43,458)	(1,278,283)	-	(105,806,630)	(48,653,104)	(18,361,250)
-	-	-	-	-	1,658,249	-	11,790,000
-	-	-	-	-	-	(18,397,500)	-
-	-	-	(20,175)	-	(4,523,358)	(27,873,542)	(46,009,644)
13,091,191	3,465,761	2,777,437	23,825,320	-	163,870,156	130,493,373	141,224,405
-	-	-	-	-	11,607,249	10,944,438	18,672,500
-	-	-	-	-	661,000	662,811	3,326,690
-	-	-	-	-	(1,658,249)	-	(11,790,000)
-	-	-	-	-	(9,550,000)	-	-
-	-	-	-	-	1,060,000	11,607,249	10,209,190
4,731,908	1,357,403	128,365	9,805,170	-	1,029,491,892		
5,456,377	1,564,424	354,024	9,366,308	404,700		1,041,158,332	
4,693,690	1,852,958	629,031	6,626,628	374,084,514			929,074,396

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lankan Rupees)

16.1 Information on the land and buildings of the Company

Location	Revalued Date	Extent (Perches)	Building (Square feet)	No. of Buildings	Cost or revaluation of land	Cost or revaluation of buildings*	Total value	Accumulated depreciation	Net book value	Net book value as a % of revalued amount
Continuing operations										
Freehold										
Borella	31st March 2016	16.32	5,563	1	81,300,000	42,524,777	123,824,777	(2,088,727)	121,736,050	98%
Bawa place, Colombo 8										
Dambulla	31st March 2016									
Ihalakatu potha Watta, Pannampitiya Village, Lenadora		63.75	9,812	2	9,400,000	29,450,000	38,850,000	(1,464,699)	37,385,301	96%
Ekala	31st March 2015									
No. 93, Minuwangoda Road, Ekala		1,311.00	141,790	8	551,163,000	373,082,473	824,245,473	(44,119,454)	780,126,019	96%
Leasehold										
Polonnaruwa	31st March 2016									
Ambalmkele		-	7,970	1	-	21,200,000	21,200,000	(1,060,000)	20,140,000	95%
Discontinued operations										
Anuradhapura	31st March 2016	579.22	38,340	3	63,800,000	57,800,000	121,600,000	(2,890,000)	118,710,000	98%
Puliyankulama										

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

* Cost or revaluation of buildings includes subsequent additions.

(All amounts in Sri Lankan Rupees)

As at 31st March,	Group			Company		
	2017	2016	2015	2017	2016	2015
17 INTANGIBLE ASSETS						
17.1 Trade mark						
Balance at the beginning of the year	1,400,000	1,800,000	-	-	-	-
Additions during the year	-	-	2,000,000	-	-	-
Amortisation	(400,000)	(400,000)	(200,000)	-	-	-
Balance at the end of the year	1,000,000	1,400,000	1,800,000	-	-	-
17.2 Goodwill on acquisition						
Balance at the beginning of the year	62,055,630	5,629,638	5,629,638	-	-	-
Additions during the year	-	56,425,992	-	-	-	-
Impairment during the year	(5,629,638)	-	-	-	-	-
Balance as at end of the year	56,425,992	62,055,630	5,629,638	-	-	-
Net carrying amount as at 31st March	57,425,992	63,455,630	7,429,638	-	-	-

Trade mark

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

Goodwill on acquisition

Goodwill arising on business combination have been allocated to the following company;

Prith Seeds Private Limited

Rs. 56,425,992

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

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

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

Inflation – Based on current inflation rate.

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

Margin – Based on past performance and budgeted expectations.

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(All amounts in Sri Lankan Rupees)

As at 31st March,	Group			Company		
	2017	2016	2015	2017	2016	2015
18 INVESTMENT PROPERTIES						
Balance at the beginning of the year	86,500,000	69,000,000	-	-	-	-
Transfer from property, plant and equipment	-	-	-	-	-	-
	-	-	69,000,000	-	-	-
Additions during the year	4,603,578	3,396,628	-	-	-	-
Change in fair value	63,896,422	14,103,372	-	-	-	-
Balance as at 31st March	155,000,000	86,500,000	69,000,000	-	-	-

- 18.1** "Investment property was appraised in accordance with LKAS 40, by a qualified independent valuers, who hold recognised and relevant professional qualifications and have recent experience in the location and category of the revalued properties on the basis of current market value method of valuation. In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also valuer has made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

18.2 Valuation details of investment property

Location	Company	Valuer	Extent	Date of valuation	Fair Value
Korathota - Land	AgStar Properties (Pvt) Ltd	Sarath G.Fernando (Incorporated Valuer)	04A.2R.27.90P	31st March 2017	155,000,000

(All amounts in Sri Lankan Rupees)

As at 31st March,	Company/Group holding			No of shares			Cost as at 31st March		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
19 INVESTMENTS IN SUBSIDIARIES									
AgStar Cropcare (Pvt) Ltd.	100%	100%	100%	5,000,000	5,000,000	5,000,000	37,999,990	37,999,990	37,999,990
AgStar Seeds (Pvt) Ltd.	100%	100%	100%	5,000,000	5,000,000	5,000,000	500,000	500,000	500,000
AgStar Properties (Pvt) Ltd.	100%	100%	100%	35,000,000	35,000,000	35,000,000	350,000,000	350,000,000	350,000,000
AgStar Grains (Pvt) Ltd.	100%	100%	100%	34,000,000	20,000,000	20,000,000	340,000,000	200,000,000	200,000,000
Mahaweli Agro Trading (Pvt) Limited (previously named as Mahaweli Rice processing industries (Pvt) Ltd)	100%	100%	100%	19,550,000	13,450,000	13,450,000	172,700,000	111,700,000	111,700,000
AgStar Exports (Pvt) Ltd.	100%	100%	100%	4,500,000	500,000	500,000	45,000,000	5,000,000	5,000,000
Prith Seeds (Pvt) Ltd.	100%	100%	-	10,000	10,000	-	80,229,098	80,229,098	-
				103,060,000	78,960,000	78,950,000	1,026,429,088	785,429,088	705,199,990
Provision for fall in value of investments (Note 19.2)							(550,200,000)	-	-
							476,229,088	785,429,088	705,199,990

19.1 AgStar PLC resolved to convert balances receivable from AgStar Grains (Pvt) Ltd, Mahaweli Agro Trading (Pvt) Ltd and AgStar Exports (Pvt) Ltd of Rs. 140 Mn, Rs. 61 Mn and Rs. 40 Mn respectively to investments in ordinary shares in the said Companies. No cash payments were made for investments in subsidiaries during the year under review

19.2 The Company has made provisions against the investments in Mahaweli Agro Trading (Pvt) Limited, AgStar Grains (Pvt) Limited and AgStar Exports (Pvt) Limited of Rs.172.7 million, Rs.340 million and Rs.37.5 million respectively.

