

A photograph of a woven basket filled with several golden eggs, with one golden egg placed on a wooden surface in the foreground. The lighting is warm and soft, highlighting the metallic sheen of the eggs.

Setting Course for the Future

BAIRAHA

BAIRAHA FARMS PLC | Annual Report 2012/13



Setting Course for the Future

Bairaha faced a challenging year in 2012/13. High cost of operations due to escalating input and energy costs significantly constrained our bottom line...yet the Company remained profitable and resilient due to its strong fundamentals. We focused our attention on upgrading our infrastructure and processes whilst strengthening the product portfolio. Bairaha is concentrating on consolidating its considerable strength and positioning itself to reap rich rewards in the years ahead.

VISION

To achieve complete poultry integration synergies, ultimately gaining export market competitiveness while promoting good environmental and sustainable business practices.

MISSION

While maintaining a sustainable organisation, providing and supplying poultry products at competitive prices by utilising efficient processes, advanced technology, economies of scale and vertical integration to maintain competitive prices with a view to expanding customer base, both locally and internationally.

BAIRAHA

Bairaha Farms PLC, being the pioneer chicken processor in the country for nearly four decades, is the household name for chicken in Sri Lanka.

The Company is committed to develop innovative products for its customers' convenience, ensuring food safety, whilst enhancing their nutritional value.



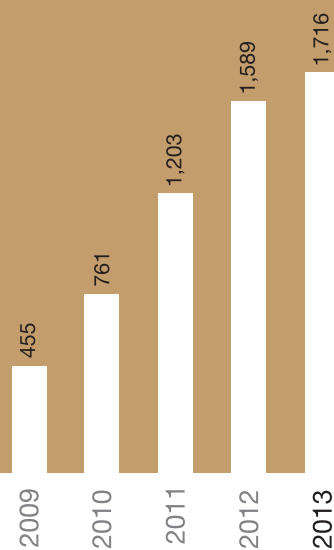
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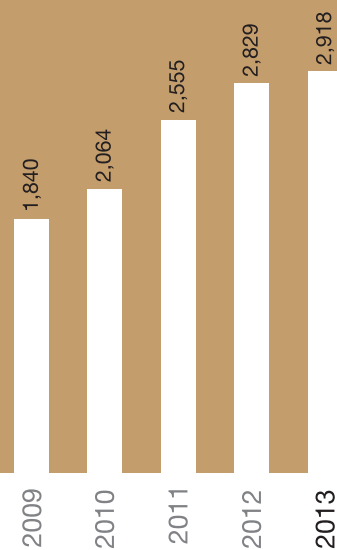
Financial Highlights

| | Group | |
|---|-----------|-----------|
| | 2013 | 2012 |
| Group Revenue (Rs. '000) | 2,917,526 | 2,828,815 |
| Group Profit before Finance Cost (Rs. '000) | 186,662 | 510,287 |
| Group Profit before Taxation including Profit from Associate Companies (Rs. '000) | 183,862 | 511,101 |
| Group Taxation (Charge)/Reversal (Rs. '000) | (22,381) | (67,051) |
| Group Total Comprehensive Income (Rs. '000) | 161,420 | 452,991 |
| Total Value Added (Rs. '000) | 849,261 | 1,147,921 |
| Total Revenue to Government (Rs. '000) | 401,184 | 434,028 |
| Shareholders' Funds (Rs. '000) | 1,715,569 | 1,589,476 |
| Retained Earnings (Rs. '000) | 1,208,890 | 1,079,408 |
| Earnings per Share - Basic (Rs.) | 10.09 | 27.75 |
| Market Price of Share as at 31st March (Rs.) | 150 | 130 |
| Return on Equity (%) | 9.41 | 28.50 |

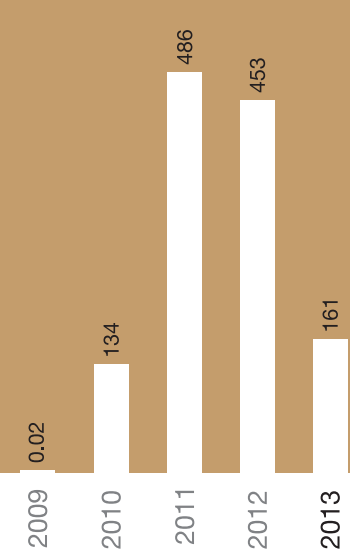
Shareholders' Funds
(Rs. Mn)



Revenue
(Rs. Mn)



Total Comprehensive Income
(Rs. Mn)



Chairman's Message



Amidst challenges our results
for the year are commendable.

