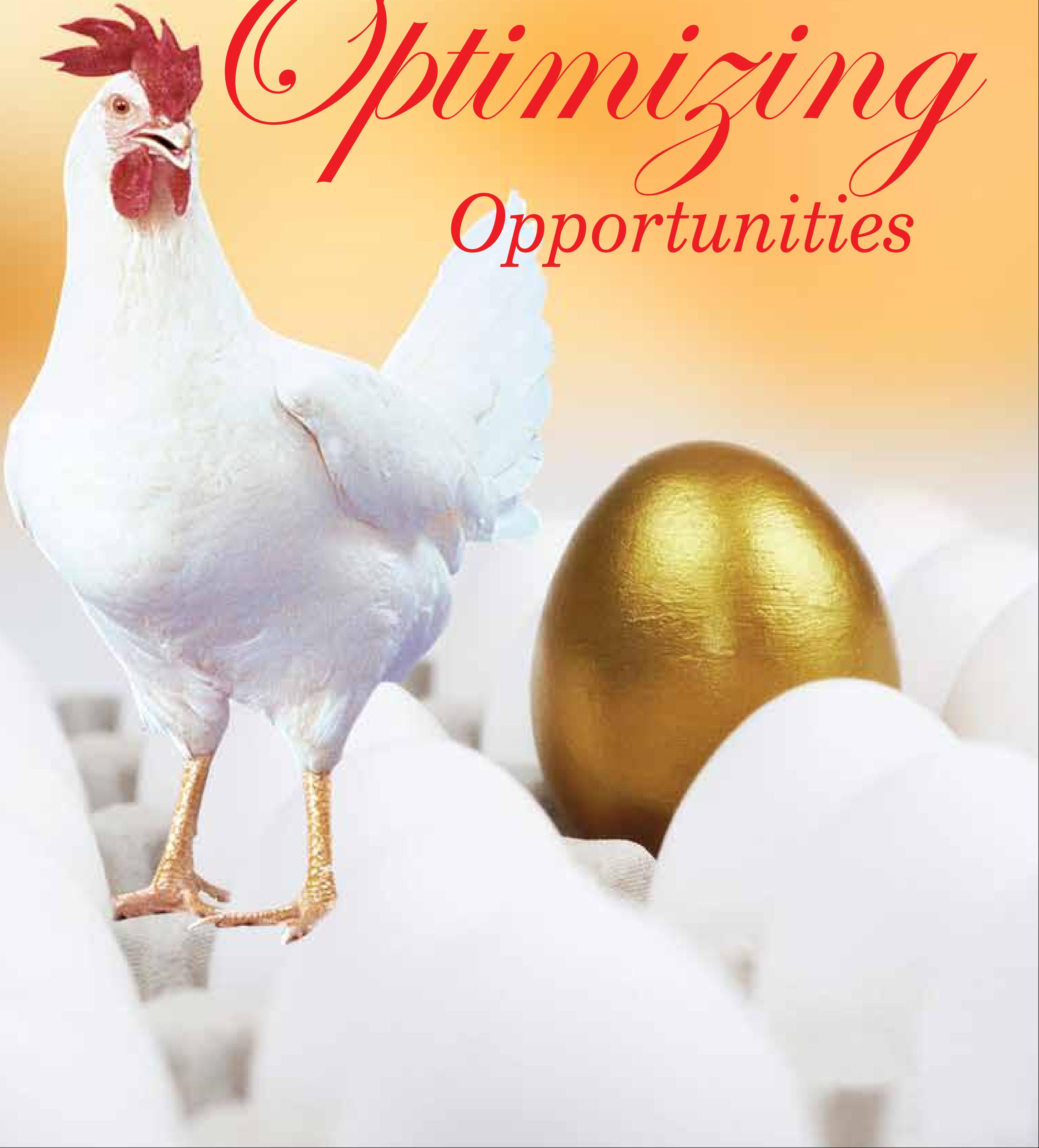
Annual Report 2012

Three Acre Farms PLC

Optimizing Opportunities



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

Healthy Organisation

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

Honest Fortune

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

Honourable Winner

Achieving success through fair competition. Striving towards excellence.

History

Three Acre Farms PLC (TAF) was established in 1963, primarily as acommercial layer farm. The Company's name was derived from the original three acres of land on which the farm was situated. On 02 September 1992, TAF was acquired by Ceylon Grain Elevators PLC (CGE) for the purpose of expanding their own chick production facility.

The main business of the Company is the selective breeding, hatching and sale of commercial day old chicks, both broiler (for chicken meat) and layer (for the production of table eggs). The Company has two wholly-owned subsidiaries, viz., Ceylon Pioneer Poultry Breeders Limited (CPPBL) which undertakes grand parent farm operations and Millennium Multibreeder Farms (Private) Limited (MMF) which employes advanced technology farming. The grand parent poultry farm imports grand parent day old chicks and after careful high - technology breeding, vaccination, feeding and selection will hatch fertilized eggs after 6 months which when hatched will give rise to parent day old chicks. TAF holds the valuable sole franchise for "LOHMANN INDIAN RIVER" parent stock breed. CGE/TAF also hold the franchise in Sri Lanka for "HY-LINE" breeds of commercial layers.

The Company currently operates from five (5) poultry breeder farms, viz., Meegoda, Kosgama, Halwathura, Aswatta and Makuluwatte. While its wholly - owned subsidiary, MMF operates from Wewelpanawa. The farms are located along the High Level Road linking Colombo to Avissawella while Halwathura Farm is in the District of Kalutara. The Company is constantly upgrading its farm infrastructure to levels more commonly found in the more developed nations. The farms at Bulathsinhala and Beruwela undertake commercial and livestock farming.

Another significant achievement for the TAF Group is that as at the end of the calendar year, it owned on a freehold basis a total land extent of 289 acres with a total cost in the books of LKR 321 Million. The Directors have sanctioned the expansion of the breeder farms and Management are constantly on the look-out for suitable land for this purpose.

The Company was listed on the Colombo Stock Exchange on 20 March 1995 and is quoted in the Food & Beverage Sector. The holding company, CGE, held 57.21% of the issued share capital of TAF at the reporting date.

Dedicated to enhance ourselves

Making the best of every opportunity has always been a key priority for Three Acre Farms. And this year, our commitment to transforming adversity into opportunity has led to more perseverance for the Company. By taking advantage of our resources in demanding times, TAF has been able to move forward amidst an industry that suffered from a multitude of challenges, by focusing on increasing capacity and implementing state-of-the-art technology in our operations.

The trust that you, our valued customers, suppliers, shareholders and employees have placed in us, has been our guiding beacon. In 2013, your company Three Acre Farms, will continue to set the pace by optimizing opportunities…

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Chairman and Chief Executive Officer’s Review

Dear Shareholder,

It is my pleasure to present you the Annual Report and Audited Financial Statements of Three Acre Farms PLC and its subsidiaries for the financial year ended 31 December 2012. I am pleased to invite you to the 51st Annual General Meeting which will be held on 14 May 2013 at the Institute of Chartered Accountants of Sri Lanka Auditorium, 30A, Malalasekara Mawatha, Colombo 07 at 10.00 a.m.

The year 2012 was a challenging year for your company as well as the poultry industry. As multiple negative factors came into play, the Company took strategic measures to enhance its efficiency, a 6% drop in revenue was seen which was attributable to a number of factros, chiefly the reduction in sales volumes and market prices caused by an industry wide increase in production along with unfavourable market situations.

The economy and its impact on the industry

The unfavourable global economic trend that was seen in 2011 continued well into the year 2012. Numerous factors such as the U.S. financial crisis, the sovereign debt situation in Europe, and the decelerations seen in most of the world’s major emerging economies, also created a significant impact on the Sri Lankan economy. Locally, factors such as excessive credit demand and high imports, drought conditions that severely affected agriculture and hydro power generation, and heavy rains in the last quarter of the year were factors that inhibited the economic growth of the country.

In contrast to the expected 8% growth, in 2012 Sri Lanka’s overall economic growth fell to 6.5% from 8.3% in 2011, while annual average inflation was 7.6%. Unemployment fell to 4%, while GDP remained at around US$ 59 billion. While per capita income marginally increased from US$ 2,836 in 2011 to US$ 2,922, the Sri Lankan Rupee depreciated sharply from Rs. 114 to Rs. 134 against the US Dollar.

The steep drop of the rupee against the US Dollar caused a significant foreign exchange loss for the Company, along with additional costs incurred by increased interest rates.

Within the poultry industry, drastic increases in the prices of raw materials affected feed costs, whilst unsteady supplies, fluctuating market situations and the expansion of key players in the market created an unstable industry atmosphere. Although the control price on chicken meat was increased by Rs. 30 to Rs. 380 per kilo within the year, this increase was insufficient for the industry to cover its production costs in light of the recent increases in expenses. Thus the industry showed fluctuating performance for both Layer and Broiler markets. The increase in demand for table eggs and chicken meat during the last quarter of 2011 spurred hatcheries across the country to increase production late in the year. The effects of this increase in input were seen in the beginning of 2012, where the industry suffered the after-effects of excess production. The surplus availability of layer and broiler chicks in the market caused a sharp decline in prices, where the industry resorted to retailing hatching eggs as table eggs in a bid to reduce losses. This surplus market situation caused most hatcheries including TAF to scale back operations. Towards the last quarter of 2012, a significant number of hatcheries had cut back on importation of parent stocks in an attempt to curb over production.

The industry as a whole expanded its capacity. Chicken Meat consumption increased from 5.7Kg per person the previous year to 6.2Kg while egg consumption increased from 54 per person to 57. This pattern is expected to continue in the coming years. However, the production of Day-Old-Chicks increased more that the demand which created a glut situation throughout the year.

Your Company in 2012

During the year 2012, to mitigate cost increases and excess supplies, the Company strived to improve its production planning to adjust output according to market demands. Towards the end of 2012, TAF also exported a part of its Broiler hatching egg production.

Amidst these challenging circumstances, the Group recorded revenue of Rs. 1,211.6 million, a 5.9% decline from last year. Your Group has reported a profit of Rs. 36.9 million, a 78.4% decline as compared to a profit of Rs. 170.5 million in 2011.

Changes to the Board

2012 has marked the retirement of one of the Company's most esteemed Board members, Mr. Cheng Chih Cheng, Robert. While thanking him for his untiring commitment and service, the Company welcomes new Director Mr. Cheng Koh Chuen, Bernard. On Behalf of the Board of Directors, I take pleasure in welcoming Mr. Cheng Koh Chuen, Bernard to the Board, and wish him a long and effective contribution towards the success of the Company.

Towards a prosperous future

In the coming years, it is predicted that the global economy will gradually stabilise, which will enable the Sri Lankan economy to grow at a steady pace. With the expected increase in Sri Lanka's economic output in the coming years, TAF looks forward to operate in a thriving poultry industry which contributes significantly to the country's economy. With current trends, the consumption of chicken meat is expected to increase to 8Kg per person by 2016, and the Company will prepare to make the best of this increased potential.

TAF will continue to optimise its processes and production methods, while investing in new technology which will help the Company dynamically respond to fast changing market situations. To this end, the Company has set in place plans to upgrade its hatchery equipment, while expanding its capacity with new Environmentally Controlled (EC) houses in the near future.

Through improved efficiency and product quality, we will strive to maintain our position as a market leader in the industry. In the coming years, your company will remain steadfastly dedicated to face the oncoming challenges of an expanding market while capitalizing on new growth opportunities.

Dividends

As the Company is planning for capital investment in the year 2012, the Board of Directors believes it would be prudent to refrain from declaring a dividend for the financial year ended 31 December 2012. We trust our decision will be understood and appreciated by Shareholders as being one that will help the Company thrive in the near future.

Acknowledgements

On behalf of the Board of Directors, I take this opportunity to thank you for the trust placed in Three Acre Farms as its valued Shareholders. I would like to express my sincere appreciation towards our dedicated employees and customers for their loyalty during 2012. I wish to convey to all our Shareholders and Investors a message that even though this has been a challenging year, your company will remain strong in overcoming obstacles that come its way, and will always strive deliver its best by optimizing opportunities.

Cheng Chih Kwong, Primus
Chairman & Chief Executive Officer

Colombo, Sri Lanka
02 April 2013

Management Discussion and Analysis

Industry Overview

The year 2012 was a year full of hurdles for all developed and emerging global economies, which were affected by many major financial crises experienced worldwide. These situations factored into the challenges faced by agri and poultry industries, with fluctuating market situations, raw material prices at record highs, inclement weather conditions and unsteady supplies.

Sri Lanka's overall economic growth decelerated to about 6.5%, while inflation rose to 7.6% due to supply disruptions caused by drought conditions in some areas of Sri Lanka. The agriculture sector contributed around 12% of National Gross Domestic Production, while the livestock sub-sector contributed around 1.2%. Sri Lanka's livestock sub-sector is supported by some 1.2 million cattles, 0.4 million buffalos, 13 million poultry, 0.3 million goats, 0.08 million pigs in the country with negligible number of sheep, ducks and other species. Chicken meat and eggs continue to be the most accessible source of animal protein in Sri Lanka's growing economy, thus these two sectors contribute to about 70% of the livestock sub-sector.

Domestic per capita income increased marginally, enabling higher purchasing power, which was reflected in the increase in per capita chicken meat and egg consumption to 6.2Kg and 57 respectively. Chicken meat consumption is expected to increase to 8Kg per person within the next three to four years, along with an expected increase in egg consumption as well.

Eventhough the global livestock industry expanded by about 2%, in Sri Lanka, the rapid depreciation of the rupee against the US dollar along with adverse weather conditions affected the performance of the industry. Positive factors such as the increase in the per kilo price of processed chicken from Rs. 350 to Rs. 380, and the country achieving self-sufficiency in maize production, were outweighed by the trials that were brought by the year such as oversupply in the market and increases in feed prices.

The industry as a whole, however, maintained an expanding market amidst the tide of challenges. Sri Lanka's political stability and peaceful outlook continued to increase its desirability as a tourist destination, along with continued development in the North and East provinces.

Breeder Operations

Breeder Operations, Three Acre Farms' key business line, focuses on the selective breeding, hatching and sale of commercial Day Old Chicks, both Broiler (for chicken meat) and Layer (for production of table eggs).

The segment reported revenue of Rs. 1,211.6 million, down 5.9% from Rs. 1,287.9 million in 2011 attributable to manifold industry challenges faced during the year. EBIT for the sector fell 97.8% from last year to Rs. 3.9 million due to higher operational costs incurred.

High demands for both Layer and Broiler DOCs in the last two quarters of 2011 spurred all key players in the industry to increase their output. However, the aftereffects of this move were seen in this year, as prices plummeted due to overproduction and excess supplies in the market.

This affected the performance of both the industry as well as the Company severely, where significant measures needed to be taken to minimise losses. The Company took timely decisions for the early culling of excess parent birds. Other strategic measures such as releasing excess hatching eggs for sale as table eggs were also taken when the market situation demanded such a move.

(Rs' 000)	2012	2011	Change %
Sales Value	1,211,592	1,287,858	(5.9%)
Earnings Before Interest and Taxes	3,941	214,510	(97.8%)
Total Assets	1,496,501	1,445,205	3.5%
Return on Total Assets Employed	0.26%	14.84%	(98.2%)

Management Discussion and Analysis (Contd.)

Commercial Farming

Comprising contracted broiler chicken farming operations for its parent company Ceylon Grain Elevators PLC, the Company's Commercial Farming segment earns the company a rearing profit / loss based on a standard formula.

Commercial Farming showed a 78.4% increase in the year under review, recording revenue of Rs. 249.9 million up from Rs. 140.1 million in 2011. EBIT for the sector moved positively to Rs. 75.5 million from a loss of Rs. 38.9 million in 2011.

The Company's Commercial Farming segment increased its contribution with satisfactory performance this year due to measures taken by TAF to ensure increased segmental effectiveness and productivity.

TAF took several strategic decisions within the year to increase the Company's performance and capacity in the future, including expanding its farming capacity with three (3) new modern Environmentally Controlled (EC) broiler houses. The Company continues to implement the latest technologies in existing and new EC broiler houses which enables enhanced efficiency, minimised overheads and higher productivity.