NOTES TO THE FINANCIAL STATEMENTS ➞

(All amounts in Sri Lankan Rupees)

As at 31st March,	2017	Group		2017	Company	
		2016 Restated	2015 Restated		2016	2015
20 DEFERRED TAX ASSETS						
20.1 Movement in deferred tax assets						
Balance at the beginning of the year	99,871	256,647	219,843	-	-	-
Origination/ (reversal) of temporary differences	(73,757)	(156,774)	36,804	-	-	-
Balance as at 31st March	26,114	99,871	256,647	-	-	-
20.2 Composition of deferred tax assets						
Deferred tax attributable to:						
Property, plant and equipment	26,114	25,686	24,754	-	-	-
General provision for bad debts	-	74,185	231,893	-	-	-
Net deferred tax assets	26,114	99,871	256,647	-	-	-
20.3 Unrecognised deferred tax assets						
AgStar Cropcare Private Limited	4,981,805	-	-	-	-	-
AgStar Exports Private Limited	43,963,883	40,151,763	-	-	-	-
AgStar Seeds Private Limited	70,906,207	25,917,971	-	-	-	-
	119,851,895	66,069,734	-	-	-	-

As at 31st March,	2017	Group		2017	Company	
		2016 Restated	2015 Restated		2016	2015
21 INVENTORIES						
Reconciliation of inventories						
Raw materials and consumables	853,196,994	874,062,971	287,791,341	829,596,700	760,054,814	64,965,622
Finished goods	67,870,569	95,150,151	113,218,423	5,628,099	6,800,473	6,495,870
Goods in transit	2,473,632	237,860,832	246,612,195	-	233,505,542	244,066,130
	923,541,195	1,207,073,954	647,621,959	835,224,799	1,000,360,829	315,527,622
Provision for impairment of inventories	(872,923)	-	-	-	-	-
	922,668,272	1,207,073,954	647,621,959	835,224,799	1,000,360,829	315,527,622

[All amounts in Sri Lankan Rupees]

As at 31st March,	Note	Group			Company		
		2017	2016 Restated	2015 Restated	2017	2016	2015
22							
TRADE AND OTHER RECEIVABLES							
Trade receivables		909,524,885	502,810,290	459,900,795	744,470,583	335,843,300	322,788,970
Tax receivables	22.1	20,182,306	6,273,971	29,332,348	10,751,109	925,196	24,440,837
Other receivables		9,681,282	9,684,282	33,329,488	-	-	-
Deposits and prepayments		46,647,437	65,955,530	143,690,399	43,591,645	56,702,071	31,586,058
Rent paid in advance		-	-	-	64,000,000	112,000,000	160,000,000
Subsidy receivable	22.2	536,533,163	1,246,225,106	1,803,012,664	536,533,163	1,246,225,106	1,803,012,664
Staff loan and advances		25,093,807	28,041,292	28,171,298	25,093,807	27,964,716	28,171,298
Sub Total		1,547,662,880	1,858,990,471	2,497,436,992	1,424,440,307	1,779,660,389	2,369,999,827
Provision for impairment of trade receivables	22.3	(166,838,084)	(131,803,073)	(122,742,526)	(111,811,840)	(101,238,095)	(100,104,555)
Provision for impairment of other receivables		(9,681,282)	(9,684,282)	-	-	-	-
Total of trade and other receivables		1,371,143,514	1,717,503,116	2,374,694,466	1,312,628,467	1,678,422,294	2,269,895,272
22.1							
Tax receivables							
Income tax receivable		3,435,752	-	-	-	-	-
Withholding tax recoverable		171,534	175,829	220,568	171,534	175,829	220,568
Economic service charge recoverable		12,075,448	2,683,544	9,218,558	10,579,575	749,367	7,161,418
Value added tax recoverable		4,273,412	3,189,322	17,418,921	-	-	17,058,851
National building tax recoverable		226,160	225,276	2,474,301	-	-	-
Total tax receivables		20,182,306	6,273,971	29,332,348	10,751,109	925,196	24,440,837
22.2							
Subsidy receivable							
Balance at the beginning of the year		1,246,225,106	1,803,012,664	2,302,627,354	1,246,225,106	1,803,012,664	2,302,627,354
Additions during the year		81,600,652	1,327,889,124	1,643,090,413	81,600,652	1,327,889,124	1,643,090,413
Receipt during the year		(791,292,595)	(1,871,229,802)	(2,102,135,226)	(791,292,595)	(1,871,229,802)	(2,102,135,226)
Write off during the year		-	(13,446,880)	(40,569,877)	-	(13,446,880)	(40,569,877)
Balance at the end of the year		536,533,163	1,246,225,106	1,803,012,664	536,533,163	1,246,225,106	1,803,012,664

NOTES TO THE FINANCIAL STATEMENTS ➞

(All amounts in Sri Lankan Rupees)

	Group 2017	Company 2017
22.3 Provision for impairment of trade receivables		
Balance as at 1st April 2015	122,742,526	100,104,555
Provision made during the year	9,060,547	1,133,540
Balance as at 1st April 2016	131,803,073	101,238,095
Provision/ (reversal) during the year	36,968,008	10,573,745
Written off/ written back	(1,932,997)	-
Balance as at 31st March 2017	166,838,084	111,811,840

	Group			Company		
As at 31st March,	2017	2016	2015	2017	2016	2015
23 RELATED PARTY RECEIVABLES AND PAYABLES						
23.1 Amount due from related companies						
AgStar Cropcare (Pvt) Ltd.	-	-	-	18,172,476	-	10,521,796
AgStar Seeds (Pvt) Ltd.	-	-	-	1,477,718	7,487,616	658,800
AgStar Properties (Pvt) Ltd.	-	-	-	152,388,512	99,834,659	45,876,190
AgStar Grains (Pvt) Ltd.	-	-	-	44,206,387	179,342,004	172,279,603
Mahaweli Agro Trading (Pvt) Limited (previously named as Mahaweli Rice Processing Industries (Pvt) Ltd)	-	-	-	-	61,106,241	48,058,819
AgStar Exports (Pvt) Ltd.	-	-	-	110,269,960	141,490,526	134,993,279
Prith Seeds (Pvt) Ltd.	-	-	-	264,104	7,510,891	-
	-	-	-	326,779,157	496,771,937	412,388,487
Provision for related party receivable	-	-	-	(38,930,000)	-	-
	-	-	-	287,849,157	496,771,937	412,388,487
23.2 Amounts due to related companies						
AgStar Cropcare (Pvt) Ltd.	-	-	-	-	(2,892,111)	-
Mahaweli Agro Trading (Pvt) Limited (previously named as Mahaweli Rice Processing Industries (Pvt) Ltd)	-	-	-	(1,149,259)	-	-
	-	-	-	(1,149,259)	(2,892,111)	-