Chairman's Message

It is my pleasure to present to you the Annual Report and financial statements of Bairaha Farms PLC for the year ended 31st March 2013.

Operating Environment

Year 2012/13 was extremely challenging for the poultry industry. Globally, the grain shortage caused by prolonged drought in soybean and corn producing regions in the United States, and excessive rains in Northern Europe had a significant impact on poultry meat production worldwide. This exerted much pressure on production margins in many parts of the world. As cited by the Rabobank's Food and Agribusiness Research and Advisory Group, profitability swings have been an ongoing problem for the industry, which saw similar sharp increases in feed costs in 2008 and 2010.

The high feed prices in the international markets had a cascading effect on the local poultry industry due to feed prices being the dominant production cost. During the year, soya bean meal prices increased by nearly 80% in the world market causing a drastic escalation in the cost of feed which led to an increase in the production cost of chicken. The situation was further worsened by the devaluation of the rupee, increased electricity tariffs, labour and transportation costs. Additionally, imposing of a 12% VAT by the Government on large scale supermarkets and retail chains, impacted retailers and poultry producers' margins. Also, the reduced purchasing power especially of the low and middle income households due to rising cost of living, led to a depressed demand for both chicken meat and broiler day-old chicks, leading to lower prices and margins on day-old chick sales. As a result, many medium and small scale farmers moved out of

the industry, while others scaled down production or reduced expensive rations to birds by adopting the alternative of self-mixed feed.

Performance Amidst Challenges

Amidst these challenges our results for the year are commendable. This demonstrates our resilience and ability to successfully face a wide range of external pressures and challenges while delivering a profitable outcome for our shareholders. It also reflects our strong strategic focus centered on productivity improvement through automation and process enhancement which helped contain cost escalations successfully during the fiscal year.

Accordingly, the group revenue for the year ended 31st March 2013 amounted to Rs. 2.92 Bn, while group total comprehensive income amounted to Rs. 161 Mn.

We also continued to build on our strong record as a responsible corporate citizen through our out-grower broiler farm system, provision of internship training to graduates and our involvement in specific corporate social funding projects.

Future

The Government wanted the poultry industry to expand to meet the expected surge in demand that would arise as a result of expected increase in foreign tourist arrivals. In order to achieve this objective it is imperative to create a conducive environment for producers in this industry. Accordingly, the Government facilitated an interim price increase of Rs. 30/- per kilogram. Further, taking into account the cost of production, a pricing formula for poultry has been proposed in the 2013 budget.

However, going forward, in order to deter many small and medium scale producers and farmers closing down their businesses due to escalating production costs, the Government needs to extend more assistance to boost the industry further. Therefore, unless there is a surge in demand for poultry products coupled with a reduction in feed prices and increase in the maximum retail price of chicken, a major turnaround and improvement in the industry cannot be envisaged in the near future.

In terms of our operations, in order to maintain a competitive edge, we will continue to automate and improve processes, while exploring strategic initiatives to improve performance. We will also expand our branded processed chicken sales and also continue to explore export markets.

Appreciation

In closing, I extend my sincere gratitude to the Board for their unstinting support and cooperation. My deep appreciation goes out to the executive directors, senior management and staff for their commitment and hard work throughout the year. I specially thank the Chief Executive Officer, Mr. Yakooth Naleem and the Executive Director, Mr. Riyal Yakoob for their strategic insight and significant contributions. I am deeply grateful to the customers, growers, distributors, banks and shareholders for their loyalty and confidence placed in us.

(Sgd.)

DESAMANYA PROF. M.T.A. FURKHAN
Chairman

15th July 2013

Managing Director/Chief Executive Officer's Review



Commenced export of broiler hatching eggs

Managing Director/Chief Executive Officer's Review

Commendable Economic Performance

Despite global and domestic challenges, Sri Lankan economy grew by a healthy 6.4% in year 2012. The growth was mainly driven by the construction sector followed by the agriculture and the services sectors. Agriculture sector recorded an improved growth of 5.8% compared to 1.4% recorded in the previous year. This was a commendable achievement despite the adverse weather conditions which prevailed in the second half of the year.