(Rs' 000)	2012	2011	Change %
Rearing Income	249,887	140,046	78.4%
Earnings Before Interest and Taxes	75,487	(38,952)	NM
Total Assets	759,503	738,639	2.8%
Return on Total Assets Employed	9.94%	(5.27)%	NM

Corporate Governance Review

Three Acre Farms PLC is committed to maintain good corporate governance throughout the organisation as it is essential to run a successful business entity.

The Company is proud to have been able to win and maintain the loyalty of its shareholders, customers, employees and other stakeholders by adhering to a comprehensive set of principles and procedures that consistently ensure integrity, fairness, transparency and responsibility. The Company's disclosures constantly aims to assure that the best practices of good corporate governance are implemented, in keeping with guidelines set out by the Institute of Chartered Accountants of Sri Lanka, the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Code of Conduct of Three Acre Farms PLC is as below:

- Always act in the best interest of the Company, ensuring transparency in all matters
- Conduct business in an ethical manner at all times and in keeping with international industry standards
- Continuous professional development along with Company and Individual compliance with all rules and regulations
- Trust, professionalism and integrity in all partnerships and transactions

The Chairman and the Company asserts that there have not been any violations of the TAF's Code of Conduct in the year 2012.

The Board of Directors and their Responsibilities

TAF's Board of Directors maintains overall responsibility to the Company's shareholders for the accomplishment of company goals along with prudent organisational management. The Board's duties also include:

- Meeting frequently to establish the Company's strategic direction
- Providing guidance to ensure that TAF is adequately resourced and effectively controlled
- Reviewing the Company's operating and financial performance

In 2012, the Board received professional advice on matters that needed external expertise, including litigation advice from Company Lawyers. The provision for the Company's Directors to retire by rotation has been recommended once by the Board within the year. While all members of the Board take collective responsibility for the management, direction and performance of the Company, the Board collectively, and Directors individually, act in accordance with the laws of the Country.

- **Regulatory Compliance**

  The Board of Directors is responsible for assuring that the Group operates in compliance with the laws, regulations and other standards applicable to Group operations which are set out by regulatory bodies of the Country, and maintains its knowledge on compliance through regular information updates.

- **Communication with Shareholders**

  In keeping with good governance principles, the Board has taken adequate action to report all statutory and relevant information with Shareholders, as the Company is committed to maintain transparency at all times. The Board also provides disclosure of all major transactions to Shareholders in a timely and accurate manner, while encouraging shareholders to seek independent advice on investing and divesting decisions. All quarterly and annual results are prepared and presented in accordance with the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007, the Colombo Stock Exchange policies and the Securities and Exchange Commission regulations.

Board Composition

Three Acre Farms Board of Directors comprises a total of six (6) members.

The Company is committed to have a balanced Board to ensure long-term value addition for all stakeholders. TAF believes that the correct mix of Executive, Non-Executive and Independent Non-Executive Directors who possess an intimate knowledge of the industry and business will enable the Company to make better decisions for a sustainable and profitable future.

Corporate Governance (Contd.)

The Board is made up of two (2) Executive Directors, two (2) Non-Executive Directors, and two (2) Independent Non-Executive Directors, which is in compliance with the Listing Rules of the Colombo Stock Exchange. A brief profile of individual Board members can be found on page 14 of this report.

Appointments to the Board follow a prescribed and transparent procedure, while the Board assures that the responsibilities entrusted to them are satisfactorily discharged in fairness to both the Company and its stakeholders by recurrently appraising their own performance. An assessment of the current Board composition was made in 2012 and it was determined that the collective expertise and experience of the Board is sufficient to fulfill the strategic demands of the Company.

Changes to the Board

Mr. Cheng Chih Cheng, Robert an esteemed member of the Board, retired during the year under review. The Company welcomed new Director Mr. Cheng Koh Chuen, Bernard who was newly appointed in his place.

Name of Director	Capacity	Number of Shares	Member of Audit Committee	Member of Remuneration Committee
Mr. Cheng Chih Kwong, Primus	Chairman and Chief Executive Officer	19	No	No
Mr. Tan Beng Chuan	Executive Director & Group General Manager	Nil	No	No
Mr. Cheng Chih Cheng, Robert (Resigned w.e.f. 31 July 2012)	Non-Executive Director	19	No	No
Mr. Cheng Koh Chuen, Bernard (Appointed w.e.f. 01 August 2012)	Non-Executive Director	Nil	No	No
Mr. Sunil Leeniyagoda	Non-Executive Director	Nil	Yes	Yes
Dr. Wickrema Sena Weerasooria	Independent Non-Executive Director	Nil	Yes	Yes
Mr. Sunil Karunanayake	Independent Non-Executive Director	Nil	Yes	Yes

The Chairman of the Board

The Chairman / CEO of the Board is Mr. Cheng Chih Kwong, Primus. He is responsible for providing guidance to the Board along with ensuring its realisation in carrying out its multiple roles. His manifold duties as Chairman include chairing Board meetings to provide direction, responsibility for the Board's composition, facilitating the effective contribution of Non-Executive Directors and ensuring positive relations between Executive and Non-Executive Directors. The Chairman has met with Non-Executive Directors without the presence of Executive Directors twice in 2012 in line with Company Governance principles. The performance of the Chairman / CEO is assessed on an annual basis by the Board of Directors.

The posts of Chairman and Chief Executive Officer have been separated, with clear roles defined for each which enables a healthy balance of power on the Board. While the appropriateness of merging the roles of Chairman and CEO is been discussed and reviewed regularly, the Board has deemed that combining the two roles is more suitable for the Company at present to meet stakeholder and company objectives on the basis of such discussions.

Corporate Governance (Contd.)

Board Committees

The Board has established two special committees at a Board level to monitor, review and enhance accountability in selected areas. While adhering to industry best practices, this ensures good governance practices within the Group. These Board Committees and their functions are as follows:

- **Audit Committee**

  The Audit Committee is responsible for assisting the Board of Directors in fulfilling its oversight responsibilities in the financial reporting process. The Audit Committee consists of two (2) Independent Non-executive Directors and one (1) Non-Executive Director. The Chairman of the Committee, who is appointed by the Board, is an Independent Non-Executive Director. The detailed Audit Committee Report appears on page 12 of this Report.

- **Remuneration Committee**

  The Remuneration Committee is responsible to the Board for determining the remuneration policy for Executive Directors and Senior Managers. The Remuneration Committee consists of two (2) Independent Non-executive Directors and one (1) Non-Executive Director. The Chairman of the Committee, who is appointed by the Board, is an Independent Non-Executive Director. The detailed Remuneration Committee Report appears on page 13 of this Report.

Board Meetings

The Board met once in every quarter during the year under consideration to discuss and review the overall strategic development of the Group, in keeping with company governance principles. The meeting was attended by the entire Board, where matters concerning strategically facing challenges and optimizing processes were discussed.

At meetings, the Chairman is entrusted with the responsibility of giving leadership to the Board, direction to the business, facilitating the effective contribution of all members, implementing strategies and ensuring that the Board operates effectively in line with the interests of shareholders. Board Minutes are kept to ensure that concerns are recorded in case of Directors having concerns about the matters of the Company which cannot be unanimously resolved, although such a need did not arise during the year under consideration.

The Company Secretaries, SSP Corporate Services, are responsible on behalf of the Chairman, for the efficient conduct of Board meetings along with providing relevant information to Directors prior to meetings where key performance indicators (KPIs) are reviewed. Alongside this, the Company Secretaries also provide guidance to the Board to ensure that good governance requirements are discussed and implemented. The Group General Manager updates the Board on current business matters and reports on the latest financial position at Board meetings.

Name of Director	Capacity	No. of meetings held	No. of meetings attended
Mr. Cheng Chih Kwong,Primus	Chairman and Chief Executive Officer	4	4
Mr. Tan Beng Chuan	Executive Director & Group General Manager	4	4
Mr. Cheng Chih Cheng, Robert (Resigned w.e.f. 31 July 2012)	Non-Executive Director	4	2
Mr. Cheng Koh Chuen, Bernard (Appointed w.e.f. 01 August 2012)	Non-Executive Director	4	1
Mr. Sunil Leeniyagoda	Non-Executive Director	4	4
Dr. Wickrema Sena Weerasooria	Independent Non-Executive Director	4	4
Mr. Sunil Karunanayake	Independent Non-Executive Director	4	3

Corporate Governance (Contd.)

Training and Development

TAF ensures that all its members are well equipped with the best knowledge and skills to adequately discharge their skills, and extends this policy to its Board as well. To this end, the Group provides a comprehensive training programme for its Board of Directors, beginning with inclusive induction to ensure that new Board members are well adjusted and acquire necessary knowledge to perform their duties. When a Director requires a more profound understanding on a particular subject, the Company arranges further meeting or workshops to enhance the knowledge of the Board member in the required area.

Supply of Information

The Company believes that timely, accurate and comprehensive information is pivotal for the Board of Directors to perform their functions to the best of their abilities. As such, wide-ranging information is consistently supplied to the Board, including Board minutes and reports which are circulated prior to Board meetings. All Directors are given with access to the advice and services provided by the Company Secretaries in case they require specific information.

Going Concern

The Group has considerable financial resources together with a diversified business model, with a range of businesses. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they will continue to adopt the going concern basis in preparing accounts.

CSE Rule Number and Subject	Corporate Governance Principle	Compliance Status	Remarks
7.10.1(a) Non-Executive Directors	Two or one third of the total number of Directors shall be Non-Executive Directors, whichever is higher.	Compliant	Corporate Governance - Page 6
7.10.2(a) Independent Directors	Two or one third of Non-Executive Directors whichever is higher shall be independent.	Compliant	Corporate Governance - Page 6
7.10.2(b) Independent Directors	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format.	Compliant	Non-Executive Directors have submitted declaration during 2012
7.10.3(a) Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report.	Compliant	Board of Directors - Page 14
7.10.3(b) Disclosure relating to Directors	The basis for the Board to determine a Director is Independent, if criteria specified for Independent is not met.	Compliant	Specified criterias are met by independent Non-Executive Directors

Corporate Governance (Contd.)

7.10.3(c) Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the area of expertise.	Compliant	Board of Directors - Page 14
7.10.3(d) Disclosure relating to Directors	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Exchange.	Compliant	Board of Directors - Page 14
7.10.4(a-h) Determination of Independence	Requirements for meeting criteria of 'Independent'	Compliant	The Board has determined the independent of each Non-Executive Directors during 2012
7.10.5 Remuneration Committee	A Listed Company shall have a Remuneration Committee.	Compliant	Remuneration Committee Report – Page 13
7.10.5(a) Composition of Remuneration Committee	The Committee shall consist of Non-Executive Directors, a majority of whom shall be independent.	Compliant	Remuneration Committee Report – Page 13
7.10.5.(b) Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Compliant	Remuneration Committee Report – Page 13
7.10.5.(c) Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out: a. Names of Directors comprising the Remuneration Committee	Compliant	Remuneration Committee Report – Page 13
	b. Statement of Remuneration Policy	Compliant	Remuneration Committee Report – Page 13
	c. Aggregated remuneration paid to Executive and Non - Executive Directors	Compliant	Note 26.1- Page 56
7.10.6 Audit Committee	A Listed Company shall have an Audit Committee	Compliant	Audit Committee Report - Page 12
7.10.6(a) Composition of Audit Committee	The Committee shall comprise of Non-Executive Directors, the majority of whom shall be independent. The Chairman of the Committee should be a Member of a recognised professional accounting body.	Compliant	Audit Committee Report - Page 12

Corporate Governance (Contd.)

7.10.6.(b) Functions of Audit Committee	(i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards.	Compliant	Audit Committee Report - Page 12
	(ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Compliant	Audit Committee Report - Page 12
	(iii) Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards.	Compliant	Audit Committee Report - Page 12
	(iv) Assessment of the independence and performance of the Entity's external auditors.	Compliant	Audit Committee Report - Page 12
	(v) To make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	Compliant	Audit Committee Report - Page 12
7.10.6(c) Disclosure in Annual Report relating to Audit Committee	a. Names of Directors comprising the Audit Committee.	Compliant	Audit Committee Report - Page 12
	b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Compliant	Audit Committee Report - Page 12
	c. The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions	Compliant	Audit Committee Report - Page 12

Audit Committee Report

The Audit Committee of Three Acre Farms PLC is charged with multiple responsibilities, which include:

- Assisting the Board of Directors to perform its oversight tasks in financial reporting and compliance
- Maintaining a healthy relationship with the Group's external auditors
- Supervising the review process of internal financial resources, controls and the audit process of the Company
- Assisting the Board in ensuring that financial and non-financial information supplied to Shareholders presents a balanced assessment of TAF's current position

TAF's Audit Committee consists of three (3) members, keeping with the requirements laid out by the Colombo Stock Exchange. The Committee members comprise three (3) Non-Executive Directors who are selected and appointed by the Board from amongst the Directors of the Company. Mr. Sunil Karunanayake, who acts as the Committee Chairman, is a Member of the Institute of Chartered Accountants of Sri Lanka.

Meetings of the Audit Committee were held when it was considered suitable and necessary. In line with the requirement that it meets a minimum of once a year, the Committee met a total of four (4) times during the year under review. During the year under consideration, the Committee received reports from the management and the auditors and also held discussions with them in this regard.

Name	Capacity	No. of meetings held	No. of meetings attended
Mr. Sunil Karunanayake	Chairman / Independent Non-Executive Director	4	4
Dr. Wickrema Sena Weerasooria	Member / Independent Non-Executive Director	4	4
Mr. Sunil Leeniyagoda	Member / Non-Executive Director	4	4
Mr. Darshana De Silva	Secretary / Group Internal Auditor	4	4

TAF's Audit Committee has performed numerous tasks in the year under consideration, including:

- Approving the Auditors' Terms of Engagement, including their remuneration, the Committee has, in discussion with the auditors, assessed their independence and objectivity and recommended their re-appointment for the coming year at the Annual General Meeting.
- The Committee has also reviewed multiple areas pertaining to company auditing including:
  - The financial statements published in the name of the Board and the quality and acceptability of the related accounting policies, practices and financial reporting disclosures
  - The scope of the work of the Group's Finance Department and reports from that department
  - The effectiveness of the systems for internal control, risk management and compliance with financial services legislation and regulations
  - The results of the external audit
  - Reports from the internal and external auditors on audit planning and their findings on accounting and internal control systems

Sunil Karunanayake
Chairman, Audit Committee

Remuneration Committee Report

The Company's Remuneration Committee oversees a range of duties and responsibilities, namely recommending to the Board of Directors the remuneration policy for Executive Directors and Senior Managers. The term 'Remuneration' refers to cash and all non-cash benefits whatsoever received in consideration of employment with TAF, excluding statutory entitlements such as the Employees Provident Fund and the Employees Trust Fund. TAF's Remuneration Committee also fulfills the requirements stipulated by the Listing Rules of the Colombo Stock Exchange.

Members of the Remuneration Committee are selected and appointed by the Board from amongst the Company's Directors. The Committee is directly responsible to the Board, and has three (3) members who are Non-Executive Directors as required by Colombo Stock Exchange guidelines.

The Committee conducted four (4) meetings during 2012, adhering to the regulatory requirement that it meets at least once a year to discuss matters relevant to remuneration policies.

Name	Capacity	No. of meetings held	No. of meetings attended
Dr. Wickrema Sena Weerasooria	Chairman/ Independent Non-Executive Director	4	4
Mr. Sunil Leeniyagoda	Member/ Non-Executive Director	4	4
Mr. Sunil Karunanayake	Member / Independent Non-Executive Director	4	4
Mr. M. C. M. De Costa	Secretary / AGM (Personnel, Security & General Affairs)	4	4

The remuneration policy adopted by the Company focuses on a number of key areas, including:

- Attracting and retaining talented executive management personnel by providing alignment between remuneration and the Company's business objectives
- Motivating and rewarding executive management personnel to achieve challenging performance goals
- Ensuring that executive rewards are in line with shareholder value
- Recognising both individual and corporate achievements thereby adding value to the Company

The total of Directors' remuneration paid during 2012 is set out in Note 26.1 to the Financial Statements.