(All amounts in Sri Lankan Rupees)

As at 31st March,		Group			Company	
		2017	2016 Restated	2015 Restated	2017	2016 2015
24	CASH AND CASH EQUIVALENTS					
Short term deposits	24.1	28,551,782	18,940,909	17,743,461	20,051,782	18,940,909 17,743,461
Cash in hand		594,257	382,757	3,877,762	434,257	382,757 -
Cash at Bank		130,615,844	528,200,181	137,594,942	17,553,255	416,646,176 35,149,932
Cash and cash equivalents in the statements of financial position		159,761,883	547,523,847	159,216,165	38,039,294	435,969,842 52,893,393
Bank overdraft for cash management purposes		(44,649,340)	(23,461,221)	(39,466,451)	(42,664,656)	(20,384,812) (33,487,579)
Cash and cash equivalents classified as held for sale		2,455,087	1,555,874	4,823,440	-	- -
Cash and cash equivalents for the purpose of statement of cash flows		117,567,630	525,618,500	124,573,154	(4,625,362)	415,585,030 19,405,814
24.1	Short term deposits					
Fixed deposits - HNB		20,051,782	18,940,909	17,743,461	20,051,782	18,940,909 17,743,461
Investment in reverse repo		8,500,000	-	-	-	-
		28,551,782	18,940,909	17,743,461	20,051,782	18,940,909 17,743,461

Security details on bank over draft facilities

Bank	Currency	Facility Value	Facility Period	Nature of assets pledge
Commercial Bank of Ceylon PLC	LKR	25m	1 Year	General Terms & Conditions
Hatton National Bank PLC	LKR	25m	1 Year	Letter of Setoff Rs.20 Mn FD
MCB Bank	LKR	25m	1 Year	Paripasu mortgage bond

NOTES TO THE FINANCIAL STATEMENTS ➞

(All amounts in Sri Lankan Rupees)

As at 31st March,		Company		
		2017	2016	2015
25	STATED CAPITAL			
	Stated Capital	1,204,093,678	1,204,093,678	1,204,093,678
	Issue and fully paid Ordinary shares	325,000,000	325,000,000	325,000,000

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

As at 31st March,		Group		Company		
		2017	2016 Restated	2015 Restated	2017	2016 2015
26	EMPLOYEE BENEFITS					
26.1	Movement in net defined benefit obligation					
	Balance at the beginning of the year	20,800,180	18,148,728	12,628,200	20,682,644	18,148,728 12,628,200
	Include in profit or loss					
	Transfer at the acquisition of Prith Seeds (Pvt) Limited	-	107,250	-	-	-
	Current service cost	2,554,202	2,639,348	2,531,789	2,510,433	2,572,169 2,531,789
	Interest cost	2,295,375	1,735,926	1,262,820	2,275,091	1,724,129 1,262,820
		25,649,757	22,631,252	16,422,809	25,468,168	22,445,026 16,422,809
	Include in other comprehensive income					
	Actuarial losses/(gains)	(3,334,300)	(1,069,690)	1,896,019	(3,294,738)	(1,000,999) 1,896,019
		22,315,457	21,561,562	18,318,828	22,173,430	21,444,027 18,318,828
	Benefits paid	(1,470,209)	(761,383)	(170,100)	(1,470,209)	(761,383) (170,100)
	Balance as at 31st March	20,845,248	20,800,179	18,148,728	20,703,221	20,682,644 18,148,728

The provision for retirement benefit obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries. Messrs. Actuarial & Management Consultant (Pvt) Ltd, as at 31st March 2017. The actuarial present value of the promised retirement benefit as at 31st March 2017 amounted to Rs.20,845,248/- (2016- Rs.20,800,179/-). The liability is not externally funded.

(All amounts in Sri Lankan Rupees)

As at 31st March,	Group			Company		
	2017	2016	2015	2017	2016	2015
26.2 Defined benefit obligation						
Actuarial assumptions						
Discount rate	12%	11%	9.50%	12%	11%	9.50%
Future salary growth	9%	10%	10%	9%	10%	10%
It is also assumed that the Company will continue in business as a going concern						
Retirement age	55 years	55 years	55 years	55 years	55 years	55 years
Mortality	A 66/70 mortality table issued by the Institute of Actuaries, London					

26.3 Sensitivity analysis

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

Group/Company	31-Mar-17		31-Mar-16	
	Rs. 1% increase	Rs. 1% decrease	Rs. 1% increase	Rs. 1% decrease
Discount rate (1% movement)	20,010,869	21,451,824	19,841,309	21,607,486
Future salary growth (1% movement)	21,386,526	20,061,750	21,533,780	19,895,625

As at 31st March,	Group			Company		
	2017	2016	2015	2017	2016	2015
27 DEFERRED INCOME						
Balance at the beginning of the year	6,349,925	-	-	6,349,925	-	-
Additions during the year	3,242,459	9,026,233	-	3,242,459	9,026,233	-
Recognised during the year	(2,758,554)	(2,676,308)	-	(2,758,554)	(2,676,308)	-
Balance at the end of the year	6,833,830	6,349,925	-	6,833,830	6,349,925	-

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

NOTES TO THE FINANCIAL STATEMENTS ➞

(All amounts in Sri Lankan Rupees)