Poultry Industry

Central Bank of Sri Lanka states that the poultry industry has expanded over the previous year with chicken production growing by 5% to 122,490 metric tons and egg production by 23% to 1,457 million eggs in 2012. These growth figures were reflected in both layer production and broiler production. However, the prices of poultry feeds increased substantially during the year consequent to escalating prices of imported feed ingredients. In order to assist broiler producers, the Government revised the price of branded chicken to Rs. 380/- from Rs. 350/- per kilogram. However, despite these initiatives by the Government, the industry's view is that the price increase granted by the Government does not compensate adequately the escalation in the cost of feed and other inputs.

Our Operations

In order to mitigate the escalation in production costs, we focused on improving productivity and efficiency of our operations. As mentioned in my previous year's review, we continued with the automation drive and adopted state-of-the-art technology to specific segments of our chicken processing factory and breeder farms. We also made

significant strides in exporting broiler hatching eggs to the Middle East during the year.

The odour control system in operation in the rendering factory performed satisfactorily during the year. Further, the comprehensive up grading of the rendering factory was almost completed in April 2013 while certain additional facilities are due to be introduced in the ensuing financial year.

In order to build our brand image we participated in an International exhibition in the Middle East to promote our products. This enabled us to gain entry into the Middle Eastern market for export of broiler hatching eggs during the year. Our Associate Company, Fortune G-P Farms (Lanka) Ltd., continued to export parent breeder chicks to countries in Asia in the year under review.

Performance Amidst Challenges

We recorded group total comprehensive income of Rs. 161 Mn which declined by 64% over the previous year. This was mainly attributable to the staggering price increase in poultry feeds, over production of day-old chicks, and hike in electricity and fuel charges. As a result of high price of feed ingredients, the quality of feed in the market deteriorated due to substitution with low cost alternatives. In order to absorb the increase in operational costs, the poultry industry requested from the Government for a price increase of more than Rs. 50/- in the last financial year. However, the resultant price revision of Rs. 30/- per kilogram materialised only in October 2012.

Awards Won

We were awarded with the Certificate of Compliance for the Annual Report 2011/12 in the Food and Beverages Companies Sector, at the Annual Report Award Ceremony organised in 2012 by The Institute of Chartered Accountants of Sri Lanka.

Looking Ahead

At present, the poultry industry in Sri Lanka is growing despite constraints. The industry is capable of producing to meet the expected increase in the demand for chicken meat and eggs. Being the cheapest sources of animal proteins, chicken meat and eggs have contributed to meet animal protein requirement of the people in Sri Lanka. Further, the Government considers chicken meat as an essential food product. However, at present the uncertainties in the world commodities market have repercussions on the poultry industry. Accordingly, the export markets also remain volatile.

In this backdrop we plan to strengthen our existing product portfolio and invest in activities which will complement our core business. We will also look at the possibility of introducing renewable energy to our operations as a sustainability initiative. We will also continue to expand broiler farms to consolidate our position and also continuously upgrade breeder farms when they become available to do so.

Thank You

In conclusion, I wish to thank the Chairman, the Executive Directors and the Non-Executive Directors for their continued support and advice. My appreciation goes out to the management and staff of Bairaha Group for their dedication and commitment at all times. My gratitude goes out to our shareholders and customers for the continued loyalty and trust placed in the Company. My appreciation also goes out to the Government departments, distributors, contract growers and banks for their ongoing support.

(Sgd.)

YAKOOTH NALEEM

Managing Director/Chief Executive Officer

15th July 2013

Board of Directors



01. Desamanya Prof. M.T.A. Furkhan

Desamanya Prof. M.T.A. Furkhan is the Founder of the Conffii Group of Companies who has held the position as Chairman of all the companies in the Group from the very inception in 1969. He holds the degrees of FCMA (UK), CGMA, J.Dip.MA, FCIS (UK), FCPA (Aust.) and FCCS (SL). He has been elected twice as President of CIMA Sri Lanka, President, CIMA New South Wales, Australia, Institute of Chartered Corporate Secretaries, Institute of Management, Rotary Club of Colombo North and a number of other institutions. He has been recognised and awarded the CIMA INSTITUTE PLAQUE, CIMA CITATION and the Institute of Chartered Secretaries UK CITATION.