Dr. Wickrema Sena Weerasooria
Chairman, Remuneration Committee

Board of Directors

Mr. Cheng Chih Kwong, Primus

Chairman and Chief Executive Officer

Mr. Cheng Chih Kwong, Primus is the Chairman and Chief Executive Officer of the Prima Group and its subsidiary companies. He is a Certified Practicing Accountant (CPA) - Australia and also holds a Diploma in Business Studies. Mr. Cheng Chih Kwong, Primus is the Patron of Yuhua Citizens Consultative Committee and has served as the former Patron of the Ulu Pandan Community Centre Building Fund Committee and as the Vice-Chairman (General Affairs Committee), Singapore Chinese Chamber of Commerce & Industry (1999-2001).

Mr. Tan Beng Chuan

Executive Director and Group General Manager

Mr. Tan Beng Chuan has been a Director of the Company and its subsidiary companies since 2003. He is the Group General Manager of Prima Group of Companies, Sri Lanka since 2003. He holds a B.Sc. Hon in Chemical Engineering from University of Surrey, UK and a MBA in Management and Marketing from University of Warwick, UK. Mr. Tan Beng Chuan is the Executive Committee Member of Sri Lanka Singapore Business Council and Immediate Past President of Sri Lanka Canada Business Council. He is also the President Mentor and Past President of Singapore (Sri Lanka) Club.

Mr. Cheng Chih Cheng, Robert

Non-Executive Director

Mr. Cheng Chih Cheng, Robert had been a Director of the Company since 1983. He also serves as a Director of Supra Limited (Hong Kong), Prima Ceylon (Private) Limited (Sri Lanka), Hapiways Management Services Pte Ltd (Singapore) and also as the Assistant to the CEO at Prima Limited (Singapore). Mr. Cheng Chih Cheng, Robert resigned with effect from 31 July 2012.

Mr. Cheng Koh Chuen, Bernard

Non-Executive Director

Mr. Cheng Koh Chuen, Bernard has been a Director of the Company with effect from 01 August 2012. He also serves as a Executive Director of Prima Group. He holds a Bachelor of Science in Business Administration and also a MBA from the University of Southern California.

Mr. Sunil Karunanayake

Independent Non-Executive Director

Mr. Sunil Karunanayake has been a Director of the Company since 2009. He holds fellowships of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants (UK) and a MBA from the Post Graduate Institute of Management of the University of Sri Jayawardenapura. He has also obtained a Diploma in Commercial Arbitration from the Institute of Commercial Law and Practice. Mr. Sunil Karunanayake was formerly a Director/ Secretary of Brooke Bond Ceylon Limited and Commercial Controller of Unilever Ceylon Ltd - Tea Division. Currently he serves as the Chief Financial Consultant at Associated Newspapers of Ceylon Ltd. In addition, he also serves two other listed companies in the capacity of Non-Executive Director.

Dr. Wickrema Sena Weerasooria

Independent Non-Executive Director

Dr. Wickrema Sena Weerasooria has been a Director of the Company since 2009. He holds LLB (Hons.) and Ph.D (London). He is an Attorney-at- law Supreme Court of Sri Lanka, a Barrister and Solicitor - Supreme Court of Victoria. Dr. Wickrema Sena Weerasooria is a well known lawyer and legal academic. He was formerly Secretary of the Ministry of Plan Implementation, Sri Lanka's High Commissioner to Australia, Consultant to the Central Bank and a former Associate Professor of Law Monash University, Australia. He is currently a Senior Consultant to the Post Graduate Institute of Management (PIM).

Mr. Sunil Leeniyagoda

Non-Executive Director

Mr. Sunil Leeniyagoda joined the Prima Group in October 2001 as the Group Treasurer and was appointed as a Director of Three Acre Farms PLC in July 2004. Mr. Sunil Leeniyagoda is a professional banker and counts more than 25 years experience in commercial banking out of which 14 years was in the area of Treasury Management. He started his career at Bank of Ceylon and later moved to ABN Amro Bank and at the time of joining Prima he was the Vice President, Treasury. He holds a Post Graduate Diploma in Bank Management and is also a board member of Prima Ceylon Limited, Prima Land (Private) Limited, Prima Management Services (Private) Limited and Prima Logistics Services (Private) Limited.

Risk Management Review

Three Acre Farms PLC adheres to a comprehensive set of Risk Management systems and processes, which are outlined in the Risk Management Review.

TAF describes Risk Management as the systematic application of management policies, procedures and practices for the establishment of relevant context, identification, analysis, mitigation, monitoring and thereby communication of all risks. The Company ensures comprehensive identification and understanding of the risks to which the Company is exposed through a dynamic Risk Management framework, which is integrated into the planning process. Effective mitigation of related risks is ensured by the planning process, which focuses on the efficient delivery and achievement of objectives. Through an agreed process, risks are identified and evaluated at appropriate levels throughout the organisation. This enables the implementation of effective methods to prevent losses or reduce the impact of any loss in the event that it occurs.

Robust integration of Risk Management into the Company's entire management process is provided by the Risk Management structure; its planning and reporting systems and review processes.

TAF's identified principle risks and their associated mitigation procedures are as follows.

Risk Factor	Risk Mitigating Strategies
Exchange Rate Risk This risk arises from negative changes in exchange rates in terms of foreign currency transactions. The Company imports DOCs and has payables denominated in foreign currencies. In the event of a decline in the value of the Sri Lankan Rupee against foreign currencies, there is an increase in prices affecting sales margins and increasing in the debt burden in rupee terms.	Changes in international prices are passed on to the selling prices of the Company's products. This provides a natural hedge against changes to global prices and fluctuations in the value of the rupee. A substantial fall of the Rupee against the US Dollar can have a negative impact on the Company's operations and finances. Although TAF is able to increase its products' selling prices, these adjustments may require time depending on the severity of the currency fall and existing Government price controls.
Credit Risk Credit Risk is the risk of financial losses arising due to the unwillingness or inability of counter-parties to meet their financial or contractual obligations in time and in full.	The Company encourages customers to purchase goods on cash terms. Thorough credit checks pertaining to credit worthiness are performed on customers before granting sales on credit. The Company's Finance and Sales Departments closely monitor credit sales to ensure repayment on due dates and also tie future sales based on outstanding value.
Human Capital and Labour Risk Human Capital and Labour Risk is associated with losing talented employees and experiencing an environment of unpleasant labour relations.	The Company uses a series of strategies in motivating, developing, and retaining its human capital. TAF has a Career Development programme for its staff, which focuses on helping employees to achieve their optimum potential and thereby improve job performance and satisfaction. The Company has clear policies for Career Development, providing performance based career advancement. TAF maintains a healthy relationships with employees through regular dialogues, ensures compliance with all regulatory requirements with regard to benefits applicable to employees and provides attractive financial and performance based incentives.
Information Technology Risk IT Risk is the risk associated with computer security, hardware, software and other information technology systems failing and causing disruption to business operations of the Company.	A well thought-out and secure Information Technology security infrastructure has been implemented Company wide, including recovery strategies, data back-ups stored at off-site locations, regular updating of virus scanners and firewalls, maintenance of spare servers and other critical ICT hardware components, and regular IT audits.

Risk Management Review (Contd.)

Risk Factor	Risk Mitigating Strategies
Risk of Outbreaks of Disease Outbreaks of communicable animal diseases can result in significant losses of poultry flocks within a very short period of time.	The Management of the Company provides training to the farmers with regard to identifying and controlling disease outbreaks. TAF also offers veterinary services in order to ensure the general health of poultry. The Company periodically reviews its Bio-Security Practices and Policies to ensure that TAF policies are on par with industry standards, placing emphasis on environmental safety and sustainability. TAF is committed to the usage of updated vaccines and medicines for more effective disease control, while stressing on proper housing taking into consideration animal welfare. Company feed formulation strategies focus on building the health status of birds with the aim of better hygiene.
Regulatory and Compliance Risk Regulatory Risk is associated with changes in Government policies, laws, regulations and statutes. Compliance Risk relates to the Company being able to comply with all the laws, regulations and statutes applicable to a country.	The Company keeps abreast of changes to the regulatory framework and ensures that TAF is always in compliance with all requirements. TAF works in a collaborative manner with trade associations in the industry, the All Island Poultry Association, and other trade chambers who are part of advising and assisting regulatory bodies on developing and adjusting regulations.
Competitive Risk Competitive Risk is the risk that customers will purchase competitor or alternative products due to variances in the product offering.	The Company takes innovative measures to mitigate Competitive Risks by keeping abreast of changing trends, needs and behaviours of the industry. The Company ensures that the right competitive strategies are practiced to keep TAF ahead. To this end, TAF captures customer feedback on future needs and tracks social and cultural trends that influence consumer demand. TAF has put in place the industry's best quality standard process and ensures via its quality assurance systems, that a consistently high level of quality is maintained.
Risk of Environmental Issues The Risk of Environmental Issues refers to environmental issues which can be raised by housing and settlements in farm neighbourhoods.	The Management of the Company provides the equipment for the disposal of solid waste. TAF provides knowledge of good management practices for environmental protection to staff. The Company ensures cleanliness and good housekeeping procedures that should always be practiced.
Risk of Market Demand for DOC This refers to the risk of destroying DOCs due to a drop in demand. As DOCs cannot be kept for more than a day, there is a risk of destroying chicks when there is no demand for DOCs.	The Company ensures that there is no unnecessary culling of DOCs due to decreased demand by keeping abreast of market trends. By predicting market demand ahead TAF is able to minimise the risk of destroying DOCs. In the event that an unforeseen drop in demand occurs, measures deemed necessary by the Management will be taken to ensure continued quality and adherence to company policies and product regulations.
Procurement and Supply Chain Risk This risk relates to the availability of quality feed, DOCs and other supplies in the needed quantity, on the required date and at the right price. Risks in this segment includes restrictions on the import of drugs and vaccines; receiving contaminated cargo; export restrictions on feed raw material from India; and key DOCs importation countries being affected with Avian Influenza or other diseases.	The Company will turn to the closest suitable substitute in case of a shortage of drugs or vaccines, while taking strict measures in accordance with its Quality Management System to handle contaminated cargo. It will encourage relevant authorities to take steps to allow import of Genetically Modified foods or promote the cultivation of Soya in Sri Lanka in case of a shortage of feed raw material. As the Company keeps track of multiple DOC sources, it will develop new suppliers in case key suppliers are unable to deliver.

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

The Board of Directors is pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31 December 2012. The details set out herein provide pertinent information required by the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing rules and are guided by recommended best accounting practices.

1. Principal Activities

The principal activities of the Company are;

- The hatching and sale of day old chicks
- The operation of poultry breeder farms raising grandparent and parent stock and hatcheries and
- Commercial farming

2. Review of Performance for the year ended 31 December 2012 and Future Developments

A review of the Group's performance during the year, with comments on financial results for the year ended 31 December 2012 and future developments is contained in the Chairman and Chief Executive Officer's Review (page 2) and Management Discussion and Analysis (page 4). These reports, together with the Financial Statements reflect the state of affairs of the Company.

3. Financial Statements

The financial statements of the Company are given in pages 22 to 63.

4. Independent Auditors' Report

The Independent Auditors' Report on the financial statements is given on page 21.

5. Accounting Policies

The accounting policies adopted in preparation of financial statements are given on pages 27 to 36. There were no material changes in the Accounting Policies adopted.

6. Interest Register

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

7. Directors' Interest

None of the Directors had a direct or indirect interest in any contracts or proposed contracts with the Company other than as disclosed in the Note 26 to the financial statements.

8. Directors Remuneration and Other Benefits

Directors' remuneration in respect of the Company for the financial year ended 31 December 2012 is given in Note 26.1 to the financial statements.

9. Corporate Donations

Donations made by the Company amounted to Rs. Nil (2011 - Rs. Nil). No donations were made for political purposes.

10. Directorate

The names of the Directors who held office during the year are given below.

Mr. Cheng Chih Kwong, Primus
Chairman & Chief Executive Officer
Mr. Tan Beng Chuan
Executive Director & Group General Manager
Mr. Cheng Chih Cheng, Robert
Non-Executive Director
(Resigned w.e.f. 31 July 2012)
Mr. Cheng Koh Chuen, Bernard
Non-Executive Director
(Appointed w.e.f. 01 August 2012)
Mr. Sunil Leeniyagoda
Non-Executive Director
Dr. Wickrema Sena Weerasooria
Independent Non-Executive Director
Mr. Sunil Karunanayake
Independent Non-Executive Director

The Board wishes to place on record the company's sincere appreciation to Mr. Cheng Chih Cheng, Robert for the valuable contribution extended to the Company during his tenure on Board.

In accordance with the provisions of Article 87 of the Articles of Association of the Company, Mr. Sunil Leeniyagoda retires by rotation and offers himself for re-election.

In accordance with the provisions of Article 95 of the Articles of Association of the Company. Mr. Cheng Koh Cheun, Bernard retires and being elegible offers himself for re-election.

A Resolution for the re-appointment of Dr. Wickrema Sena Weerasooria, who was 70 years of age on 17 July 2009 will be proposed at the Annual General Meeting in terms of Section 211 of the Companies Act No. 07 of 2007. A Special notice has been given of this intention.

11. Directors' Shareholdings (Number of Shares)

	As at 31.12.2012	As at 31.12.2011
Mr. Cheng Chih Kwong, Primus	19	19
Mr. Tan Beng Chuan	Nil	Nil
Mr. Cheng Chih Cheng, Robert (Resigned w.e.f. 31 July 2012)	19	19
Mr. Cheng Koh Chuen, Bernard (Appointed w.e.f. 01 August 2012)	Nil	Nil
Mr. Sunil Leeniyagoda	Nil	Nil
Dr. Wickrema Sena Weerasooria	Nil	Nil
Mr. Sunil Karunanayake	Nil	Nil

12. Auditors

The financial statements for the year ended 31 December 2012 have been audited by Messrs KPMG, Chartered Accountants, who express their willingness to continue in office. In accordance with the Companies Act No.07 of 2007, a resolution relating to their re-appointment and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The Auditors Messrs KPMG were paid Rs. 1,225,000/- (2011 - Rs. 1,050,000/-) as audit fees by the Company. In addition they were paid Rs. Nil (2011 - Rs. Nil) by the Company for audit related work. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

13. Group Turnover

Group Turnover amounted to Rs. 1,211.6 Million (2011 - Rs.1,287.9 Million)

14. Dividends

The Directors have not recommended the payment of a dividend for the financial year ended 31 December 2012.

15. Investments

Details of investments held by the Company are disclosed in Note 12 to the financial statements.

16. Property, Plant and Equipment

An analysis of the property, plant and equipment of the Company, additions and disposals made during the year and depreciation charged during the year are set out in Note 11 to the financial statements. The market values of assets are not significantly different to those disclosed.

17. Capital Commitments

Capital expenditure contracted as at 31 December 2012 for which no provision has been made in the accounts amounted to Rs. Nil (2011 - Rs. Nil).

18. Stated Capital

The issued and fully paid up share capital of the Company is Rs. 623,604,000/- divided into 23,545,000 ordinary shares.

There was no change in the stated capital of the Company during the year.

19. Reserves

Total retained earnings as at 31 December 2012 amounted to Rs. 127 Million (2011 - Rs. 90 Million). The movement of retained earnings is shown in the statement of changes in equity on page 25.

20. Events Occurring After the Reporting Date

No significant events have occurred since the reporting date other than those disclosed in Note 27 to the financial statements.

21. Employment Policies

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

Report of the Directors on the State of Affairs of the Company (Contd.)

22. Taxation

The tax position of the Company is given in Note 9 to the financial statements.

23. Share Information

Information relating to earnings, dividends, net assets, number of shares traded and market price per share is given on page 64.

24. Disclosure as per CSE rule No.8.7 (1) (5)

	2012 Rs. Cts.	2011 Rs. Cts.
Market price per share as at 31 December	53.70	103.80
Highest and lowest share price this year	106.40/33.70	242.00/75.00
Basic earnings per share	(2.42)	5.53
Dividend per share	-	-
Net assets per share	31.18	33.59

25. Shareholdings

The number of registered shareholders of the Company as at 31 December 2012 was 3,347. The distribution and analysis of shareholdings are given on page 66.

26. Major Shareholders

The twenty largest shareholders of the Company as at 31 December 2012, together with an analysis are given on page 66.