As at 31st March,	Group			Company		
	2017	2016 Restated	2015 Restated	2017	2016	2015
28 DEFERRED TAX LIABILITIES						
28.1 Movement in deferred tax liabilities						
Balance at the beginning of the year	151,164,190	211,028,899	199,248,047	122,562,536	181,640,466	218,145,527
Origination/(reversal) of temporary differences recognised in statement of profit or loss						
Continuing operations	(103,245,736)	(81,134,921)	(36,034,517)	(106,789,926)	(71,970,664)	(36,123,073)
Discontinued operations	(10,094,634)	8,358,245	1,736,389	-	-	-
Adjustment on revaluation	-	12,612,454	46,460,968	-	12,612,454	-
Recognised in other comprehensive income	933,604	299,513	(381,988)	922,527	280,280	(381,988)
Balance at the end of the year	38,757,424	151,164,190	211,028,899	16,695,137	122,562,536	181,640,466
28.2 Composition of deferred tax						
Property, plant and equipment	(53,720,597)	(58,268,833)	(65,272,214)	(31,658,309)	(29,634,268)	(16,986,301)
Subsidy receivable	(150,229,286)	(348,943,030)	(508,245,938)	(150,229,286)	(348,943,030)	(508,245,937)
	(203,949,883)	(407,211,863)	(573,518,152)	(181,887,595)	(378,577,298)	(525,232,238)
Defined benefit obligations	5,796,903	5,543,770	5,081,644	5,796,903	5,510,861	5,081,644
Tax losses carried forward	159,395,555	250,503,903	357,407,609	159,395,555	250,503,902	338,510,128
	165,192,458	256,047,673	362,489,253	165,192,458	256,014,763	343,591,772
	(38,757,424)	(151,164,190)	(211,028,899)	(16,695,137)	(122,562,536)	(181,640,466)

(All amounts in Sri Lankan Rupees)

As at 31st March,		Group			Company	
		2017	2016 Restated	2015 Restated	2017	2016 2015
29	LOANS AND BORROWINGS					
	Non-current liabilities					
	Term loans 29.2	-	-	-	-	-
	Finance lease obligations	-	-	325,000	-	-
		-	-	325,000	-	-
	Current liabilities					
	Term loans 29.2	356,787,151	1,034,240,777	671,698,626	150,264,960	821,696,142 410,487,846
	Finance lease obligations	-	325,000	1,614,795	-	- 1,014,795
		356,787,151	1,034,565,777	673,313,421	150,264,960	821,696,142 411,502,641

29.1 Terms and repayment schedule

The terms and conditions of outstanding loans as follows.

				31st March 2017		31st March 2016	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Secured bank loan	LKR	AWPLR+2%	-	356,787,151	356,787,151	1,034,240,777	1,034,240,777
				356,787,151	356,787,151	1,034,240,777	1,034,240,777

As at 31st March,		Group			Company	
		2017	2016 Restated	2015 Restated	2017	2016 2015
29.2	Loan movement during the year					
	Balance at the beginning of the year	1,034,240,777	671,698,626	1,127,387,622	821,696,142	410,487,845 843,812,574
	Obtained during the year	2,998,402,993	3,450,587,587	2,658,582,373	2,148,431,858	2,601,976,257 2,093,109,988
	Repayment during the year	(3,675,856,619)	(3,088,045,436)	(3,114,271,369)	(2,819,863,040)	(2,190,767,960) (2,526,434,717)
	Balance at the end of the year	356,787,151	1,034,240,777	671,698,626	150,264,960	821,696,142 410,487,845

NOTES TO THE FINANCIAL STATEMENTS ➞

(All amounts in Sri Lankan Rupees)

As at 31st March,	Group			Company		
	2017	2016 Restated	2015 Restated	2017	2016	2015
30 TRADE AND OTHER PAYABLES						
Trade payables	788,388,298	1,055,472,161	814,025,594	780,839,262	1,018,959,123	771,558,817
Other payables	225,556,753	234,444,319	278,991,015	215,439,074	216,060,384	147,626,435
Import demand loan	-	-	250,373	-	-	-
Advance received	160,000	255,016	185,000	160,000	160,000	185,000
Total of trade and other payables	1,014,105,051	1,290,171,496	1,093,451,982	996,438,336	1,235,179,507	919,370,252

31 RELATED PARTY DISCLOSURES**(a) Identification of related parties**

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

(b) Transactions with key management personnel

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

(c) Loans to directors

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

(d) Key management personnel compensation

No compensation was paid to directors during the period under review, other than what is mentioned in Note 11.

(e) Related party transactions

The following transactions were carried out with related parties during the year ended 31st March 2017.

[All amounts in Sri Lankan Rupees]

31.1 Transactions with subsidiaries

Company	Relationship	Nature of transaction	Transactions during the year	Balance due to/ (from) as at 31/3/2017	Balance due to/ (from) as at 31/3/2016
AgStar Cropcare (Pvt) Ltd	Subsidiaries	Funds transferred	(16,808,536)		
		Dividend received	8,549,998		
		Fertilizer sales	19,618,160		
		Cropcare sales	(6,263,378)		
		Salaries and allowance	15,314,133		
		Set off against customer deposits	654,210	18,172,476	(2,892,111)
AgStar Exports (Pvt) Ltd	Subsidiaries	Funds transferred	3,258,484		
		Salaries and allowance	5,520,950		
		Share issue	(40,000,000)	110,269,960	141,490,526
AgStar Grains (Pvt) Ltd	Subsidiaries	Funds transferred	(12,952,742)		
		Salaries and allowance	17,817,125		
		Share issue (Refer note 19.1)	(140,000,000)	44,206,387	179,342,004
AgStar Properties (Pvt) Ltd	Subsidiaries	Funds transferred	17,814,845		
		Dividend received	40,950,000		
		Rent expense -Ekala building	(7,040,000)		
		Asset transfer	829,008	152,388,512	99,834,659
AgStar Seeds (Pvt) Ltd	Subsidiaries	Funds received	(27,464,794)		
		Setoff against customer deposit	(51,875)		
		Salaries and allowance	14,414,807		
		Asset transfer	7,091,964	1,477,718	7,487,616
Mahaweli Agro Trading (Pvt) Limited (previously named as Mahaweli Rice Processing Industries (Pvt) Ltd)	Subsidiaries	Funds transferred	(3,931,959)		
		Salaries and allowance	2,440,229		
		Asset transfer	236,229		
		Share issue (Refer note 19.1)	(61,000,000)	(1,149,259)	61,106,241
Prith Seeds (Pvt) Limited	Subsidiaries	Funds transferred	(12,298,126)		
		Dividend received	900,000		
		Salaries and allowance	4,151,338	264,104	7,510,891

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lankan Rupees)

32 COMMITMENTS

There were no other material capital or financial commitments outstanding as at the statement of financial position date, which require adjustments to or disclosures in the financial statements other than those mentioned below.