He was awarded CIMA Business Leader Award in the year 2003, Entrepreneur of the year 1994 - Second Place in the Western Province by the FCCISL and was given the 2008 Tourism Legend Award by H.E. The President of Sri Lanka.

In addition to his business interests, Prof. Furkhan has maintained regular and long-standing interest in the academia.

While being a regular Lecturer in Accountancy and Management subjects, he has held the position of Professor of Management Accounting of the University of Sri Jayewardenepura, Sri Lanka and Principal of Zahira College, Colombo.

Prof. Furkhan has held office in various professional bodies, Government Institutions, State Corporations and Private Sector Business Associations, including the Chamber of Commerce, Federation of Chambers of Commerce and Industry and as President of the Tourist Hotels Association of Sri Lanka.

Prof. Furkhan has been a member of the Independent National Police Commission of Sri Lanka and the Finance Commission of Sri Lanka. He was a member of the Council of the Postgraduate Institute of Management and the Council of the South Eastern University of Sri Lanka. In recognition of the services rendered to education and generally to the country, H.E. The President of Sri Lanka awarded him the title of Deshabandu in 1987 and was later conferred the title of Desamanya in 2005.

02. Desamanya Charitha P. de Silva

Desamanya Charitha P. de Silva is presently Chairman of ID Lanka Ltd.

He was among other things a former Chairman of the Securities and Exchange Commission of Sri Lanka, the Ceylon Chamber of Commerce, The Employers' Federation of Ceylon, Sri Lanka Business Development Centre, Sri Lanka National Council of the International Chamber of Commerce, The Asian Leasing Association, Aitken Spence & Co. Ltd. and Lanka ORIX Leasing Co. Ltd.

He pioneered the Equipment Leasing Industry in Sri Lanka in 1980. He was awarded The Order of the Rising Sun Gold and Silver Star by the Japanese Government in 1988. This is the highest honour awarded to any Sri Lankan. He was awarded the Honour of Desamanya by the Sri Lankan Government in 1998.

Board of Directors

**03. Deshabandu Nowfel Saly Jabir**

Deshabandu Nowfel Saly Jabir has been a Director of Bairaha Farms PLC since the year 1994. He is involved in the Gem and Jewellery Industry and promoted Sri Lanka as a major gem and jewellery trading centre. He is presently the Chairman of Nowgems Jewellers (Pvt) Ltd.

He has been associated with business in engineering where he served as the Chairman of ETA Melco Engineering Co. and the hospitality industry as a former Board Member of Confifi Hotel Holdings, Riverina Hotel and Eden Resort and Spa.

Deshabandu N.S. Jabir is presently the Vice-President of the Moors Islamic Cultural Home. He served his motherland in the capacity of the Ambassador to the Kingdom of Saudi Arabia (1998-2001). He had also served as the Special Commissioner for the Beruwela Urban Council and also as the Chairman of Board of Governors at Zahira College. In 1998, H.E. The President honoured him with the title of Deshabandu in recognition of his services to the nation on the economic, social and cultural fronts.

04. Yakooth Naleem

Mr. Yakooth Naleem is the CEO of the Company. He has been the Managing Director since 1990. He has a BA Econ. (Hons.) degree from the University of Manchester (formerly known as the Victoria University of Manchester) of the United Kingdom. He was awarded Entrepreneur of the Year 2000 - merit award in the extra large category in the Western Province by FCCISL. He was elected in January 2013 as the first Chairman of the newly established Standing Committee on Dairy & Livestock of the National Chamber of Commerce of Sri Lanka.

05. Riyal Yakoob

Mr. Riyal Yakoob is the Executive Director of the Company. He worked as a Senior Assistant Accountant of Bairaha for 7 years and subsequently he was appointed as an Executive Director of the Company and he has been in this position since 1990. He received his Higher National Diploma (Business and Finance) from the Southwest London College of the United Kingdom.