27. Statutory Payments

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

28. Environment, Health and Safety

The Company policy continues to ensure that all environmental, health and safety regulations are strictly adhered to, minimise any adverse effects to the environment. Recycling of waste is carried out wherever possible. Employees are provided with a range of all personal protective equipment as the health and well being of the employees are one of our prime concerns. Fire fighting and safety systems are in place to safeguard the Company interests. Plans are in progress to introduce emission free machinery for in-house operations so as to eliminate air pollution.

29. Contingent Liabilities

There were no material contingent liabilities outstanding as at 31 December 2012.

30. Annual General Meeting

The 51st Annual General Meeting of the Company will be held at the Institute of Chartered Accountants of Sri Lanka Auditorium, 30A, Malalasekara Mawatha, Colombo 07 on 14 May 2013 at 10.00 a.m.

By Order of the Board of
Three Acre Farms PLC

(Sgd.) Cheng Chih Kwong, Primus
Chairman & Chief Executive Officer

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

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

Colombo
02 April 2013

Statement of the Directors' Responsibility

The responsibility of the Directors in relation to the financial statements of the Company and the Group, is set out in the following statement. The responsibility of the auditors, in relation to the financial statements, is set out in their report appearing on page 21.

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

In preparing these financial statements the Directors are required to:

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

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

The Directors are also responsible for taking such steps as they deem reasonable or required in order to safeguard the assets of the Company and the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to prevent and detect fraud and other irregularities.

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

Compliance Statement

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

Three Acre Farms PLC

(Sgd.) Cheng Chih Kwong, Primus
Chairman & Chief Executive Officer

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

Colombo
02 April 2013

Independent Auditors' Report

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawata,
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
+94 - 11 230 7345
Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF THREE ACRE FARMS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Three Acre Farms PLC (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 22 to 63 of the annual report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2012 and the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153(2) to 153(7) of the Companies Act No. 07 of 2007.

KPMG.

Chartered Accountants
Colombo, Sri Lanka

02 April 2013

Statement of Comprehensive Income

All amounts in Sri Lankan Rupees thousands

For the year ended 31 December	Notes	Group 2012	Group 2011	Company 2012	Company 2011
Revenue	4	1,211,592	1,287,858	832,447	1,012,884
Cost of sales		(1,175,369)	(1,058,877)	(906,935)	(850,907)
Gross profit / (loss)		**36,223**	**228,981**	**(74,488)**	**161,977**
Other operating profit / (loss)	5	75,487	(38,952)	75,487	(38,952)
Other (expenses) / income	6	(16,016)	53	(16,022)	53
Administrative expenses		(17,093)	(14,911)	(15,348)	7,230
Operating profit / (loss)	7	**78,601**	**175,171**	**(30,371)**	**130,308**
Net finance expenses	8	(32,850)	(19)	(32,843)	(4)
Profit / (loss) before tax		**45,751**	**175,152**	**(63,214)**	**130,304**
Taxation	9	(8,833)	(4,630)	6,296	(137)
Profit / (loss) after tax		**36,918**	**170,522**	**(56,918)**	**130,167**
Other comprehensive income		-	-	-	-
Total comprehensive income / (expenses)		**36,918**	**170,522**	**(56,918)**	**130,167**
Total attributable to:					
Equity holders of the parent		36,918	170,522	(56,918)	130,167
Basic earnings / (loss) per share (Rs.)	10	1.57	7.24	(2.42)	5.53

The notes on pages 27 to 63 form an integral part of these consolidated financial statements.
Figures in brackets indicate deductions.

Statement of Financial Position - Group

All amounts in Sri Lankan Rupees thousands

As at 31 December	Notes	2012	2011	As at 01.01.2011
ASSETS				
Non-current assets				
Property, plant and equipment	11	1,699,238	1,685,553	1,650,678
Investment in subsidiary companies	12	-	-	-
Livestock	13	369,298	346,934	355,086
Total non-current assets		**2,068,536**	**2,032,487**	**2,005,764**
Current assets				
Inventories	14	94,431	64,907	62,197
Trade and other receivables	15	25,847	28,866	35,558
Amount due from affiliated companies	21.1	-	-	-
Current tax receivable		32,320	32,370	32,370
Cash and cash equivalents	16	34,870	25,214	17,046
Total current assets		**187,468**	**151,357**	**147,171**
Total assets		**2,256,004**	**2,183,844**	**2,152,935**
EQUITY				
Stated capital	17	623,604	623,604	623,604
Retained earnings		127,283	90,365	(80,157)
Total equity		**750,887**	**713,969**	**543,447**
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	18	88,971	89,119	98,201
Employee benefits	19	8,090	8,921	7,794
Total non-current liabilities		**97,061**	**98,040**	**105,995**
Current liabilities				
Trade and other payables	20	94,609	93,641	116,133
Amount due to affiliated companies	21.2	1,052,717	1,014,710	1,376,066
Interest bearing borrowings	16.2	260,730	263,484	11,294
Total current liabilities		**1,408,056**	**1,371,835**	**1,503,493**
Total liabilities		**1,505,117**	**1,469,875**	**1,609,488**
Total equity and liabilities		**2,256,004**	**2,183,844**	**2,152,935**

The notes on pages 27 to 63 form an integral part of these consolidated financial statements.

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

(Sgd.) K.A.R.S. Perera
Financial Controller

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

These financial statements were approved by the Board of Directors on 02 April 2013.

(Sgd.) Cheng Chih Kwong, Primus
Chairman & Chief Executive Officer

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

Statement of Financial Position - Company

All amounts in Sri Lankan Rupees thousands

As at 31 December	Notes	2012	2011	As at 01.01.2011
ASSETS				
Non-current assets				
Property, plant and equipment	11	1,328,781	1,303,592	1,248,291
Investment in subsidiary companies	12	-	-	-
Livestock	13	291,952	260,021	274,070
Total non-current assets		**1,620,733**	**1,563,613**	**1,522,361**
Current assets				
Inventories	14	79,031	56,869	54,192
Trade and other receivables	15	23,548	21,019	25,319
Amount due from affiliated companies	21.1	186,689	313,190	359,645
Current tax receivable		27,924	27,924	27,924
Cash and cash equivalents	16	34,534	24,882	16,716
Total current assets		**351,726**	**443,884**	**483,796**
Total assets		**1,972,459**	**2,007,497**	**2,006,157**
EQUITY				
Stated capital	17	623,604	623,604	623,604
Retained earnings		110,413	167,331	37,164
Total equity		**734,017**	**790,935**	**660,768**
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	18	60,782	67,078	75,872
Employee benefits	19	6,073	6,874	5,713
Total non-current liabilities		**66,855**	**73,952**	**81,585**
Current liabilities				
Trade and other payables	20	75,154	81,564	93,116
Amount due to affiliated companies	21.2	837,611	798,574	1,159,749
Interest bearing borrowings	16.2	258,822	262,472	10,939
Total current liabilities		**1,171,587**	**1,142,610**	**1,263,804**
Total liabilities		**1,238,442**	**1,216,562**	**1,345,389**
Total equity and liabilities		**1,972,459**	**2,007,497**	**2,006,157**

The notes on pages 27 to 63 form an integral part of these consolidated financial statements.

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

(Sgd.) K.A.R.S. Perera
Financial Controller

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

These financial statements were approved by the Board of Directors on 02 April 2013.

(Sgd.) Cheng Chih Kwong, Primus
Chairman & Chief Executive Officer

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

Statement of Changes in Equity

All amounts in Sri Lankan Rupees thousands

Group
For the year ended 31 December

	Stated capital	Retained earnings	Total equity
Balance as at 1 January 2011	623,604	(80,157)	543,447
Total comprehensive income for the period	-	170,522	170,522
Balance as at 31 December 2011	**623,604**	**90,365**	**713,969**
Balance as at 1 January 2012	623,604	90,365	713,969
Total comprehensive income for the period	-	36,918	36,918
Balance as at 31 December 2012	**623,604**	**127,283**	**750,887**

Company
For the year ended 31 December

	Stated capital	Retained earnings	Total equity
Balance as at 1 January 2011	623,604	37,164	660,768
Total comprehensive income for the period	-	130,167	130,167
Balance as at 31 December 2011	**623,604**	**167,331**	**790,935**
Balance as at 1 January 2012	623,604	167,331	790,935
Total comprehensive expenses for the period	-	(56,918)	(56,918)
Balance as at 31 December 2012	**623,604**	**110,413**	**734,017**

The notes on pages 27 to 63 form an integral part of these consolidated financial statements.
Figures in brackets indicate deductions.

Statement of Cash Flows

All amounts in Sri Lankan Rupees thousands

		Group		Company	
For the year ended 31 December	**Notes**	**2012**	**2011**	**2012**	**2011**
Operating activities					
Cash generated from operations	24	578,903	223,058	487,630	144,003
Exchange gain		1,645	864	1,645	864
Interest received		818	477	811	477
Interest paid		(34,495)	(696)	(34,488)	(681)
Employee benefits paid	19	(1,733)	(967)	(1,658)	(554)
Tax paid		(1,049)	-	-	-
Net cash generated from operating activities		**544,089**	**222,736**	**453,940**	**144,109**
Investing activities					
Purchase of property, plant and equipment	11	(122,440)	(114,432)	(122,412)	(113,996)
Proceeds from disposal of property, plant and equipment		9,866	668	9,866	668
Purchase of livestock	13	(419,105)	(352,994)	(328,092)	(274,148)
Net cash used in investing activities		**(531,679)**	**(466,758)**	**(440,638)**	**(387,476)**
Financing activities					
Bank borrowings		-	250,000	-	250,000
Net cash generated from financing activities		**-**	**250,000**	**-**	**250,000**
Increase in cash and cash equivalents		**12,410**	**5,978**	**13,302**	**6,633**
Movement in cash and cash equivalents					
At the beginning of the year		11,730	5,752	12,410	5,777
Increase in cash and cash equivalents		12,410	5,978	13,302	6,633
Cash and cash equivalents as at 31 December	16.1	**24,140**	**11,730**	**25,712**	**12,410**

The notes on pages 27 to 63 form an integral part of these consolidated financial statements.
Figures in brackets indicate deductions.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1. General

Three Acre Farms PLC (the "Company") is a "Quoted Public Company" with limited liability, incorporated and domiciled in Sri Lanka. The address of the Company's registered office is No.15, Rock House Lane, Colombo - 15, Sri Lanka. The Company is in the agriculture industry.

Three Acre Farms PLC (TAF) was incorporated in 1963, primarily as a commercial layer farm. The company's name was derived from the original three acres of land on which the farm was situated. On 02 September 1992 TAF was acquired by Ceylon Grain Elevators PLC for the purpose of expanding their- own production facility.

The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries.

The Company has two fully owned subsidiaries; they are Ceylon Pioneer Poultry Breeders Limited (CPPBL) (incorporated on 24 September 1993), which terminated its operation in 2009 and is renting the farms to Three Acre Farms PLC and Millennium Multibreeder Farms (Private) Limited (incorporated on 10 August 1999), which employs advanced technology farming in producing broiler Day Old Chicks.

The Company was listed in the Colombo Stock Exchange on 20 March 1995 in the Food and Beverage Sector. The parent Company, Ceylon Grain Elevators PLC, holds 57.21% (as at 31 December 2012) of the stated capital of the Company.

1.2. Principal activities and nature of the operation

The main business of the Group is selective breeding, hatching and sale of commercial day old chicks, both broiler (for chicken meat) and layer (for the production of table eggs), grandparent farm operation, import grandparent day old chicks and advanced technology breeding.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements of the Company and those consolidated with such comprise the statement of financial position, statement of comprehensive income, statement of other comprehensive income, statement of changes in equity and statement of cash flows together with the accounting policies and notes to the financial statements. The consolidated financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS) and SLFRS 1 - First Time Adoption of SLFRS as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007.

2.2. Approval of Financial statements by Directors

The consolidated financial statements were authorised for issue by the Board of Directors on 02 April 2013.

2.3. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except the valuations of employee benefits which is disclosed in Note 19 to the financial statements

2.4. Functional and presentation currency

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

2.5. Use of estimates and judgments

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

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

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

- Note 18 - Deferred tax liabilities
- Note 19 - Employee benefits

2.6. Materiality and aggregation

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. Certain comparative amounts have been reclassified to conform to the current year's presentation.

3.1. Basis of consolidation

3.1.1. Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships such amounts are generally recognised in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3.1.2. Subsidiaries

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

3.1.3. Loss of control

On the loss of control, the Group derecognises the assets 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 or loss.

3.1.4. Transactions eliminated on consolidation

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

3.2. Foreign currency

3.2.1. Foreign currency transactions

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

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

3.3. Financial instruments

3.3.1. Non-derivative financial assets

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

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

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

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

Financial asset is classified as at fair value through profit or loss

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

Held-to-maturity financial assets

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

Loans and receivables

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

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

Cash and cash equivalents

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

Available-for-sale financial assets

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

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

3.3.2. Non-derivative financial liabilities

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

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

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

3.3.3. Stated Capital

Ordinary shares

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

3.4. Property, plant and equipment

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

3.4.1. Recognition and measurement

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

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

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

Gains and losses on disposal

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

Subsequent costs

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

Derecognition

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

Depreciation

Depreciation is based on the cost or other amount substituted for cost, less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. No depreciation is provided on assets under construction.

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

Freehold building	20, 50 years
Plant and machinery	16 2/3 years
Electrical equipment	10 years
Farm equipment	8 - 10 years
Furniture, fitting and office equipment	10 years
Motor vehicle	5 years

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

Capital work in progress

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

3.5. Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost and subsequently carried at cost less any accumulated depreciation and any accumulated impairment loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised it in profit or loss.

3.6. Livestock

Livestock represents the unamortised parent and grandparent livestock, used to breed day old commercial chicks. Parent and grandparent birds include the growing birds and the laying birds.

The growing birds are valued at directly attributable cost incurred up to the commencement of laying period. The laying birds are valued at cost less subsequent amortisations. The amortisation is made on straight line basis over the laying period after making due allowances for carcass value.

Livestock is not valued at its fair value as the fair value cannot be measured reliably due to non existence of active markets for parent and grandparent birds at different age categories and the complexity in determining expected future cash flows for parent and grandparent birds in different age, breed and genetic merit.

3.7. Inventories

Inventories are measured at the lower of cost and net realizable value after making due allowances for obsolete and slow moving items.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted as follows.

Compounded feed

Cost is calculated using the weighted average cost.

Eggs

Hatching eggs are valued at direct cost together with an appropriate proportion of production overheads.

Broiler DOC

The cost of broiler DOC as at the reporting date includes the cost of hatched eggs and hatching charges incurred in respect of broiler DOCs.

Poultry equipment, drugs, vaccine and sundry inventories

Poultry equipment, drugs, vaccine and sundry inventories are valued at actual cost on weighted average basis after making due allowance for obsolete and slow moving items.

3.8. Impairment

3.8.1. Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

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

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortise cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are, then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are, collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

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

Available-for-sale financial assets

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

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

3.8.2. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

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

3.9. Employee benefits

3.9.1. Short-term employee benefits

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

3.9.2. Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(a) Employees' Provident Fund

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

(b) Employees' Trust Fund

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

3.9.3. Defined benefit plan – gratuity

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

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

The assumptions based on which the results of actuarial valuation was determined, are included in Note 19 to the financial statements.

Unrecognised actuarial gain/losses are recognised on the "Corridor Method" which allows the Group/ Company to recognise the actuarial gain/losses if it exceeds 10% of either present value of total defined benefit obligation or fair value of any plan assets as per LKAS 19 – "Employee Benefits". The excess of the said limit is recognised over the expected average remaining working life of the employees participated in the plan.

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

3.10. Provisions

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

3.11. Revenue recognition

Sale of goods

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

Rental income

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

Rental income from investment property is recognised as other income in profit or loss on a straight-line basis over the term of the lease.

Interest income

Interest income from time deposits and other interest-bearing assets is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable unless collectability is in doubt.

Dividend income

Dividend income is recognised in the statement of comprehensive income when the right to receive payment is established.

Other income / Other operating profits or losses

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

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

Other operating profits/losses consist of profits/losses arising from out grower operations carried out by the companies that use farms for out grower operations.

3.12. Expenses

Finance costs

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

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

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

3.13. Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

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

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

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

3.14. Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.15. Events occurring after the reporting date

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

3.16. Commitments and contingencies

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

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control. Contingent liabilities are disclosed in Note 22 to the financial statements. Commitments are disclosed in Note 23 to the financial statements.