Capital Commitments

AgStar Properties (Pvt) Ltd.

During the year under review, it was resolved by the Board to construction an additional 75,000sq.ft. of warehousing space in Ekala. The discussions are still at the initial stages and the development costs are yet to be decided and approved by the Board.

Financial Commitments

Documentary credits effected for foreign purchases as at 31st March 2017 Rs.249,253,200 /-. (2016 - Rs. 146,980,018/-)

33 CONTINGENT LIABILITIES

33.1 Litigations and claims

The final award on arbitration by the International Chamber of Commerce, Singapore on the action instituted against the Company by ADM Pacific Trading Pte Ltd (the petitioner) was made on 23rd April 2014. Accordingly, the Company is liable to pay the petitioner the loss claimed, reimbursable legal cost and interest cost. A sum of Rs. 142,842,584/- was provided in the financial statements in previous years in respect of the loss claimed and other reimbursable legal costs. The petitioner instituted legal action in the Commercial High Court of Colombo during the year under review to enforce the Arbitration Award and recover interest costs. In the absence of the determination by Court, the Company is not in a position to quantify the interest cost payable and no provision has been made for any interest payable in the financial statements. Based on the information currently available the management is in the view that there would not be an additional material adverse impact on the financial statements other than those disclosed above.

33.2 Corporate guarantee issued by AgStar PLC

Name of the Company	Type of the facility	Name of the bank	Amount (Rs.)
AgStar Seeds (Pvt) Ltd	LC/IDL	Commercial	48,000,000
	Overdraft	Commercial	19,000,000
	Short term loan facility	Commercial	60,000,000
	LC/IDL	HNB	25,000,000
	Term Loan (Series of Loan)	BOC	60,000,000
AgStar Cropcare (Pvt) Ltd	LC/IDL	Commercial	60,000,000
	Overdraft	Commercial	19,000,000
	LC/IDL	HNB	50,000,000
AgStar Grains (Pvt) Ltd	Short Term Loan	Commercial	10,000,000
	Short Term Loan	Commercial	150,000,000
	Short Term Loan	DFCC	200,000,000
	Short Term Loan	BOC	500,000,000
Mahaweli Agro Trading (Pvt) Limited (previously named as Mahaweli Rice Processing Industries (Pvt) Ltd)	Short Term Loan	BOC	200,000,000

(All amounts in Sri Lankan Rupees)

33.3 Bank Guarantees

Lanka Phosphate Limited	Local supplies	Commercial	11,000,000
United Motors Lanka PLC	Service and maintenance	Commercial	100,000

34 EVENTS OCCURRING AFTER THE REPORTING DATE

No events have occurred since the reporting date which would require adjustments to, or disclosure in the financial statements.

35 COMPARATIVE INFORMATION

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

36 PRIOR YEAR ADJUSTMENT

AgStar PLC acquired 174 perches land in Polonnaruwa in 2012 on long term lease and subsequently revalued at Rs. 29.3 Mn in the financial year 2015/16 and included under property plant and equipment. However, based on the lease agreement issued during the year under review by the Department of Buddhist Affairs and the terms and conditions of the said agreement, the management decided that this land does not meet the criteria of finance lease but an operating lease. The correction of the error was made accordingly.

	Amount (Rs.)
Impact on Statement of Financial Position	
Property, plant and equipments	
Cost/valuation of land before restatement as at 31st March 2016	183,800,000
Impact on restatement	(29,300,000)
Cost/valuation of land after restatement as at 31st March 2016	154,500,000
Impact on Statement of Other Comprehensive Income	
Revaluation Surplus	
Revaluation of Property, Plant and Equipment before restatement for the year ended 31st March 2016	125,830,239
Impact on restatement	(29,300,000)
Revaluation of Property, Plant and Equipment after restatement for the year ended 31st March 2016	96,530,239
Impact on Statement of Changes in Equity	
Revaluation Reserve	
Revaluation reserve before restatement as at 31st March 2016	121,230,485
Impact on restatement	(29,300,000)
Revaluation reserve after restatement as at 31st March 2016	91,930,485

NOTES TO THE FINANCIAL STATEMENTS ➞

(All amounts in Sri Lankan Rupees)

37 FINANCIAL INSTRUMENTS

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

37.1 Accounting classification and fair values of financial instruments

Company	Note	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
As at 31st March 2017					
Financial assets not measured at fair value					
Trade and other receivables	22	1,312,628,467	-	1,312,628,467	1,312,628,467
Amounts due from related companies	23	287,849,157	-	287,849,157	287,849,157
Cash and cash equivalents	24	38,039,294	-	38,039,294	38,039,294
		1,638,516,918	-	1,638,516,918	1,638,516,918
Financial liabilities not measured at fair value					
Trade and other payables	30	-	996,438,336	996,438,336	996,438,336
Loans and borrowings	29	-	150,264,960	150,264,960	150,264,960
Amounts due to related companies	23	-	1,149,259	1,149,259	1,149,259
Bank overdrafts	24	-	42,664,656	42,664,656	42,664,656
		-	1,190,517,211	1,190,517,211	1,190,517,211
As at 31st March 2016					
Financial assets not measured at fair value					
Trade and other receivables	22	1,678,422,294	-	1,678,422,294	2,269,895,272
Amounts due from related companies	23	496,771,937	-	496,771,937	412,388,487
Cash and cash equivalents	24	435,969,842	-	435,969,842	52,893,393
		2,611,164,073	-	2,611,164,073	2,735,177,152
Financial liabilities not measured at fair value					
Trade and other payables	30	-	1,235,179,507	1,235,179,507	1,235,179,507
Loans and borrowings	29	-	821,696,142	821,696,142	821,696,142
Amounts due to related companies	23	-	2,892,111	2,892,111	2,892,111
Bank overdrafts	24	-	20,384,812	20,384,812	20,384,812
		-	2,080,152,572	2,080,152,572	2,080,152,572

[All amounts in Sri Lankan Rupees]