06. Ilyas Naleem

Mr. Ilyas Naleem originally worked in the Company as an Executive Director from 1981 to 1983. Since then, he continues to be a Director without taking active participation in the Company's activities. He is engaged in the Gem Trade on his private capacity. He was also educated in the United Kingdom and has a Diploma in Business Studies awarded by the Business Language School of London in association with the Centre for Economics and Political Studies.

07. Kamil Naleem

Mr. Kamil Naleem has been a Director of the Company since 1984. He was previously looking after the operations of the Golden Rooster Restaurant chain until the operation was discontinued. He was also educated in the United Kingdom.

08. Mubarak Naleem

Mr. Mubarak Naleem joined the Company in January 1994 as an Executive Director and he was in charge of the supermarkets chain until it was disposed off. He was also educated in the United Kingdom.

Products Portfolio

Whole Legs
Marinated & Cooked



Thighs
Marinated & Cooked



Winglets
Marinated & Cooked



Drumsticks
Marinated & Cooked

Products Portfolio

Chicken
Meat Balls



Chicken
Sandwich Slices



Chicken
Burgers



Chicken
Sausages

Sustainability Report



1 Assisted the people living in the area close to our farm in Anamaduwa to obtain power supply for water supply scheme.

2 One of the main sponsors of the *Dirijaya* Awards for differently-abled people.

We at Bairaha Farms are firmly committed to conducting our operations in a sustainable manner. This exemplifies our appreciation and commitment to quality, food safety, environmental sustainability and community engagement.

Economic Engagement

In our efforts to support economic development of Sri Lanka, we engaged in developing infrastructure facilities and strengthening the communities we operate in. In this regard, we provided financial assistance to the village adjacent to the Anamaduwa Farm, to obtain power supply for their water supply scheme. We also tarred the road connecting our farm and the Anamaduwa village which has contributed towards improved mobility and road safety for the residents.

From our operations and activities during the year, we have created Rs. 849 Mn of wealth for our stakeholders. Please refer page 81 of this Annual Report for further details on economic value addition.

Community Engagement

We are guided by the belief that we can make a difference by supporting the communities we operate in. We strive to do this by supporting education, health, promoting public awareness and enhancing the quality of life, especially of the rural communities. In this context, we co-sponsored the *Dirijaya* Awards, which recognises the efforts and commitment of the differently-abled who have excelled in their chosen fields regardless of their disabilities. In our efforts to promote public awareness on nutritional aspects of poultry and egg consumption, we

contributed Rs. 200,000/- to the Sri Lankan branch of World Poultry Science Association, to produce a video on generic promotion of chicken and egg consumption as healthy food, among the Sri Lankans. Further, we donated Rs. 100,000/- to a needy patient for a kidney transplant operation. In our endeavour to support the youth we granted internship opportunities in Bairaha Laboratory to Microbiology undergraduates of the University of Kelaniya. We also provided in-plant training to graduates from the faculties of Agriculture and Veterinary Science of University of Peradeniya. By utilising among others the services of out grower farmers, distributors and transport service providers, the Company continues to involve a wider community in its activities.

Sustainability Report

- 3 We provided financial assistance to the Social Welfare Unit of the Nittambuwa Police to buy asbestos to complete a house for a poor woman in the area.
- 4 Donation given to a patient for a kidney transplant.



Environmental Engagement

We believe in being responsible stewards of the natural resources we utilise to produce and market our products. In our efforts to eliminate or minimise environmental pollution in our rendering plant, we installed nearly 2 years' ago the best available odour control system imported from Denmark. This system helps to control significantly the odour emanating from the Rendering Plant. In order to be green friendly and fuel efficient in one of our farms, we are in the process of completing conversion of the diesel power generator (thermal power supply) in the Dolosbage Farm to hydropower. The technology upgrade in

Rendering Plant is due to be completed in the 2nd quarter of 2013/14 which would contribute towards enhanced efficiency and increased utilisation of by-products.

Employee Engagement

We have a recruitment policy in place, where we offer equal opportunity when recruiting and granting internal promotions to our employees, solely based on candidates' merits and their potential contribution. Training is provided to employees as and when necessary to carry-out their work efficiently.

In order to encourage better performance, we give due recognition to employees who have excelled in their field by awarding a fully-paid foreign trip to the respective employee and his or her spouse. We have also generously assisted employees in critical situations. In this context, in addition to staff's contribution the Company also contributed Rs. 446,500/- to an employee who had suffered a critical illness.