3.17. New Accounting standards issued but not effective as at the end of current financial year

A number of new standards amendments to standards and interpretation are not effective for the year ended 31 December 2012, and have not been applied in preparing these consolidated financial statements.

These includes;
SLFRS 09 - "Financial Instruments" which will be effective from 1 January 2015.

The International Accounting Standards Board (IASB) has issued IFRS 10, 11, 12 and 13 which are effective from 01 January 2013. However the Institute of Chartered Accountants of Sri Lanka has decided to defer the effective date of SLFRS 10, 11, 12 and 13. The extent of the impact has not been determined.

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands

For the year ended 31 December 2012

Note 04

REVENUE

Sales are made up as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Local sales	1,351,477	1,439,005	923,933	1,128,401
Export sales	6,602	4,863	6,602	4,863
Value added tax	(146,487)	(156,010)	(98,088)	(120,380)
Net sales	**1,211,592**	**1,287,858**	**832,447**	**1,012,884**

Note 05

OTHER OPERATING PROFIT / (LOSS)

Other operating profit / (loss) wholly consist of profit / (loss) arising from out grower operations carried out at the Bulathsinhala, Hijra and Attanagalla farms.

Note 06

OTHER (EXPENSES) / INCOME

Other income is made-up as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Sale of fixed assets	(17,871)	(722)	(17,871)	(722)
Interest income	818	477	811	477
Sundry income	1,037	298	1,038	298
	(16,016)	**53**	**(16,022)**	**53**

Note 07

OPERATING PROFIT / (LOSS)

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
Directors' emoluments	120	120	120	120
Auditors' remuneration - Audit service	1,550	1,350	1,225	1,050
- Other service	55	-	-	-
Depreciation on property, plant and equipment (Note 11)	80,143	78,661	68,611	57,797
Legal fees	80	33	80	33
Amortisation of ERP system	1,256	1,256	947	947
Reversal of impairment provisions on amount due from affiliated companies	-	-	-	(20,240)
Amortisation of parent and grand parent livestock				
- Parent birds	358,046	325,553	257,466	252,603
- Grandparent birds	38,695	35,594	38,695	35,594
	396,741	**361,147**	**296,161**	**288,197**

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands

For the year ended 31 December 2012

Note 07 (Contd.)

Operating Profit / (Loss)

Staff cost

	Group		Company	
	2012	**2011**	**2012**	**2011**
Salaries, wages and other fringe benefits	170,296	154,481	138,232	127,626
Social security costs	188	21	175	4
Defined contribution plans	5,374	4,658	4,642	4,138
Employee benefits (Note 19)	902	2,094	857	1,715
	176,760	**161,254**	**143,906**	**133,483**
Average monthly number of persons employed during the year:				
- Full time	171	168	159	155
- Part time	631	623	526	520
	802	**791**	**685**	**675**

Part time employees include contracted labour hired from third parties, who work on a shift basis.

Note 08

NET FINANCE EXPENSES

	Group		Company	
	2012	**2011**	**2012**	**2011**
Interest expenses	34,495	883	34,488	868
Net exchange gain	(1,645)	(864)	(1,645)	(864)
	32,850	**19**	**32,843**	**4**

Note 09

TAXATION

	Group		Company	
	2012	**2011**	**2012**	**2011**
Current tax	8,710	13,204	-	8,931
Deferred tax release (Note 18)	(148)	(9,082)	(6,296)	(8,794)
Deemed dividend tax	49	-	-	-
ESC write-off	783	508	-	-
Over provision	(561)	-	-	-
	8,833	**4,630**	**(6,296)**	**137**

Tax reconciliation

	Group		Company	
	2012	**2011**	**2012**	**2011**
Profit / (loss) before tax	45,751	175,152	(63,214)	130,304
Add: disallowable expenses	482,958	471,631	370,439	349,617
Deduct: allowable expenses	(540,549)	(478,260)	(430,687)	(365,426)
Interest expenses	7	7	-	-
Deduct: tax losses set-off	(39,085)	(59,200)	-	(40,073)
Taxable income	**(50,918)**	**109,330**	**(123,462)**	**74,422**

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands

For the year ended 31 December 2012

Note 09 (Contd.)

Taxation

Tax reconciliation (Contd.)

	Group		Company	
	2012	**2011**	**2012**	**2011**
Income tax using the domestic corporate tax rate				
- at 12%	8,710	13,185	-	8,931
- at 28%	-	19	-	-
Current tax	**8,710**	**13,204**	**-**	**8,931**
Deferred tax release	(148)	(9,082)	(6,296)	(8,794)
Deemed dividend tax	49	-	-	-
ESC write-off	783	508	-	-
Over provision	(561)	-	-	-
	123	**(8,574)**	**(6,296)**	**(8,794)**
	8,833	**4,630**	**(6,296)**	**137**

For the year 2012, current tax charge of Rs. 8,710,113/- is occured from taxable income of Rs. 72,583,286/- earned by Millennium Multibreeder Farms (Private) Limited.

The Company is liable to pay income tax on profit and income earned at 12%. Further information about deferred tax is presented in Note 18.

Tax losses of the Company available for carry forward as at 31 December 2012 amounted to Rs. 537,926,410/- (2011 - Rs. 414,463,924/-).

Ceylon Pioneer Poultry Breeders Limited, a subsidiary company, is liable to pay income tax at 28% on the profit and income earned by the company. As at 31 December 2012 tax losses available for carry forward amounted to Rs. 227,689,036/- (2011 - Rs. 227,645,420/-).

Millennium Multibreeder Farms (Private) Limited is liable to pay income tax at 12% on the profit and income earned by the company. The tax losses available to carry forward as at 31 December 2012 amounted to Rs. 115,362,128/- (2011 - Rs. 154,445,430/-)

Note 10

BASIC EARNINGS / (LOSS) PER SHARE

The calculation of basic earnings / (loss) per share as at 31 December 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year ended 31 December 2012 is calculated as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Net profit attributable to ordinary shareholders	36,918	170,522	(56,918)	130,167
Weighted average number of ordinary shares as at 31 December	23,545	23,545	23,545	23,545
Basic earning / (loss) per share (Rs.)	1.57	7.24	(2.42)	5.53

All amounts in Sri Lankan Rupees thousands
As at 31 December 2012

Note 11
PROPERTY, PLANT AND EQUIPMENT

(a). Group

Cost or Deemed Cost	As at 01.01.2012	Additions/ WIP transfer	Disposals/ write off	As at 31.12.2012
Land	320,775	-	25,500	295,275
Buildings	969,745	36,168	-	1,005,913
Motor vehicles	42,075	11,227	3,485	49,817
Plant and machinery, electrical and farm equipments	663,688	57,291	3,531	717,448
Furniture, fittings and office equipments	8,285	8	6	8,287
Capital work in progress	1,282	17,746	-	19,028
	2,005,850	**122,440**	**32,522**	**2,095,768**

Depreciation	As at 01.01.2012	Charge for the year	Disposals/ write off	As at 31.12.2012
Buildings	21,645	23,144	-	44,789
Motor vehicles	3,163	4,025	455	6,733
Plant and machinery, electrical and farm equipments	287,334	52,959	3,449	336,844
Furniture, fittings and office equipments	8,155	15	6	8,164
	320,297	**80,143**	**3,910**	**396,530**

Carrying amount	As at 01.01.2012	As at 31.12.2012
Land	320,775	295,275
Buildings	948,100	961,124
Motor vehicles	38,912	43,084
Plant and machinery, electrical and farm equipments	376,354	380,604
Furniture, fittings and office equipments	130	123
Capital work in progress	1,282	19,028
	1,685,553	**1,699,238**

Property, plant and equipment include fully depreciated assets, the cost of which as at 31 December 2012 amounted to Rs. 247,782,479/- (2011 - Rs. 249,371,250/-).

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands

As at 31 December 2012

Note 11 (Contd.)

Property, Plant and Equipment

(b). Company

Cost or Deemed Cost	As at 01.01.2012	Additions/ WIP transfer	Disposals/ write off	As at 31.12.2012
Land	262,560	-	25,500	237,060
Buildings	677,474	36,168	-	713,642
Motor vehicles	42,075	11,227	3,485	49,817
Plant and machinery, electrical and farm equipments	526,530	57,263	3,531	580,262
Furniture, fittings and office equipments	8,174	8	6	8,176
Capital work in progress	1,282	17,746	-	19,028
	1,518,095	**122,412**	**32,522**	**1,607,985**

Depreciation	As at 01.01.2012	Charge for the year	Disposals/ write off	As at 31.12.2012
Buildings	15,800	17,299	-	33,099
Motor vehicles	3,163	4,025	455	6,733
Plant and machinery, electrical and farm equipments	187,393	47,283	3,449	231,227
Furniture, fittings and office equipments	8,147	4	6	8,145
	214,503	**68,611**	**3,910**	**279,204**

Carrying amount	As at 01.01.2012	As at 31.12.2012
Land	262,560	237,060
Buildings	661,674	680,543
Motor vehicles	38,912	43,084
Plant and machinery, electrical and farm equipments	339,137	349,035
Furniture, fittings and office equipments	27	31
Capital work in progress	1,282	19,028
	1,303,592	**1,328,781**

Property, plant and equipment include fully depreciated assets, the cost of which as at 31 December 2012 amounted to Rs. 157,757,467/- (2011 - Rs. 158,439,052/-).

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands
As at 31 December 2012

Note 11 (Contd.)
Property, Plant and Equipment

(c). Group

Cost or Deemed Cost	As at 01.01.2011	Additions/ WIP transfer	Disposals/ write off	As at 31.12.2011
Land	320,775	-	-	320,775
Buildings	938,856	30,889	-	969,745
Motor vehicles	43,040	-	965	42,075
Plant and machinery, electrical and farm equipments	580,040	83,803	154	663,689
Furniture, fittings and office equipments	8,159	126	-	8,285
Capital work in progress	1,666	(384)	-	1,282
	1,892,536	**114,434**	**1,119**	**2,005,851**

Depreciation	As at 01.01.2011	Charge for the year	Disposals/ write off	As at 31.12.2011
Buildings	-	21,645	-	21,645
Motor vehicles	-	3,230	67	3,163
Plant and machinery, electrical and farm equipments	233,730	53,758	154	287,334
Furniture, fittings and office equipments	8,128	28	-	8,156
	241,858	**78,661**	**221**	**320,298**

Carrying amount	As at 01.01.2011	As at 31.12.2011
Land	320,775	320,775
Buildings	938,856	948,100
Motor vehicles	43,040	38,912
Plant and machinery, electrical and farm equipments	346,310	376,355
Furniture, fittings and office equipments	31	129
Capital work in progress	1,666	1,282
	1,650,678	**1,685,553**

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands

As at 31 December 2012

Note 11 (Contd.)

Property, Plant and Equipment

(d). Company

Cost or Deemed Cost	As at 01.01.2011	Additions/ WIP transfer	Disposals/ write off	As at 31.12.2011
Land	262,560	-	-	262,560
Buildings	646,586	30,888	-	677,474
Motor vehicles	43,040	-	965	42,075
Plant and machinery, electrical and farm equipments	443,209	83,476	155	526,530
Furniture, fittings and office equipments	8,157	17	-	8,174
Capital work in progress	1,666	(384)	-	1,282
	1,405,218	**113,997**	**1,120**	**1,518,095**

Depreciation	As at 01.01.2011	Charge for the year	Disposals/ write off	As at 31.12.2011
Buildings	-	15,800	-	15,800
Motor vehicles	-	3,229	66	3,163
Plant and machinery, electrical and farm equipments	148,801	38,747	155	187,393
Furniture, fittings and office equipments	8,126	21	-	8,147
	156,927	**57,797**	**221**	**214,503**

Carrying amount	As at 01.01.2011	As at 31.12.2011
Land	262,559	262,559
Buildings	646,587	661,675
Motor vehicles	43,040	38,912
Plant and machinery, electrical and farm equipments	294,408	339,137
Furniture, fittings and office equipments	31	27
Capital work in progress	1,666	1,282
	1,248,291	**1,303,592**

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees
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Note 11 (Contd.)
Property, Plant and Equipment

(e). The purchase of capital equipments in the process of being installed and buildings, construction in progress (capital work in progress) Group and Company - Rs. 19,028,000/- (2011 - Rs. 1,282,000/-)

(f). As per the exemption given in SLFRS 1, the Group measured items of property, plant and equipment at the date of transition to SLFRS at its fair value and use that fair value as its deemed cost at that date. For this purpose the Group revalued its land and building, plant and machinery and hatchery equipments by an independent, professional valuer Mr. J.C. Leuke Bandara - Incorporated Valuer (Graduate member of Institute of Valuers) and motor vehicles by an independent, professional valuer Wadduwa Auto Service (Member of the Leasing Association of Sri Lanka). The valuation has been conducted on the basis of current market value.

Freehold land carried at revalued amount

Company	Location	Last revaluation date	Land extent	Revalued amount as at 01.01.2011
Three Acre Farms PLC	Meegoda Farm, Meegoda	01.01.2011	24A – 0R – 03.17P	19,215,850
	Kosgama Farm, Aluthambalama, Kosgama	01.01.2011	20A - 3R - 27.05P	10,041,150
	Halwathura Farm, Halwathura	01.01.2011	54A -0R - 3.70P	29,796,324
	Bulathsinghala Farm, Agaloya, Bulathsinghala	01.01.2011	60A - 3R - 27.00P	56,045,250
	Hijra Farm, A, Pagoda, Beruwala	01.01.2011	41A - 3R - 13.42P	66,534,200
	Hijra Farm, B, Beruwala	01.01.2011	08A - 3R - 03.71P	74,829,300
	Makuluwatta Farm, Waga	01.01.2011	12A -2R-18.90P	6,098,235
				262,560,309
Ceylon Pioneer	Aswatta Farm, Kosgama	01.01.2011	5A - 3R - 18.19P	7,522,838
Poultry Breeders Limited	Nilambe Farm, Office Junction Galaha	01.01.2011	33A -0R - 28.82P	39,541,310
	Wewelpanawa Farm, Wewelpanawa	01.01.2011	27A -3R - 20.47P	11,151,175
				58,215,323
Total				**320,775,632**

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees
As at 31 December 2012

Note 11 (Contd.)
Property, Plant and Equipment

Freehold buildings carried at revalued amount

Company	Location	Last revaluation date	No. of buildings	Revalued amount as at 01.01.2011
Three Acre Farms PLC	Meegoda Farm, Meegoda	01.01.2011	75	174,115,100
	Kosgama Farm, Aluthambalama, Kosgama	01.01.2011	50	56,436,575
	Halwathura Farm, Halwathura	01.01.2011	59	73,168,100
	Bulathsinghala Farm, Agaloya, Bulathsinghala	01.01.2011	79	182,574,885
	Hijra Farm, A, Pagoda, Beruwala	01.01.2011	33	83,219,134
	Hijra Farm, B, Beruwala	01.01.2011	34	7,624,800
	Makuluwatta Farm, Waga	01.01.2011	45	69,447,700
				646,586,294
Ceylon Pioneer Poultry Breeders Limited	Aswatte Farm, Kosgama	01.01.2011	36	51,085,000
	Nilambe Farm, Office Junction Galaha	01.01.2011	15	9,619,730
				60,704,730
Millennium Multibreeder Farms (Private) Limited	Wewelpanawa Farm, Wewelpanawa	01.01.2011	45	231,565,950
				231,565,950
Total				**938,856,974**

Hatchery equipments and EC house equipments carried at revalued amount

Company	Location	Last revaluation date	Revalued amount as at 01.01.2011
Three Acre Farms PLC	Meegoda Farm, Meegoda	01.01.2011	87,731,500
	Kosgama Farm, Aluthambalama , Kosgama	01.01.2011	19,668,500
	Halwathura Farm, Halwathura	01.01.2011	5,125,000
	Bulathsinghala Farm, Agaloya, Bulathsinghala	01.01.2011	50,960,000
	Hijra Farm, A, Pagoda, Beruwala	01.01.2011	64,944,000
			228,429,000
Millennium Multibreeder Farms (Private) Limited	Wewelpanawa Farm, Wewelpanawa	01.01.2011	40,692,500
			40,692,500
Total			**269,121,500**

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands

As at 31 December 2012

Note 12

INVESTMENT IN SUBSIDIARY COMPANIES

	Group			Company		
	2012	2011	01.01.2011	2012	2011	01.01.2011
Balance at the beginning of the year	-	-	-	15,000	15,000	15,000
Provision for impairment of investment	-	-	-	(15,000)	(15,000)	(15,000)
Balance at the end of the year	-	-	-	-	-	-

Details of the companies, in which the Company held a controlling interest are set out below:

	Proportion of ordinary shares held			
Name of the Company	**2012**	**Movement**	**2011**	**Business**
Ceylon Pioneer Poultry Breeders Limited	100%	-	100%	Renting their own farm to Three Acre Farms PLC
Millennium Multibreeder Farms (Private) Limited	100%	-	100%	Operation of modern poultry breeding and hatcheries utilising advanced technologies

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

Note 13

LIVESTOCK

Parent birds and grandparent birds are retained to produce day old chicks. The movements in these accounts are given below:

	Group		Company	
	2012	2011	2012	2011
(a). Parent birds				
Opening net book value	316,503	319,060	229,590	238,043
Additions	334,281	322,996	243,268	244,150
Amortisation	(358,046)	(325,553)	(257,466)	(252,603)
Closing net book value	**292,738**	**316,503**	**215,392**	**229,590**
(b). Grandparent birds				
Opening net book value	30,431	36,027	30,431	36,027
Additions	84,824	29,998	84,824	29,998
Amortisation	(38,695)	(35,594)	(38,695)	(35,594)
Closing net book value	**76,560**	**30,431**	**76,560**	**30,431**
Total net book value	**369,298**	**346,934**	**291,952**	**260,021**

A major part of the purchases is made from related entities. The cost of purchases, less the net realisable value of these birds, are amortised to the statement of comprehensive income over a period of 12 months.