37. FINANCIAL INSTRUMENTS

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

37.2 Accounting classification and fair values of financial instruments

Group	Note	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
As at 31st March 2017					
Financial assets not measured at fair value					
Trade and other receivables	22	1,371,143,514	-	1,371,143,514	1,371,143,514
Cash and cash equivalents	24	159,761,883	-	159,761,883	159,761,883
		1,530,905,397	-	1,530,905,397	1,530,905,397
Financial liabilities not measured at fair value					
Trade and other payables	30	-	1,014,105,051	1,014,105,051	1,014,105,051
Loans and borrowings	29	-	356,787,151	356,787,151	356,787,151
Bank overdrafts	24	-	44,649,340	44,649,340	44,649,340
			1,415,541,542	1,415,541,542	1,415,541,542
As at 31st March 2016					
Financial assets not measured at fair value					
Trade and other receivables	22	1,717,503,116	-	1,717,503,116	1,717,503,116
Cash and cash equivalents	24	547,523,847	-	547,523,847	547,523,847
		2,265,026,963	-	2,265,026,963	2,265,026,963
Financial liabilities not measured at fair value					
Trade and other payables	30	-	1,290,171,496	1,290,171,496	1,290,171,496
Loans and borrowings	29	-	1,034,565,777	1,034,565,777	1,034,565,777
Finance lease liabilities	29	-	325,000	325,000	325,000
Bank overdrafts	24	-	23,461,221	23,461,221	23,461,221
			2,348,523,494	2,348,523,494	2,348,523,494

The Group and the Company uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation techniques:

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

Level 2: inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS ➞

(All amounts in Sri Lankan Rupees)

37.2.1 Fair value measurement hierarchy

31st March 2017	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets measured at fair value:				
Land and buildings	-	959,387,370	-	959,387,370
Investment properties	-	155,000,000	-	155,000,000
	-	1,114,387,370	-	1,114,387,370

31st March 2016	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets measured at fair value:				
Land and buildings	-	1,320,796,447	-	1,320,796,447
Investment properties	-	86,500,000	-	86,500,000
	-	1,407,296,447	-	1,407,296,447

37.2.2 Assets and liabilities measured at fair value - Recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Land and buildings	<ul style="list-style-type: none"> - Market comparable method/ Depreciated replacement cost method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property. 	<ul style="list-style-type: none"> - Price per perch of land of similar property - Value per square feet of the building and depreciated for the period used 	<p>Estimated fair value would increase (decrease) if ;</p> <ul style="list-style-type: none"> - Price per perch increases (decreases) - Value for square feet increases (decreases) - Depreciation rate higher (lower)
Investment properties	<ul style="list-style-type: none"> - Valuation on development method/ Market comparable method 	<ul style="list-style-type: none"> - Price per perch of land 	<p>Estimated fair value would increase (decrease) if ;</p> <ul style="list-style-type: none"> - Price per perch increases (decreases)

(All amounts in Sri Lankan Rupees)

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

38.1 Market risk

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

38.1.1 Currency risk

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

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

Significant movement in exchange rates during the year ended 31st March 2017

	Highest Level		Lowest Level		Spread	Year end
	Rate	Date	Rate	Date		Rate
USD/LKR	153.91	Mar-17	143.91	Apr-16	10	153.91

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lankan Rupees)

38.1.2 Interest rate risk

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

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

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

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

Significant movement in interest rates during the year ended 31st March 2017

	Highest Level		Lowest Level		Spread	Year end
	Rate	Date	Rate	Date		Rate
LKR Interest rate *	10.98%	Mar-2017	10.10%	Apr-16	0.88%	10.98%

*One year Government Treasury bill rate

38.1.3 Equity price risk

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

[All amounts in Sri Lankan Rupees]

38.2 Liquidity risk

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

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

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

Refer Note 25 and 26 for the Group's non-derivative financial liabilities which fall into less than 1 year maturity group based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the relevant notes are the contractual undiscounted cash flows.

38.3 Credit risk

Credit risk refers to the risk borne by the Group owing to the risk of a counter party defaulting on its contractual obligations in relation to a financial instrument or customer contract. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments. The maximum credit risk of the Group and the Company is limited to the carrying value of these financial assets as at the reporting date. Refer Note 16 for further disclosure on credit risk.

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

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lankan Rupees)

38.3.1 Trade receivables

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

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

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

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

Trade receivable settlement profile - Group

	2017 Rs.	2016 Rs.
Current (Within the credit period)	331,261,373	196,453,685
More than 1 days but less than 30 Days	106,989,215	44,427,699
More than 31 days but less than 60 Days	90,206,518	76,873,421
More than 61 days but less than 90 Days	83,628,319	25,551,797
More than 91days but less than 180 Days	44,445,935	26,513,300
More than 181days but less than 270 Days	40,974,777	8,949,427
More than 271 days but less than 365 Days	8,670,996	8,228,622
More than 365 Days	49,024,322	70,033,726
Total gross trade receivables	755,201,455	457,031,677
Impairment provision for trade receivables	(12,514,655)	(139,260,026)
Total Net trade receivables	742,686,800	317,771,651

38.3.2 Cash and cash equivalents

The Group held cash and cash equivalents of Rs.159,761,883/- at 31st March 2017 (2016 – Rs. 547,523,847/-). The cash and cash equivalents are held with bank, which are rated above AA- based on (Fitch Ratings) ratings.

DECADE AT A GLANCE

(All amounts in Sri Lankan Rupees)