- 5 Training on Workers' Safety at workplaces conducted by District Factories Engineer.

Corporate Governance

Corporate governance is the system by which companies are directed and managed in their drive to generate value for the shareholders.

The Board is entrusted by the shareholders with the responsibility to manage the Company. The Board and Management of Bairaha Farms PLC are committed to continually enhancing shareholder value by maintaining high standards of corporate governance, professionalism, integrity and commitment at all levels, supported by internal controls and risk management systems.

We believe that our commitment to corporate governance practices would generate distinct advantages for our business by building and maintaining the confidence of our stakeholders, and in particular, the shareholders.

This report sets out below the Company's corporate governance process:

I. The Board of Directors

The Board ensures the proper stewardship of the Company's affairs by formulating strategies and policies while monitoring the Company's activities for effective implementation. The Board, while being a source of strength to the

management, also provides guidance to the Executive Directors. Among other things, it has taken responsibility for the following:

- Formulating the strategies of the Company towards achieving financial targets;
- Reviewing and approving annual budgets and monitoring the actual performance against the budgets and sanctioning major investments as well as capital expenditure;
- Ensuring compliance with corporate governance while monitoring, reviewing and introducing internal controls where necessary;
- Ensuring compliance with Statutory Provisions of the Companies Act, SEC and Stock Exchange regulations and other laws relevant to the business;
- Approving the remuneration of the Executive Staff and the recruitment and/or promotions of Senior Managers and Executives and approving the remuneration of the Directors; and
- Approving the interim financial statements as well as the annual accounts and dividends.

II. Board Composition, Independence and Attendance at Board Meetings

The Board comprises of eight Directors. Of these, four are Non-Executive Directors and the others including the Chief Executive Officer are Executive Directors. The Board has determined that three of the four Non-Executive Directors are Independent Directors.

The Board of Directors is of the view that the period of service as Board members exceeding nine years rendered by Desamanya Prof. M.T.A. Furkhan, Desamanya C.P. de Silva and Deshabandu N.S. Jabir have not compromised their independence and objectivity in their roles as Directors.

The Independent Directors have submitted a declaration confirming their independence in accordance with Section 7 of the CSE Listing Rules on Corporate Governance. Names of these Directors as given below and their profiles can be found on pages 8 and 9. Details of Directors' Shareholdings in the Company are given on page 28.

Corporate Governance

The Board generally meets on a monthly basis. During the year under review, the Board has met eleven times at which the attendance was as follows:

| Name of the Director | Status | Attendance |
|--------------------------------|---------------|------------|
| Desamanya Prof. M.T.A. Furkhan | Non-Executive | 10 |
| Mr. Yakooth Naleem | Executive | 11 |
| Desamanya C.P. de Silva | Non-Executive | 10 |
| Deshabandu N.S. Jabir | Non-Executive | 8 |
| Mr. Riyal Yakoob | Executive | 11 |
| Mr. Ilyas Naleem | Non-Executive | 9 |
| Mr. Kamil Naleem | Executive | 11 |
| Mr. Mubarak Naleem | Executive | 11 |

III. Roles of the Chairman, the Chief Executive Officer and the Management

The posts of the Chairman and the Chief Executive Officer are separate and there is appropriate division of responsibilities between the Chairman and the Chief Executive Officer. This helps to maintain a proper balance of power and authority within the Company.

The Chairman, Desamanya Prof. M.T.A. Furkhan, is responsible for the working and leadership of the Board. The Chief Executive Officer, Mr. Yakooth Naleem along with other Executive Directors are responsible for leading and managing the business within the authority delegated by the Board. Apart from the responsibilities of the Chairman and the Chief Executive Officer being entrusted to two different persons, there is also an Executive Management Committee (EMC), which is authorised to take operational decisions as well as implementing policies and strategies determined by the Board.

Hence, there is ample opportunity within the management structure for many people to contribute on issues relating to strategy, performance and risk management.

The EMC meets every week and is chaired by the Chief Executive Officer. Other members of this Committee are the Executive Director, Group General Manager, Chief Financial Officer and Heads of the Divisions.