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands

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Note 14

INVENTORIES

	Group			Company		
	2012	2011	01.01.2011	2012	2011	01.01.2011
Hatching eggs	13,625	5,483	4,118	11,567	4,184	3,501
Broiler DOC	48	-	4,632	48	-	4,632
Consumables	80,758	59,424	53,447	67,416	52,685	46,059
	94,431	**64,907**	**62,197**	**79,031**	**56,869**	**54,192**

Note 15

TRADE AND OTHER RECEIVABLES

	Group			Company		
	2012	2011	01.01.2011	2012	2011	01.01.2011
Trade receivables	-	1,594	-	-	-	-
Prepayments	865	529	1,056	725	463	1,049
Other receivables	24,982	26,743	34,502	22,823	20,556	24,270
	25,847	**28,866**	**35,558**	**23,548**	**21,019**	**25,319**

Note 16

CASH AND CASH EQUIVALENTS

	Group			Company		
	2012	2011	01.01.2011	2012	2011	01.01.2011
Cash at bank	34,306	24,524	466	34,020	24,242	466
Cash in hand	564	690	16,530	514	640	16,250
Short term bank deposits	-	-	50	-	-	-
	34,870	**25,214**	**17,046**	**34,534**	**24,882**	**16,716**

Note 16.1

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

	Group			Company		
	2012	2011	01.01.2011	2012	2011	01.01.2011
Cash and bank balances	34,870	25,214	17,046	34,534	24,882	16,716
Bank overdraft	(10,730)	(13,484)	(11,294)	(8,822)	(12,472)	(10,939)
	24,140	**11,730**	**5,752**	**25,712**	**12,410**	**5,777**

Note 16.2

Interest bearing borrowings

	Group			Company		
	2012	2011	01.01.2011	2012	2011	01.01.2011
Bank overdraft	10,730	13,484	11,294	8,822	12,472	10,939
Bank borrowings	250,000	250,000	-	250,000	250,000	-
	260,730	**263,484**	**11,294**	**258,822**	**262,472**	**10,939**

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands

As at 31 December 2012

Note 17

STATED CAPITAL

	Number of shares in 000's	Stated capital
As at 31 December 2011	23,545	623,604
As at 31 December 2012	**23,545**	**623,604**

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

Note 18

DEFERRED TAX LIABILITIES

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
At the beginning of the year	89,119	98,201	67,078	75,872
Statement of comprehensive income (release) (Note 9)	(148)	(9,082)	(6,296)	(8,794)
As at 31 December	**88,971**	**89,119**	**60,782**	**67,078**

Company

Deferred tax has been computed taking into consideration the effective tax rate which is 12%.

Group

Ceylon Pioneer Poultry Breeders Limited has computed deferred taxation by taking into consideration the effective tax rate of 28%.

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands

As at 31 December 2012

Note 18 (Contd.)

Deferred Tax Liabilities

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

Group	2012		2011	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
Property, plant and equipment	961,028	124,020	900,743	116,828
Livestock	369,298	44,316	346,933	41,632
Retirement benefit obligation	(8,091)	(971)	(8,925)	(1,071)
Tax losses	(653,288)	(78,394)	(568,912)	(68,270)
	668,947	**88,971**	**669,839**	**89,119**

Company	2012		2011	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
Property, plant and equipment	758,567	91,028	720,317	86,438
Livestock	291,952	35,034	260,017	31,202
Retirement benefit obligation	(6,074)	(729)	(6,875)	(825)
Tax losses	(537,926)	(64,551)	(414,467)	(49,737)
	506,519	**60,782**	**558,992**	**67,078**

Group

Unrecognised deferred tax asset

Deferred tax asset has not been recognised by Ceylon Pioneer Poultry Breeders Limited in respect of the following items, since it is not probable that future taxable profit will be available against which the Company can utilise the benefit there on.

	2012	2011	01.01.2011
Tax losses carried forward	227,689	227,645	227,683
Tax effect there on at 28%	63,753	63,741	63,751

Note 19

EMPLOYEE BENEFITS

	Group		Company	
	2012	2011	2012	2011
Balance at the beginning of the year	8,921	7,794	6,874	5,713
Provisions made during the year	902	2,094	857	1,715
Payments made during the year	(1,733)	(967)	(1,658)	(554)
Balance at the end of the year	**8,090**	**8,921**	**6,073**	**6,874**

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands
As at 31 December 2012

Note 19 (Contd.)
Employee Benefits
The amounts recognised in the statement of financial position are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Present value of unfunded obligations	9,796	11,520	7,779	9,379
Total present value of obligations	**9,796**	**11,520**	**7,779**	**9,379**
Unrecognised actuarial gain	(1,706)	(2,599)	(1,706)	(2,505)
Recognised liability for defined benefit obligations	**8,090**	**8,921**	**6,073**	**6,874**
Movement in the present value of the employee benefit obligations				
Employee benefit obligations at the beginning of the year	8,921	7,794	6,874	5,713
Benefits paid by the plan	(1,733)	(967)	(1,658)	(554)
Current service cost	960	923	880	713
Interest cost	1,130	1,042	1,045	850
Actuarial (gain) / loss during the year	(1,188)	129	(1,068)	152
Employee benefit obligations at the end of the year	**8,090**	**8,921**	**6,073**	**6,874**
Expense recognised in the statement of comprehensive income				
Current service cost	960	923	880	713
Interest cost	1,130	1,042	1,045	850
Actuarial (gain) / loss during the year	(1,188)	129	(1,068)	152
	902	**2,094**	**857**	**1,715**

The actuarial valuation was carried out by professionally qualified actuary Mr. Piyal S. Gunathilake of P & G Associates for retiring gratuity for employees as at 31 December 2012.
The liability was not externally funded.

Actuarial assumptions (Group / Company)
Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2012	**2011**
Discount rate as at 31 December	12%	10%
Future salary increases	10%	10%

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

The average life expectancy of an individual retiring at age 55
Staff turnover sliding scale by the age of employee retiring from 10%-1%
The provision for retiring gratuity for the year is based on the actuarial valuation made on 31 December 2012.

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands

As at 31 December 2012

Note 20

TRADE AND OTHER PAYABLES

	Group			Company		
	2012	**2011**	**01.01.2011**	**2012**	**2011**	**01.01.2011**
Trade payables	21,471	24,296	34,346	19,402	22,137	32,594
Accrued expenses	32,421	41,488	48,237	28,113	37,743	36,112
Other payables	40,717	27,857	33,550	27,639	21,684	24,410
	94,609	**93,641**	**116,133**	**75,154**	**81,564**	**93,116**

Note 21

AMOUNT DUE FROM / TO AFFILIATED COMPANIES

Note 21.1

Amount due from affiliated companies

	Group			Company		
	2012	**2011**	**01.01.2011**	**2012**	**2011**	**01.01.2011**
Millennium Multibreeder Farms (Private) Limited	-	-	-	186,689	313,190	379,885
Provision for impairment	-	-	-	-	-	(20,240)
	-	-	-	186,689	313,190	359,645

Note 21.2

Amount due to affliated companies

	Group			Company		
	2012	**2011**	**01.01.2011**	**2012**	**2011**	**01.01.2011**
Ceylon Grain Elevators PLC	1,052,717	1,014,710	1,376,066	837,611	798,574	1,159,749
	1,052,717	**1,014,710**	**1,376,066**	**837,611**	**798,574**	**1,159,749**

Amount due to affliated companies wholly consist of payable to parent company which is unsecured, interest free and has no fixed repayment terms. These need to be settled on demand.

Ceylon Grain Elevators PLC, the parent company of Three Acre Farms PLC confirm their commitment, in present circumstances to continue financial support in the business operations of Three Acre Farms PLC and its subsidiaries and to meet their financial obligations. As the major shareholder of Three Acre Farms PLC, they have no intention or inclination or withdrawing their support of reducing the scale of operations of the company in the forthcoming 12 months.

Note 22

CONTINGENCIES

There were no material contingent liabilities existing as at the reporting date.

Note 23

COMMITMENTS

Capital commitments

There were no material capital commitments outstanding as at the reporting date.

Financial commitments

There were no material financial commitments outstanding as at the reporting date.

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands

As at 31 December 2012

Note 24

CASH GENERATED FROM OPERATIONS

	Group		Company	
	2012	**2011**	**2012**	**2011**
Profit / (loss) before tax	45,751	175,152	(63,214)	130,304
Adjustments				
Depreciation	80,143	78,661	68,611	57,797
Amortisation of livestock	396,741	361,147	296,161	288,197
Loss on disposal of property plant and equipment	17,871	722	17,871	722
Reversal of impairment provision for intercompany dues	-	-	-	(20,240)
Exchange gain	(1,645)	(864)	(1,645)	(864)
Interest received	(818)	(477)	(811)	(477)
Interest expense	34,495	883	34,488	868
Changes in working capital				
- Trade and other receivables	3,070	6,692	(2,528)	4,300
- Inventories	(29,524)	(2,710)	(22,162)	(2,677)
- Trade and other payables	(6,090)	(36,886)	(5,536)	(21,162)
- Amount due from affiliated companies	-	-	126,501	66,695
- Amount due to affiliated companies	38,007	(361,356)	39,037	(361,175)
Employee benefits	902	2,094	857	1,715
Cash generated from operations	**578,903**	**223,058**	**487,630**	**144,003**

Note 25

FINANCIAL INSTRUMENTS

Note 25.1

Financial instruments - statement of financial position

		Group			Company		
	Notes	**2012**	**2011**	**01.01.2011**	**2012**	**2011**	**01.01.2011**
Financial assets							
Loans and receivables							
Trade and other receivables	15	25,847	28,866	35,558	23,548	21,019	25,319
Amount due from affiliated companies	21.1	-	-	-	186,689	313,190	359,645
Income tax refund		32,320	32,370	32,370	27,924	27,924	27,924
Total loans and receivables		58,167	61,236	67,928	238,161	362,133	412,888
Cash and cash equivalents	16	34,870	25,214	17,046	34,534	24,882	16,716
Total		**93,037**	**86,450**	**84,974**	**272,695**	**387,015**	**429,604**

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands

As at 31 December 2012

Note 25 (Contd.)

Financial Instruments

Note 25.1 (Contd.)

Financial instruments - statement of financial position

		Group			Company		
	Notes	**2012**	**2011**	**01.01.2011**	**2012**	**2011**	**01.01.2011**
Financial liabilities							
Other financial liabilities							
Interest bearing borrowings	16.2	250,000	250,000	-	250,000	250,000	-
Amount due to affiliated companies	21.2	1,052,717	1,014,710	1,376,066	837,611	798,574	1,159,749
Trade and other payables	20	94,609	93,641	116,133	75,154	81,564	93,116
Total other financial liabilities		1,397,326	1,358,351	1,492,199	1,162,765	1,130,138	1,252,865
Bank overdrafts	16.2	10,730	13,484	11,294	8,822	12,472	10,939
Total		**1,408,056**	**1,371,835**	**1,503,493**	**1,171,587**	**1,142,610**	**1,263,804**

Note 25.2

Financial instruments - statement of comprehensive income

	2012		2011	
	Gain/ income	**Losses/ expenses**	**Gain/ income**	**Losses/ expenses**
Group				
Interest bearing borrowings	-	34,495	-	883
Company				
Interest bearing borrowings	-	34,488	-	868

(a). Credit risk

Exposure to credit risk

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

		Group			Company		
	Notes	**2012**	**2011**	**01.01.2011**	**2012**	**2011**	**01.01.2011**
Amount due from affiliated companies		-	-	-	186,689	313,190	379,885
Trade and other receivables	15	25,847	28,866	35,558	23,548	21,019	25,319
Current tax receivable		32,320	32,370	32,370	27,924	27,924	27,924
Cash and cash equivalents	16	34,870	25,214	17,046	34,534	24,882	16,716
		93,037	**86,450**	**84,974**	**272,695**	**387,015**	**449,844**

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands
As at 31 December 2012

Note 25 (Contd.)
Financial Instruments

(b). Impairment losses

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

Group	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011	Gross 01.01.2011	Impairment 01.01.2011
Not past due	25,847	-	28,866	-	35,558	-
	25,847	**-**	**28,866**	**-**	**35,558**	**-**

Company	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011	Gross 01.01.2011	Impairment 01.01.2011
Not past due	23,548	-	21,019	-	25,319	-
	23,548	**-**	**21,019**	**-**	**25,319**	**-**

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

Company	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011	Gross 01.01.2011	Impairment 01.01.2011
Past due 0 - 365 days	186,689	-	313,190	-	379,885	20,240
	186,689	**-**	**313,190**	**-**	**379,885**	**20,240**

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

	Group		Company	
	2012	2011	2012	2011
Balance at the beginning of the year	-	-	-	20,240
Impairment loss recognised /(reversed)	-	-	-	(20,240)
Balance at the end of the year	**-**	**-**	**-**	**-**

Based on historic default rates, the Group beleive that, apart from the above, no impairment allowance is necessary in respect of trade receivables and amount due from affiliated companies.

(c). Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. The Group early applied the exemption in SLFRS 1 that allows an entity not to provide comparative information for periods ending before 31 December 2011 in respect of the liquidity disclosures below:

Group 31.12.2012	Carrying amount	Contractual cash flows	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities							
Bank loans	250,000	(250,000)	(250,000)	-	-	-	-
Bank overdrafts	10,730	(10,730)	(10,730)	-	-	-	-
Trade and other payables	94,609	(94,609)	(94,609)	-	-	-	-
Amount due to affiliated companies	1,052,717	798,574	(1,052,717)	-	-	-	-
	1,408,056	**443,235**	**(1,408,056)**	**-**	**-**	**-**	**-**

All amounts in Sri Lankan Rupees thousands

As at 31 December 2012

Note 25 (Contd.)

Financial Instruments

(c). Liquidity risk (Contd.)