31st March

Rs.'000	2017	2016 Restated	2015 Restated	2014	2013	2012 Restated	2011 Restated	2010	2009	2008
OPERATING RESULTS										
Group Revenue	2,784,899	1,728,683	2,100,071	1,725,717	1,757,847	1,805,149	2,918,609	2,337,500	1,582,805	1,585,743
Net Finance Expense	(38,460)	2,912	(110,695)	(230,675)	(100,275)	(54,396)	(37,836)	(33,858)	(52,225)	(35,473)
Profit Before Tax	244,104	363,440	332,676	58,399	287,031	289,452	287,607	215,625	92,340	80,239
Tax Expense	(76,717)	(126,023)	(119,701)	(29,001)	(69,482)	(79,211)	(54,636)	(86,431)	(32,931)	(29,959)
Profit After Tax (continuing Operations)	167,387	237,417	212,975	29,398	217,549	210,241	232,971	129,194	59,409	50,280
Profit After Tax (Discontinued Operations)	(189,853)	(290,293)								
Attributable To:										
Equity Holders of the parent	(22,466)	(52,876)	217,681	42,878	217,552	210,241	232,971	129,194	59,409	50,280
Non Controlling Interest	-	-	(5,088)	(13,480)	(2.9)	-	-	-	-	-
	(22,466)	(52,876)	212,593	29,398	217,549	210,241	232,971	129,194	59,409	50,280
FINANCIAL POSITION										
Stated Capital	1,204,094	1,204,094	1,204,094	1,204,094	1,204,094	1,204,094	204,094	204,094	114,766	113,266
Reserves	1,198,298	1,283,362	1,316,551	875,680	868,234	619,219	409,364	148,953	120,563	72,486
	2,402,392	2,487,456	2,520,645	2,079,774	2,072,328	1,823,313	613,458	353,047	235,329	185,752
Non Controlling Interest				21,117	34,597	-	-	-	-	-
Net Assets	2,402,392	2,487,456	2,520,645	2,100,891	2,106,925	1,823,313	613,458	353,047	235,329	185,752
Non Current Liabilities	66,436	178,314	229,502	288,566	276,105	206,130	142,757	94,321	11,475	8,767
	2,468,828	2,665,770	2,750,147	2,389,457	2,383,030	2,029,443	756,215	447,368	246,804	194,519
Represented By:										
Property Plant & Equipment (PPE)	1,029,492	1,041,158	929,074	1,212,319	948,891	228,424	131,956	77,078	56,410	62,128
Non Current Assets (Excluding PPE)	212,451	150,056	76,687	5,849	5,696	96	145	703	842	-
Current Assets	3,140,494	4,292,951	4,367,607	3,351,805	3,445,393	3,922,160	1,892,915	1,293,160	767,322	810,016
Current Liabilities	(1,913,610)	(2,818,394)	(2,623,220)	(2,180,516)	(2,016,950)	(2,121,237)	(1,268,801)	(923,572)	(577,770)	(677,625)
Net Current Assets	1,226,884	1,474,557	1,744,387	1,171,289	1,428,443	1,800,923	624,114	369,588	189,552	132,391
	2,468,827	2,665,770	2,750,147	2,389,457	2,383,030	2,029,443	756,215	447,369	246,804	194,519
KEY INDICATORS										
Annual Revenue growth (%)	61.10	(17.68)	21.69	(1.83)	(2.62)	(38.15)	24.86	47.68	(0.19)	20.28
Basic earning per share (Rs.)	(0.07)	(0.16)	0.67	0.13	0.67	0.74	1.16	6.46	2.97	4.50
Net Profit to net revenue (%)	(0.81)	(3.06)	10.14	1.70	12.38	11.65	7.98	5.53	3.75	3.17
Dividend per share (Rs.)	-	0.20	0.20	0.10	0.10	0.05	0.10	0.57	0.99	-
Return on Equity (%)	(0.94)	(2.13)	8.45	1.40	10.33	11.53	37.98	36.59	25.25	27.07
Net Assets per share (Rs.)	7.39	7.65	7.76	6.46	6.48	5.61	3.07	17.65	20.51	16.40
Gearing ratio (Times)	0.15	0.42	0.27	0.64	0.34	0.54	0.50	0.15	2.18	3.25
Current ratio(Times)	1.64	1.52	1.66	1.54	1.71	1.85	1.49	1.40	1.33	1.20

NOTICE OF THE 15TH ANNUAL GENERAL MEETING ➔

NOTICE IS HEREBY GIVEN that the 15th Annual General Meeting of AGSTAR PLC (the Company) will be held on 30th June 2017 at 10.00 a.m. at The Park Premier Banquet hall, Excel World, 338, T.B. Jaya Mawatha, Colombo 10

AGENDA

- To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31st March 2017 and the Report of the Auditors thereon.
- To re-elect Mr. A.P.Weerasekara who retires by rotation in accordance with Article 23 (6) of the Articles of Association of the Company and being eligible, offer himself for re-election.
- To re-elect Mr.D.S.K.Amarasekera who retires by rotation in accordance with Article 23 (6) of the Articles of Association of the Company and being eligible, offer himself for re-election.
- To consider and if thought fit to pass the following as an ordinary resolution to re-elect Mr. N.G.R. Karunaratne as a Director of the Company:

"IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. N.G.R. Karunaratne, who is presently 80 (eighty) years of age and that he be re-appointed as a Director of the Company for a further period of one year or until the conclusion of the next Annual General Meeting whichever occurs first"
- To consider and if thought fit to pass the following as an ordinary resolution to re-elect Mr. A.G. Weerasinghe as a Director of the Company:

"IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall

not apply to Mr. A.G. Weerasinghe, who is presently 75 (seventy five) years of age and that he be re-appointed as a Director of the Company for a further period of one year or until the conclusion of the next Annual General Meeting whichever occurs first"

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

IT IS HEREBY RESOLVED as a special resolution that the enhancement of the limits under the pari passu mortgage over the stocks and book debts securing inter alia the loans, advances or payments of the Company to such Banks as given below be approved and the directors are authorized to execute such further or other documentation with respect to the same;

Name of Bank	Enhanced Limit (Rs. Mn)
Bank of Ceylon	2,300
Commercial Bank of Ceylon PLC	1,100
Sampath Bank PLC	750
People's Bank	600
Hatton National Bank PLC	450
National Development Bank PLC	750
DFCC Vardhana Bank PLC	350
Public Bank Behard	100
MCB Bank Limited	525

- To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration

BY ORDER OF THE BOARD OF DIRECTORS OF
AGSTAR PLC

P.R. SECRETARIAL SERVICES (PRIVATE) LIMITED
Secretaries

At Colombo, this 29th May 2017

Note:

- A Member entitled to attend and vote at the meeting, is entitled to appoint a Proxy to attend and vote instead of him/her.
- A Proxy need not be a Member of the Company.
- A Member wishing to vote by Proxy at the meeting may use the Form of Proxy form enclosed.
- Any member or Proxy holder attending the meeting is kindly requested to bring this report.
- The completed Form of Proxy should also be deposited at the Registrars of the Company, SSP Corporate Services (Private) Limited, 101, Inner Flower Road, Colombo 03 not less than forty eight (48) hours before the time appointed for holding of the meeting.
- For security reasons, Members. Proxy holders are kindly advised to bring along with them their National Identity Card or similar for of acceptance identity when attending the meeting.

FORM OF PROXY ➞

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

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

of.....failing him/her.