IV. Role of the Company Secretary

The services and advice of the Company Secretary are available to Directors when necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board. In addition, the Company Secretary advises the Chairman and the Board on all corporate governance matters, Board procedures and compliance with applicable rules and regulations.

V. Board Subcommittees

(A) Audit Committee

The Audit Committee's duties include the review of financial statements, internal control procedures, accounting policies, risk management, assessing the adequacy of insurance coverage and compliance with relevant accounting standards.

The Audit Committee, among other things, assists the Board of Directors to discharge their duties by expressing an independent and objective view on the financial reports.

The Audit Committee consists of four Non-Executive Directors, three of whom are Independent. The Audit Committee is chaired by Desamanya C.P. de Silva, a Fellow of The Institute of Chartered Accountants of Sri Lanka.

The External Auditors are invited for meetings when required and in any case they participate in such meetings to discuss the final accounts before the Audit Committee recommends it to the Board for adoption.

The detailed Report of the Audit Committee is available on page 17.

Corporate Governance

(B) Remuneration Committee

The Remuneration Committee consists of four Non-Executive Directors, three of whom are Independent with the exception of Mr. Ilyas Naleem. Desamanya Prof. M.T.A. Furkhan is the Chairman of the Remuneration Committee and other members of the Remuneration Committee are Desamanya C.P. de Silva, Deshabandu N.S. Jabir and Mr. Ilyas Naleem.

The Remuneration Committee meets once in six months to review and recommend to the Board of Directors:

1. The salary and remuneration of Executive Staff.
2. The remuneration of Executive Directors.
3. Fees and allowances for Non-Executive Directors.

For more information on Remuneration Committee, please refer to page 18.

VI. Going Concern

The Directors are satisfied to adopt the concept of going concern in the preparation of the financial statements based on the information made available to them through the annual budget, monthly management accounts, information provided on future prospects, risks and information on borrowing facilities.

VII. Relations with Shareholders

The Company always encourages active participation of the shareholders at the Annual General Meeting and provides suitable answers and clarifications on issues and matters raised by shareholders. In addition, by making available the quarterly and the annual financial statements on a timely basis as well as by other forms of communication, the Board makes every effort to keep the shareholders informed of the progress of the Company.

(Sgd.)

YAKOOTH NALEEM

Chief Executive Officer

15th July 2013

Report of the Audit Committee

The primary function of the Audit Committee (the 'Committee') is to assist the Board of Directors in fulfilling its oversight responsibilities. The Audit Committee functions include the review of financial statements, internal control procedures, accounting policies, risk evaluation, assessing the adequacy of insurance coverage and compliance with relevant accounting standards. The Audit Committee assists the Board of Directors, among other things, in discharging their duties by expressing an independent and objective view on the financial report taking into consideration compliance with mandatory, statutory and other regulations laid down by the authorities. Where necessary the Audit Committee makes suggestions and recommendations to the Board in areas within its purview.

Membership

The Audit Committee consists of four Non-Executive Directors three of whom are Independent. It is chaired by Desamanya C.P. de Silva, who is an Independent Director and is also a member of a recognised professional accounting body. The other members of the Audit Committee are:

- Desamanya Prof. M.T.A. Furkhan, who is an Independent Director and also a member of the Chartered Institute of Management Accountants, UK.
- Deshabandu Nowfel S. Jabir, an Independent Director.
- Mr. Ilyas Naleem, a Non-Executive Director.

Meetings

The Audit Committee held four meetings during the year under review. The Chief Executive Officer, Executive Director and the Chief Financial Officer also attended those meetings on invitation.

Internal Audit Function

The Committee reviewed the Company's systems and procedures to assess the effectiveness of the Internal Financial Controls that have been put in place to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation. The internal audit function has been outsourced to Messrs BDO Partners, Chartered Accountants.

The Internal Auditors carry out the audits as per a scheduled programme approved by the Audit Committee.

In the financial year under review the Internal Auditors undertook a thorough system study of the activities of the Company and submitted it for the perusal of the Audit Committee. These system study reports have become useful both for the Audit Committee and the Internal Auditors to better understand the operations of the Company.