Company 31.12.2012	Carrying amount	Contractual cash flows	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Non-derivative financial liabilities							
Bank loans	250,000	(250,000)	(250,000)	-	-	-	-
Bank overdrafts	8,822	(8,822)	(8,822)	-	-	-	-
Trade and other payables	75,154	(75,154)	(75,154)	-	-	-	-
Amount due to affiliated companies	837,611	(837,611)	(837,611)	-	-	-	-
	1,171,587	**(1,171,587)**	**(1,171,587)**	**-**	**-**	**-**	**-**

(d). Currency risk

Exposure to currency risk

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

Group	2012		2011		01.01.2011	
	USD	EUR	USD	EUR	USD	EUR
Trade payables	76,601	42,791	56,194	41,620	105,349	35,680
Total exposure	**76,601**	**42,791**	**56,194**	**41,620**	**105,349**	**35,680**

Company	2012		2011		01.01.2011	
	USD	EUR	USD	EUR	USD	EUR
Trade payables	76,601	42,791	56,194	41,620	105,349	35,680
Total exposure	**76,601**	**42,791**	**56,194**	**41,620**	**105,349**	**35,680**

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate		
	2012	2011	2012	2011	01.01.2011
USD	128.40	110.83	127.16	113.90	110.95
EUR	165.77	154.69	168.13	147.42	147.56

(e). Interest rate risk

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was;

Carrying amount	Group		Company	
	2012	2011	2012	2011
Fixed rate instruments				
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
	-	-	-	-
Variable rate instruments				
Financial assets	-	-	-	-
Financial liabilities	(250,000)	(250,000)	(250,000)	(250,000)
	(250,000)	**(250,000)**	**(250,000)**	**(250,000)**

All amounts in Sri Lankan Rupees thousands
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Note 26
RELATED PARTY TRANSACTIONS

Note 26.1
Key management personnel

Key management personnel include all the members of the Board of Directors of the Company having authority and responsibility for planning, directing and controlling the activities of the Company as well as the subsidiaries, directly or indirectly. Directors of the Company and their immediate relatives do not have significant shareholding as at 31 December 2012.

Compensation paid to / on behalf of key management personnel of the Company is as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Short term employee benefits	120	120	120	120
Post employment benefits	-	-	-	-
	120	**120**	**120**	**120**

The Company is controlled by its parent company, Ceylon Grain Elevators PLC, a company incorporated in Sri Lanka which owns 57.21% of the Company's shares.

Mr. Cheng Chih Kwong, Primus, Mr. Tan Beng Chuan, Mr. Cheng Chih Cheng, Robert (resigned w.e.f. 31 July 2012), Mr. Cheng Koh Chuen, Bernard (appointed w.e.f. 01 August 2012), Mr. Sunil Leeniyagoda, Dr. Wickrema Sena Weerasooria and Mr. Sunil Karunanayaka the directors of the Company are also directors of the following companies as set out below and with transaction in Note 26.2 have been carried out.

Name of the related party	Name of the director	Nature of transaction
Ceylon Pioneer Poultry Breeders Limited (CPPBL)	Mr. Cheng Chih Kwong, Primus Mr. Cheng Chih Cheng, Robert Mr. Tan Beng Chuan	CPPBL rents out the farms to the Company.
Millennium Multibreeder Farms (Private) Limited (MMF)	Mr. Cheng Chih Kwong, Primus Mr. Tan Beng Chuan	MMF provides hatchery services to the Company. Also the Company sells Parent DOCs to MMF.
Ceylon Grain Elevators PLC (CGE)	Mr. Cheng Chih Kwong, Primus Mr. Tan Beng Chuan Mr. Cheng Chih Cheng, Robert (resigned w.e.f. 31 July 2012) Mr. Cheng Koh Chuen, Bernard (appointed w.e.f. 01 August 2012) Dr. Wickrema Sena Weerasooria Mr. Sunil Karunanayaka	CGE sells feed to the Company and also Company sells Broiler DOCs to CGE.

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Note 26
Related Party Transactions (Contd.)

Note 26.1
Key management personnel (Contd.)

Name of the related party	Name of the director	Nature of transaction
Ceylon Livestock and Agrobusiness Services (Private) Limited (CLAS)	Mr. Cheng Chih Kwong, Primus Mr. Tan Beng Chuan	CLAS supplies veterinary drugs, medicines and poultry Limited (CPPBL) equipments to the Company.
Hapiways Management Services Pte Limited (HMS)	Mr. Cheng Chih Kwong, Primus Mr. Cheng Chih Cheng, Robert	HMS supplies materials and spare parts to the Company.

Note 26.2
Identity of related parties

The Group has a related party transactions with its subsidiaries and the parent as disclosed below:
Companies within the Group engage in trading transactions.

The following transactions were carried out with related parties:
(a). Sale of goods and services

	Group		Company	
	2012	**2011**	**2012**	**2011**
Ceylon Grain Elevators PLC	500,673	472,082	334,492	346,786
Millennium Multibreeder Farms (Private) Limited	-	-	26,870	23,813
Ceylon Livestock & Agro Business Services (Private) Limited	446	-	-	-
	501,119	**472,082**	**361,362**	**370,599**

(b). Purchase of goods and services

	Group		Company	
	2012	**2011**	**2012**	**2011**
Ceylon Grain Elevators PLC	720,099	630,912	525,472	483,353
Ceylon Pioneer Poultry Breeders Limited	-	-	1,440	1,440
Ceylon Livestock & Agro Business Services (Private) Limited	54,845	-	46,048	-
Millennium Multibreeder Farms (Private) Limited	-	-	18,428	360
Hapiways Management Services Pte Limited	5,263	-	5,263	-
	780,207	**630,912**	**596,651**	**485,153**

(c). The receivables and payables to related companies on sale / purchase of goods / services are set out in Note 21.1 and 21.2 respectively. These receivables and payables are unsecured, interest free and have no fixed repayment terms.

(d). The subsidiary companies use the facilities of the parent company and part of the accounting and administrative functions are also performed by the parent company and the ultimate parent company for which charges are made.

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands
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Note 27
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.

Note 28
COMPARATIVE INFORMATION
Comparative figures have been reclassified wherever necessary to conform to the current year's presentation.

Note 29
EXPLANATION OF TRANSITION TO SLFRS/LKAS
As stated in Note 2.1, these are the Company's first financial statements prepared in accordance with SLFRS/LKAS.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2012, the comparative information presented in these financial statements for the year ended 31 December 2011 and in the preparation of an opening SLFRS statement of financial position as at 1 January 2011 (the date of transition).

In preparing its opening SLFRS statement of financial position, the company has adjusted amounts reported previously in financial statements prepared in accordance with Sri Lankan Accounting Standards (previous GAAP). An explanation of how the transition from previous GAAP to SLFRS has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands

Note 29 (Contd.)

Explanation of Transition to SLFRS/LKAS

Reconciliation of comprehensive income for the year ended 31 December 2011

		Group			Company		
	Notes	As per SLAS	Effect of transition to SLFRS	As per SLFRS/LKAS	As per SLAS	Effect of transition to SLFRS	As per SLFRS/LKAS
Revenue		1,287,858	-	1,287,858	1,012,884	-	1,012,884
Cost of sales	29.1	(1,063,068)	4,191	(1,058,877)	(854,750)	3,843	(850,907)
Gross profit		**224,790**	**4,191**	**228,981**	**158,134**	**3,843**	**161,977**
Other operating loss		(38,952)	-	(38,952)	(38,952)	-	(38,952)
Other operating income		474	(421)	53	474	(421)	53
Administrative expenses	29.2	(14,911)	-	(14,911)	(13,010)	20,240	7,230
Operating profit		**171,401**	**3,770**	**175,171**	**106,646**	**23,662**	**130,308**
Net finance expenses		458	(477)	(19)	473	(477)	(4)
Profit before tax		**171,859**	**3,293**	**175,152**	**107,119**	**23,185**	**130,304**
Taxation	29.3	(14,336)	9,706	(4,630)	(6,035)	5,898	(137)
Profit after tax		**157,523**	**12,999**	**170,522**	**101,084**	**29,083**	**130,167**
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		**157,523**	**12,999**	**170,522**	**101,084**	**29,083**	**130,167**

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands

Note 29 (Contd.)

Explanation of Transition to SLFRS/LKAS

Reconciliation of equity - Group

	Notes	As at 31.12.2011			As at 01.01.2011		
		As per SLAS	Effect of transition to SLFRS	As per SLFRS/LKAS	As per SLAS	Effect of transition to SLFRS	As per SLFRS/LKAS
ASSETS							
Non-current assets							
Property, plant and equipment	29.1	1,711,074	(25,521)	1,685,553	1,477,819	172,859	1,650,678
Investments in subsidiary companies		-	-	-	-	-	-
Livestock		346,934	-	346,934	355,086	-	355,086
Amount due from affiliated companies		-	-	-	-	-	-
Total non-current assets		**2,058,008**	**(25,521)**	**2,032,487**	**1,832,905**	**172,859**	**2,005,764**
Current assets							
Inventories		64,907	-	64,907	62,197	-	62,197
Trade and other receivables		28,866	-	28,866	35,558	-	35,558
Amount due from affiliated companies		-	-	-	-	-	-
Current tax receivable		32,370	-	32,370	32,370	-	32,370
Cash and cash equivalents		25,214	-	25,214	17,046	-	17,046
Total current assets		**151,357**	**-**	**151,357**	**147,171**	**-**	**147,171**
Total assets		**2,209,365**	**(25,521)**	**2,183,844**	**1,980,076**	**172,859**	**2,152,935**
EQUITY							
Stated capital		623,604	-	623,604	623,604	-	623,604
Revaluation reserve	29.1	455,839	(455,839)	-	269,163	(269,163)	-
Retained earnings	29.4	(319,115)	409,480	90,365	(476,638)	396,481	(80,157)
Total equity		**760,328**	**(46,359)**	**713,969**	**416,129**	**127,318**	**543,447**
LIABILITIES							
Non-current liabilities							
Deferred tax liabilities	29.3	68,281	20,838	89,119	52,660	45,541	98,201
Employee benefits		8,921	-	8,921	7,794	-	7,794
Amount due to affiliated companies	29.2	1,014,710	(1,014,710)	-	1,376,066	(1,376,066)	-
Total non-current liabilities		**1,091,912**	**(993,872)**	**98,040**	**1,436,520**	**(1,330,525)**	**105,995**
Current liabilities							
Trade and other payables		93,641	-	93,641	116,133	-	116,133
Amount due to affiliated companies	29.2	-	1,014,710	1,014,710	-	1,376,066	1,376,066
Interest bearing borrowings		263,484	-	263,484	11,294	-	11,294
Total current liabilities		**357,125**	**1,014,710**	**1,371,835**	**127,427**	**1,376,066**	**1,503,493**
Total liabilities		**1,449,037**	**20,838**	**1,469,875**	**1,563,947**	**45,541**	**1,609,488**
Total equity and liabilities		**2,209,365**	**(25,521)**	**2,183,844**	**1,980,076**	**172,859**	**2,152,935**

Notes to the Financial Statements (Contd.)

All amounts in Sri Lankan Rupees thousands

As at 31 December 2012

Note 29 (Contd.)

Explanation of Transition to SLFRS/LKAS

Reconciliation of equity - Company

	Notes	As at 31.12.2011 As per SLAS	As at 31.12.2011 Effect of transition to SLFRS	As at 31.12.2011 As per SLFRS/LKAS	As at 01.01.2011 As per SLAS	As at 01.01.2011 Effect of transition to SLFRS	As at 01.01.2011 As per SLFRS/LKAS
ASSETS							
Non-current assets							
Property, plant and equipment	29.1	1,319,564	(15,972)	1,303,592	1,151,013	97,278	1,248,291
Investments in subsidiary companies		-	-	-	-	-	-
Livestock		260,021	-	260,021	274,070	-	274,070
Amount due from affiliated companies	29.2	183,180	(183,180)	-	174,933	(174,933)	-
Total non-current assets		**1,762,765**	**(199,152)**	**1,563,613**	**1,600,016**	**(77,655)**	**1,522,361**
Current assets							
Inventories		56,869	-	56,869	54,192	-	54,192
Trade and other receivables		21,019	-	21,019	25,319	-	25,319
Amount due from affiliated companies	29.2	-	313,190	313,190	-	359,645	359,645
Current tax receivables		27,924	-	27,924	27,924	-	27,924
Cash and cash equivalents		24,882	-	24,882	16,716	-	16,716
Total current assets		**130,694**	**313,190**	**443,884**	**124,151**	**359,645**	**483,796**
Total assets		**1,893,459**	**114,038**	**2,007,497**	**1,724,167**	**281,990**	**2,006,157**
EQUITY							
Stated capital		623,604	-	623,604	623,604	-	623,604
Revaluation reserve	29.1	367,303	(367,303)	-	252,334	(252,334)	-
Retained earnings	29.4	(306,151)	473,482	167,331	(407,235)	444,399	37,164
Total equity		**684,756**	**106,179**	**790,935**	**468,703**	**192,065**	**660,768**
LIABILITIES							
Non-current liabilities							
Deferred tax liabilities	29.3	48,020	19,058	67,078	49,690	26,182	75,872
Employee benefits		6,874	-	6,874	5,713	-	5,713
Amount due to affiliated companies	29.2	809,773	(809,773)	-	1,096,006	(1,096,006)	-
Total non-current liabilities		**864,667**	**(790,715)**	**73,952**	**1,151,409**	**(1,069,824)**	**81,585**
Current liabilities							
Trade and other payables		81,564	-	81,564	93,116	-	93,116
Amount due to affiliated companies	29.2	-	798,574	798,574	-	1,159,749	1,159,749
Interest bearing borrowings		262,472	-	262,472	10,939	-	10,939
Total current liabilities		**344,036**	**798,574**	**1,142,610**	**104,055**	**1,159,749**	**1,263,804**
Total liabilities		**1,208,703**	**7,859**	**1,216,562**	**1,255,464**	**89,925**	**1,345,389**
Total equity and liabilities		**1,893,459**	**114,038**	**2,007,497**	**1,724,167**	**281,990**	**2,006,157**

All amounts in Sri Lankan Rupees thousands
As at 31 December 2012

Note 29 (Contd.)
Explanation of Transition to SLFRS/LKAS

Note 29.1
Deemed cost exemption

Property, plant and equipment

The Group / Company elected to measures items of property, plant and equipment at the date of transition to SLFRS at its fair value and use that fair value as its deemed cost at that date as per the exception given in SLFRS 1. The revaluation reserve of Group - Rs. 422,682,000/- and Company - Rs. 335,020,000/- as at 1 January 2011 and 31 December 2011 was reclassified to retained earnings.

	Group		Company	
	31.12.2011	**01.01.2011**	**31.12.2011**	**01.01.2011**
Property, plant and equipment - as per SLAS	**1,711,074**	**1,477,819**	**1,319,564**	**1,151,013**
Reversal of revaluation as at 31 December 2011	(201,673)	-	(116,195)	-
Revaluation as at 1 January 2011	172,859	172,859	97,278	97,278
Adjustment for depreciation	4,191	-	3,843	-
Adjustment to cost of disposal	(898)	-	(898)	-
Property, plant and equipment - as per SLFRS/LKAS (Deemed Cost)	**1,685,553**	**1,650,678**	**1,303,592**	**1,248,291**

	Group		Company	
	31.12.2011	**01.01.2011**	**31.12.2011**	**01.01.2011**
Revaluation reserve - as per SLAS	**455,839**	**269,163**	**367,303**	**252,334**
Reversal of revaluation as at 31 December 2011	(192,995)	-	(116,195)	-
Reversal of deferred tax on revaluation as at 31 December 2011	6,319	-	1,226	-
Revaluation as at 1 January 2011	172,859	172,859	97,278	97,278
Deferred tax on revaluation as at 1 January 2011	(19,340)	(19,340)	(14,592)	(14,592)
Transfer to retained earnings as at 31 January 2011	(422,682)	(422,682)	(335,020)	(335,020)
Revaluation reserve - as per SLFRS/LKAS	**-**	**-**	**-**	**-**

Note 29.2
Recognition and measurement of amount due to / from affiliated companies

Group

Based on the terms of settlement (on demand), management has decided to reclassify the amount due to Ceylon Grain Elevators PLC as a current liability.

Company

Management has decided to transfer amount due from / (to) Ceylon Grain Elevators PLC to Three Acre Farms PLC and amount due to Ceylon Pioneer Poultry Breeders Limited (CPPBL) to CGE on the date of transition (1 January 2011) and 31 December 2011. Further, based on the terms of settlement (on demand), management has decided to reclassify the amount due to affiliated companies as follows:

By considering the financial position (after incorporating deemed cost adjustments) of Millennium Multibreeder Farms (Private) Limited, on 1 January 2011 and 31 December 2011, management has decided to reverse provision for impairment by Rs. 120,969,000/- and Rs. 20,240,000/- respectively.