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

as my/our* Proxy to represent me/us* and vote and speak for me/us* on my/our* behalf at the 15th Annual General Meeting of the Company to be held on 30th June 2017 at 10.00 a.m. at The Park Premier Banquet hall, Excel World, 338, T. B. Jaya Mawatha, Colombo 10 and at ever poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

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

		For	Against
1	To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31 st March 2017 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2	To re-elect Mr. A.P.Weerasekera who retires by rotation in accordance with Article 23 (6) of the Articles of Association of the Company and being eligible, offer himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
3	To re-elect Mr.D.S.K.Amarasekera who retires by rotation in accordance with Article 23 (6) of the Articles of Association of the Company and being eligible, offer himself for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
4	To consider and if thought fit to pass the following as an ordinary resolution to re-elect Mr. N.G.R. Karunaratne as a Director of the Company: "IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. N.G.R. Karunaratne, who is presently 80 (eighty) years of age and that he be re-appointed as a Director of the Company for a further period of one year or until the conclusion of the next Annual General Meeting whichever occurs first"	<input type="checkbox"/>	<input type="checkbox"/>
5	To consider and if thought fit to pass the following as an ordinary resolution to re-elect Mr. A.G. Weerasinghe as a Director of the Company: "IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. A.G. Weerasinghe, who is presently 75 (seventy five) years of age and that he be re-appointed as a Director of the Company for a further period of one year or until the conclusion of the next Annual General Meeting whichever occurs first"	<input type="checkbox"/>	<input type="checkbox"/>
6	To consider and if thought fit to pass the following as an ordinary resolution to re-elect Mr. H.P.J. de Silva as a Director of the Company: "IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. H.P.J. de Silva, who is presently 72 (seventy two) years of age and that he be re-appointed as a Director of the Company for a further period of one year or until the conclusion of the next Annual General Meeting whichever occurs first"	<input type="checkbox"/>	<input type="checkbox"/>

		For	Against																				
7	To consider and if thought fit to pass the following as a special resolution																						
	IT IS HEREBY RESOLVED as a special resolution that the enhancement of the limits under the pari passu mortgage over the stocks and book debts securing inter alia the loans, advances or payments of the Company to such Banks as given below be approved and the directors are authorized to execute such further or other documentation with respect to the same;	<input type="checkbox"/>	<input type="checkbox"/>																				
	<table><tr><th>Name of Bank</th><th>Enhanced Limit (Rs. Mn)</th></tr><tr><td>Bank of Ceylon</td><td>2,300</td></tr><tr><td>Commercial Bank of Ceylon PLC</td><td>1,100</td></tr><tr><td>Sampath Bank PLC</td><td>750</td></tr><tr><td>People's Bank</td><td>600</td></tr><tr><td>Hatton National Bank PLC</td><td>450</td></tr><tr><td>National Development Bank PLC</td><td>750</td></tr><tr><td>DFCC Vardhana Bank PLC</td><td>350</td></tr><tr><td>Public Bank Behard</td><td>100</td></tr><tr><td>MCB Bank Limited</td><td>525</td></tr></table>	Name of Bank	Enhanced Limit (Rs. Mn)	Bank of Ceylon	2,300	Commercial Bank of Ceylon PLC	1,100	Sampath Bank PLC	750	People's Bank	600	Hatton National Bank PLC	450	National Development Bank PLC	750	DFCC Vardhana Bank PLC	350	Public Bank Behard	100	MCB Bank Limited	525		
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8	To re-appoint Messrs KPMG, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>																				

Signed thisday of.....2017.

.....
Signature of shareholder

INSTRUCTIONS FOR THE COMPLETION OF PROXY

1. Please perfect the form of Proxy after filling in legibly your full name and address and by signing in the space provided and fill-in the date of signature.
2. Please return the completed form to the Company after deletion of one or other of the alternate words indicated by asterisks in the body of the form.
3. The completed form of Proxy should be deposited at the Office of the Company Registrars, SSP Corporate Services (Private) Limited, 101, Inner Flower Road, Colombo 03 not less than 48 hours before the time appointed for the holding of the meeting.
4. If the Proxy has been signed by an Attorney, the relative Power of Attorney should accompany the completed Proxy for registration, if such Power of Attorney had not been registered with the Company.
5. In the case of a Company/Corporation, the Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association/Act of Incorporation.

CORPORATE INFORMATION

THE COMPANY

AgStar PLC

LEGAL FORM

A Public Quoted incorporated in Sri Lanka

COMPANY REGISTRATION NO.

PV1618 PB/PQ

DATE OF INCORPORATION

25th June 2002

REGISTERED OFFICE

AgStar PLC

No.9, Bawa Place, Colombo 8

Tel: +94 11 4812424, +94 11 7708040-3 Fax: +94 11 4810706

E-mail: info@agstaragri.com Website: www.agstaragri.com

DIRECTORS

Mr. N G R Karunaratne - Chairman/ Chief Executive Officer
Mr. D N N Lokuge - Deputy Chairman/ Non-Executive Director
Mr. A P Weerasekara - Managing Director
Mr. D S K Amarasekera - Non-Executive Director
Mr. I C Nanayakkara - Non-Executive Director
Mr. W A P Perera - Non-Executive Director
Mr. A G Weerasinghe - Independent Non-Executive Director
Mr. H P J de Silva - Independent Non-Executive Director
Ms. S Wickramasinghe - Independent Non-Executive Director
Mr. D Abeyrathne - Alternate Director to Mr.Nanayakkara
Mrs. S Kotakadeniya - Alternate Director to Mr.Amarasekera

AUDIT COMMITTEE

Mr. H P J de Silva
Mr. A G Weerasinghe

REMUNERATION COMMITTEE

Mr. H P J de Silva
Mr. A G Weerasinghe

RELATED PARTY TRANSACTION REVIEW COMMITTEE

Mr. H P J de Silva
Mr. A G Weerasinghe
Mr. N G R Karunaratne
Mr. A P Weerasekara

SUBSIDIARIES

AgStar Seeds (Private) Limited
AgStar Cropcare (Private) Limited
AgStar Grains (Private) Limited
AgStar Properties (Private) Limited
Mahaweli Agro Trading (Private) Limited
AgStar Exports (Private) Limited
Prith Seeds (Pvt) Limited

SECRETARIES

P R Secretarial Services (Pvt) Limited
No.59, Gregory's Road, Colombo 7

REGISTRARS

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

AUDITORS

KPMG
P O Box 186
Colombo 03

BANKERS

Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Sampath Bank PLC
Peoples' Bank
National Development Bank PLC
Bank of Ceylon
Seylan Bank PLC
DFCC Vardhana Bank PLC
MCB Bank Ltd
Public Bank

LEGAL CONSULTANTS

Nithya Partners
No.97A, Galle Road, Colombo 3
Paul Ratnayake Associates
No.59, Gregory's Road, Colombo 7
Sudath Perera Associates
No.5, 9th Lane, Nawala Road, Nawala

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