All amounts in Sri Lankan Rupees thousands
As at 31 December 2012

Note 29 (Contd.)
Explanation of Transition to SLFRS/LKAS

Note 29.2 (Contd.)
Recognition and measurement of amount due from / to affiliated companies

	Group		Company	
As at	**31.12.2011**	**01.01.2011**	**31.12.2011**	**01.01.2011**
Amount due from Millennium Multibreeder Farms (Private) Limited				
Balance - as per SLAS	**-**	**-**	**183,180**	**174,933**
Reversal of impairment on 1 January 2011	-	-	120,969	120,969
Reversal of impairment on 31 December 2011	-	-	20,240	-
Transfer of amount due from CGE to TAF	-	-	(11,199)	63,743
Balance - as per SLFRS/LKAS	**-**	**-**	**313,190**	**359,645**

	Group		Company	
As at	**31.12.2011**	**01.01.2011**	**31.12.2011**	**01.01.2011**
Amount due to Ceylon Grain Elevators PLC				
Balance - as per SLAS	**1,014,710**	**1,376,066**	**675,800**	**964,318**
Transfer of amount due to CPPBL on 1 January 2011	-	-	131,688	131,688
Transfer of amount due to MMF on 1 January 2011	-	-	2,285	-
Transfer of amount due to CGE from TAF	-	-	(11,199)	63,743
Balance - as per SLFRS/LKAS	**1,014,710**	**1,376,066**	**798,574**	**1,159,749**

Note 29.3
Recognition and measurement of deferred tax liability

	Group		Company	
As at	**31.12.2011**	**01.01.2011**	**31.12.2011**	**01.01.2011**
Balance - as per SLAS	**68,281**	**52,660**	**48,020**	**49,690**
Revaluation as at 1 January 2011	37,219	19,338	14,592	14,592
Reversal of revaluation as at 31 December 2011	(14,997)	-	(1,226)	-
Correction of error in computation	8,322	26,201	11,590	11,590
Adjustment for deferred tax charge	(9,706)	2	(5,898)	-
Balance - as per SLFRS/LKAS	**89,119**	**98,201**	**67,078**	**75,872**

Note 29.4.
The above changes increased / (decreased) retained earnings as follows

	Group		Company	
As at	**31.12.2011**	**01.01.2011**	**31.12.2011**	**01.01.2011**
Balance - as per SLAS	**(319,115)**	**(476,638)**	**(306,151)**	**(407,235)**
Transfer of revaluation reserve (Note 29.1)	422,682	422,682	335,020	335,020
Adjustments to deferred taxation (Note 29.3)	(22,393)	(26,201)	(11,590)	(11,590)
Reversal of provision for impairment	-	-	141,209	120,969
Adjustments for depreciation - Property, plant and equipment (Note 29.1)	4,191	-	3,843	-
Adjustment to cost of disposal property, plant and equipment	(898)	-	(898)	-
Adjustment for deferred tax charge	5,898	-	5,898	-
Balance - as per SLFRS/LKAS	**90,365**	**(80,157)**	**167,331**	**37,164**

Five Year Financial Summary

All amounts in Sri Lankan Rupees thousands

For the year ended 31 December 2012

GROUP	2012	2011	2010	2009	2008
OPERATING RESULTS FOR THE PERIOD					
Revenue	1,211,592	1,287,858	1,157,777	836,457	874,981
Operating profit / (loss)	78,601	175,171	244,732	(198,231)	(193,370)
Net finance (expenses) / income	(32,850)	(19)	133	(448)	591
Profit / (loss) before tax	45,751	175,152	244,865	(198,679)	(192,779)
Taxation	(8,833)	(4,630)	(15,781)	6,817	22,556
Profit / (loss) attributable to the Group	**36,918**	**170,522**	**229,084**	**(191,862)**	**(170,223)**
FINANCIAL POSITION					
Stated capital	623,604	623,604	623,604	623,604	623,604
Retained earnings	127,283	90,365	(80,157)	(436,559)	(513,860)
Non - current liabilities	97,061	98,040	105,995	1,613,742	1,449,828
	847,948	**812,009**	**649,442**	**1,800,787**	**1,559,572**
Intangible assets	-	-	-	3,605	5,408
Property, plant and equipment	1,699,238	1,685,553	1,650,678	1,444,086	1,176,938
Investment in subsidiary companies	-	-	-	-	-
Livestock	369,298	346,934	355,086	224,287	221,112
Current assets	187,468	151,357	147,171	200,588	216,703
Current liabilities	(1,408,056)	(1,371,835)	(1,503,493)	(71,779)	(60,589)
	847,948	**812,009**	**649,442**	**1,800,787**	**1,559,572**

COMPANY	2012	2011	2010	2009	2008
RATIOS AND OTHER INFORMATION					
Earnings / (loss) per share (Rs.)	(2.42)	5.53	6.24	(7.08)	(7.86)
Market price per share (Rs.)	53.70	103.80	90.20	9.25	5.50
Price earnings ratio (times)	(22.19)	18.77	14.45	(1.31)	(0.70)
Net assets per share (Rs.)	31.18	33.59	28.06	13.67	10.00
Current ratio (times)	0.30	0.39	0.38	2.74	3.36
Shares traded volume	5,511,572	31,666,600	43,456,700	7,441,400	6,294,500
US $ Exchange rate - average	128.40	110.83	113.42	115.20	110.10
US $ Exchange rate - year end	127.16	113.90	110.95	114.38	113.00

Statement of Value Added

All amounts in Sri Lankan Rupees thousands

	2012	2011	2010	2009	2008
Revenue	1,211,592	1,287,858	1,157,777	836,457	874,981
Adjustment for other income	(16,016)	53	668	916	6,297
	1,195,576	**1,287,911**	**1,158,445**	**837,373**	**881,278**
Less: Cost of materials and services purchased					
from external sources	720,773	720,581	558,031	725,775	633,890
Value added	**474,803**	**567,330**	**600,414**	**111,598**	**247,388**

Distributed as follows:

	2012	%	2011	%	2010	%	2009	%	2008	%
To employees as remuneration	176,760	37.23	161,254	28.42	155,211	25.85	137,109	122.86	170,561	68.94
To the government as taxes	146,487	30.85	156,010	27.50	140,206	23.35	104,999	94.09	190,401	76.96
To the providers of capital										
As interest on loans	34,495	7.27	883	0.16	983	0.16	113	0.10	-	-
As minority Interest										
To shareholders as dividends	-	-	-	-	-	-	-	-	-	-
Retained within the business										
As depreciation and amortisation	80,143	16.88	78,661	13.86	74,930	12.48	61,239	54.87	56,649	22.90
As reserves	36,918	7.77	170,522	30.06	229,084	38.15	(191,862)	(171.92)	(170,223)	(68.81)
	474,803	**100.00**	**567,330**	**100.00**	**600,414**	**100.00**	**111,598**	**100.00**	**247,388**	**100.00**

Shareholder Information

ANALYSIS OF SHAREHOLDERS ACCORDING TO THE NUMBER OF SHARES AS AT 31 DECEMBER 2012

	RESIDENT			NON RESIDENT			TOTAL		
Shareholdings	Number of Shareholders	Number of Shares	Percentage (%)	Number of Shareholders	Number of Shares	Percentage (%)	Number of Shareholders	Number of Shares	Percentage (%)
01 - 1,000	2,681	782,779	3.32	21	8,477	0.04	2,702	791,256	3.36
1,001 - 10,000	574	1,704,096	7.24	5	16,006	0.07	579	1,720,102	7.31
10,001 - 100,000	52	1,270,419	5.4	6	162,725	0.69	58	1,433,144	6.09
100,001 - 1,000,000	2	217,812	0.92	4	2,380,079	10.11	6	2,597,891	11.03
over 1,000,000	1	13,469,980	57.21	1	3,532,627	15.00	2	17,002,607	72.21
	3,310	**17,445,086**	**74.09**	**37**	**6,099,914**	**25.91**	**3,347**	**23,545,000**	**100.00**

Categories of shareholders	Number of shareholders	Number of shares
Individual	3,211	3,323,750
Institutional	136	20,221,250
	3,347	**23,545,000**

LIST OF 20 MAJOR SHAREHOLDERS BASED ON THEIR SHAREHOLDINGS AS AT 31 DECEMBER 2012

	31 December 2012		31 December 2011	
Name	Number of Shares	Percentage	Number of Shares	Percentage
1. Ceylon Grain Elevators PLC	13,469,980	57.21	13,469,980	57.21
2. Prima Limited, Singapore	3,532,627	15.00	3,532,627	15.00
3. Japfa Comfeed International Pte Limited, Singapore	993,121	4.22	993,121	4.22
4. Credit Suisse Singapore	814,707	3.46	-	-
5. Eka Limited, Singapore	313,262	1.33	313,262	1.33
6. Supra Limited, Hong Kong	258,989	1.10	258,989	1.10
7. Mr. T.L.M. Imtiaz	117,712	0.50	105,600	0.45
8. Commercial Bank of Ceylon PLC / U.C. Bandaranayake	100,100	0.43	-	-
9. Mrs. D M Fernando	100,000	0.42	100,000	0.42
10. Merchant Bank of Sri Lanka PLC / Mr. K.R.U. Gunawardena	80,000	0.34	80,000	0.34
11. Phillip Securities Pte Ltd	66,600	0.28	66,600	0.28
12. Mr. H.V.M.S. De Silva	57,600	0.24	57,600	0.24
13. Mr. G.R. Pelawatta	49,100	0.21	49,100	0.21
14. Mr. L.A.J.F. Morais	40,500	0.17	38,500	0.16
15. Mr. W.M.S.C. Welegama	38,800	0.16	-	-
16. Pan Asia Banking Corporation PLC / Mr. S.M. Muthalib / Mrs. F.R. Shehan	38,800	0.16	40,000	0.17
17. Carlines Holdings (Private) Limited	35,310	0.15	-	-
18. Waldock Mackenzie Ltd / Hi-Line Trading (Pvt) Ltd	34,401	0.15	-	-
19. Laugfs Gas Limited	30,800	0.13	-	-
20. Hi-Line Towers (Pvt) Ltd	30,100	0.13	-	-
Total	**20,202,509**	**85.79**	**19,105,379**	**81.13**

The percentage of shares held by the public 2012 = 27.79 %

The percentage of shares held by the public 2011 = 27.79 %

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 51st Annual General Meeting of the Company will be held on Tuesday, 14 May 2013 at the Institute of Chartered Accountants of Sri Lanka Auditorium, 30A, Malalasekara Mawatha, Colombo 07 at 10.00 a.m. and the business to be brought before the Meeting will be:

1. To receive and consider the Report of the Board of Directors on the State of Affairs of the Company and the Statement of Accounts for the year ended 31 December 2012, with the Report of the Auditors thereon.

2. To re-elect Mr. Sunil Leeniyagoda a Director who retires by rotation at the Annual General Meeting in terms of Article 87 of the Articles of Association of the Company.

3. To re-elect Mr. Cheng Koh Chuen, Bernard a Director who retires at the Annual General Meeting in terms of Article 95 of the Articles of Association of the Company.

4. To re-appoint Dr. Wickrema Sena Weerasooria, who retires having attained the age of 70 years on 17 July 2009, and the Company has received special notice to pass the under noted ordinary resolution in compliance with Section 211 of the Companies Act No. 07 of 2007 in relation to his re-appointment.

   Ordinary Resolution:

   "That Dr. Wickrema Sena Weerasooria, a retiring Director, who has attained the age of 70 years on 17 July 2009 be and is hereby re-appointed a Director of the Company, in terms of Section 211 of the Companies Act No. 07 of 2007 and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act, shall not apply to the re-appointment of the said Director."

5. To re-appoint Messrs KPMG, Chartered Accountants as Auditors and to authorise the Directors to determine their remuneration.

6. To authorise the Directors to determine contributions to charities and other purposes.

BY ORDER OF THE BOARD
S S P CORPORATE SERVICES (PRIVATE) LIMITED
SECRETARIES
Colombo 03

02 April 2013

Note:-
(a) A member entitled to attend and vote at the above mentioned meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
Such Proxy need not be a member of the Company.

(b) A Form of Proxy is annexed to this notice.

(c) The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 15, Rock House Lane, Colombo 15 not later than 48 hours before the time appointed for the holding of the meeting.

Notes

Form of Proxy

I/We ....of

....

being a member/s of Three Acre Farms PLC, ...

hereby appoint .... of .... or failing him

Mr. CHENG CHIH KWONG, PRIMUS	of Colombo or failing him
Mr. TAN BENG CHUAN	of Colombo or failing him
Mr. CHENG KOH CHUEN, BERNARD	of Colombo or failing him
Mr. SUNIL LEENIYAGODA	of Colombo or failing him
Dr. WICKREMA SENA WEERASOORIA	of Colombo or failing him
Mr. SUNIL KARUNANAYAKE	of Colombo

as my/our Proxy to represent me/us and vote on my/our behalf at the Annual General Meeting of the Company to be held on 14 May 2013 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting and to VOTE as indicated below:

	For	Against
1 To receive and consider the Report of the Board of Directors on the State of Affairs of the Company and the Statement of Accounts for the year ended 31 December 2012, with the Report of the Auditors thereon.	☐	☐
2. To re-elect Mr. Sunil Leeniyagoda a Director who retires by rotation at the Annual General Meeting in terms of Article 87 of the Articles of Association.	☐	☐
3. To re-elect Mr. Cheng Koh Chuen, Bernard a Director who retires at the Annual General Meeting in terms of Article 95 of the Articles of Association.	☐	☐
4. To re-appoint Dr. Wickrema Sena Weerasooria, who retires having attained the age of 70 years on 17 July 2009, a Director by passing the ordinary resolution set out in the notice.	☐	☐
5. To re-appoint Messrs KPMG, Chartered Accountants as Auditors and to authorise the Directors to determine their remuneration.	☐	☐
6. To authorise the Directors to determine Contributions to charities and other purposes.	☐	☐

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

Signature: ....

Note : Please delete the inappropriate words.

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

Form of Proxy

INSTRUCTIONS TO COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, your instructions as to voting, by signing in the space provided and filling in the date of signature.

2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the Proxy in his/her discretion may vote as he/she thinks fit.

3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 15, Rock House Lane, Colombo 15, at least 48 hours before the time appointed for holding of the Meeting.

4. If the form of proxy is signed by an attorney, the relative power of attorney should accompany the completed form of proxy for registration, if such power of attorney has not already been registered with the Company.

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

Corporate Information

Company Name
Three Acre Farms PLC
Company Registration No. PQ 195

Registered Office
No. 15, Rock House Lane, Colombo 15, Sri Lanka
Tel: 2522556 or 8 / 2523580 / 2526378 to 2526383
Fax: +94(11)2524163
E-Mail: info.cge@prima.com.lk

Subsidiary Companies
Ceylon Pioneer Poultry Breeders Limited
Millennium Multibreeder Farms (Private) Limited

Bankers
National Development Bank PLC
Bank of Ceylon
Nations Trust Bank PLC
Seylan Bank PLC
Hatton National Bank PLC
Union Bank of Colombo PLC

Lawyers
Varners Lanka Law Office
D. L. & F. De Saram
H. E. Nevil Joseph

Auditors
KPMG, Colombo, Sri Lanka

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

Name of Directors

Mr. Cheng Chih Kwong, Primus	- Chairman & Chief Executive Officer
Mr. Tan Beng Chuan	- Executive Director & Group General Manager
Mr.Cheng Koh Chuen,Bernard (Appointed w.e.f. 01 August 2012)	- Non Executive Director
Mr.Sunil Leeniyagoda	- Non Executive Director
Dr. Wickrema Sena Weerasooria	- Independent Non Executive Director
Mr. Sunil Karunanayake	- Independent Non Executive Director

Management

Mr. K. A. R. S. Perera	- Financial Controller
Mr. Chng Sun Tick	- AGM (Farms)
Mr. Ang Kian Huat	- AGM (Farms)
Mr. M.C.M.De Costa	- AGM (Personnel, Security & General Affairs)
Mr. Neil Jayaweera	- AGM (Processing)
Mr. Lalith Abeywardena	- AGM (Sales)
Mr. Sumith Peiris	- AGM (Material Management)
Mr. Jeff Li Zhen Jie	- AGM (Technical)

Designed & Printed by Aitken Spence Printing