Generally, the audits are carried out on a quarterly basis. Based on the audit findings and recommendations of the Internal Auditors, the Audit Committee after discussing with the management recommends to the

Board the implementation of those recommendations that are considered to be practical and necessary. The Audit Committee has approved the fees to be paid for the services of the Internal Auditors.

Financial Statements

The Audit Committee assists the Board in assuring the integrity of financial statements and disclosures. The Committee discussed matters relating to SLFRS adjustments to the final accounts with the External Auditors before recommending to the Board the adoption of the applicable SLFRS adjustments.

External Auditors

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young, Chartered Accountants be reappointed as External Auditors for the financial year ending 31st March 2014 subject to the approval of the shareholders at the Annual General Meeting.

(Sgd.)

DESAMANYA C.P. DE SILVA
Chairman
Audit Committee

15th July 2013

Report of the Remuneration Committee

The Remuneration Committee consists of four Non-Executive Directors and three of whom except Mr. Ilyas Naleem are Independent. Desamanya Prof. M.T.A. Furkhan is the Chairman of the Remuneration Committee and other members of the Remuneration Committee are Desamanya C.P. de Silva, Deshabandu N.S. Jabir and Mr. Ilyas Naleem.

The Remuneration Committee meets once in six months to review and recommend to the Board of Directors:

1. The salary and remuneration of the Executive Staff;
2. The remuneration of the Chief Executive Officer and Executive Directors;
3. Fees and allowances for Non-Executive Directors.

In determining the compensation package of the Executive Personnel the members of the Remuneration Committee take into account the prevailing market rates and compensation packages offered by competitors for staff of similar grades, their qualifications, experience and performance of the individual staff concerned. The main purpose of determining a suitable and an appropriate compensation package for staff is not only to retain experienced and qualified staff, but also to attract such new staff to manage an expanding organisation. We believe that a good remuneration policy would maintain a balance between supporting the Company's over-riding

financial goal, including a sustained growth in dividend, while keeping the staff and the management engaged, motivated and committed to the Company's both short-term and long-term financial goals.

Besides salaries and allowances for sales and production staff, incentives are also paid for these staff covering both executives and non-executives alike, including workers in the farms, for achieving certain specific targets, thereby helping to motivate the staff while assisting the Company to achieve its sales and production targets stated in the budget.

(Sgd.)

DESAMANYA PROF. M.T.A. FURKHAN
Chairman
Remuneration Committee

15th July 2013

Our Journey

1975 October

Bairaha Farms PLC (formerly known as M.I.M. Naleem Hajjar & Co. Ltd.) was incorporated on the 17th October 1975.

1976 December

Broiler Parent Breeding Farms and a hatchery were started at Katana and subsequently another breeder farm was established at Kondaghamulla. Commercial Broiler Farm operations commenced in a 65-acre site at Pasyala in 1980 and a state-of-the-art Chicken Processing Factory equipped with advanced and sophisticated plant and machinery imported from Europe was also set up in the same year. This was the first modern and large scale chicken processing factory in the country and it was also equipped with a modern freezing and cold storage facility. Commercial Layer and Breeder operations were extended to sites at Kottaramulla and Thummodera respectively, and the Kottaramulla Farm was later converted into a major Parent Breeder Farm.

1986 August

Bairaha Farms Ltd. (BFL) pioneered and inaugurated a Contract Growing Scheme in Gampaha, Puttalam and Kurunegala Districts enabling farmers to grow and supply Live Broiler Birds to the Company. Today, there are hundreds of such contract farmers, located in several districts.

1994 February

BFL became a Public Company.

October

BFL went for the Initial Public Offering (IPO) and the shares were over subscribed by more than 2.04 times on the opening day itself of the public share issue.

1999 October

Bairaha Foods (Pvt) Ltd., a fully-owned subsidiary of BFL, commenced the test production and marketing a range of high quality, wholesome pre-cooked poultry meat products.

2000 April

A major Breeder Farm of the Company located at Kottaramulla, in the Puttalam District, was upgraded and converted into an automated farm.

2001 May

Bairaha Farms Ltd. was awarded a Certificate of Compliance for the 1999/2000 Annual Report in the category of Food & Beverage Companies, in the Annual Report Competition organised by The Institute of Chartered Accountants of Sri Lanka.

October

Bairaha Group was awarded the internationally recognised ISO 9002 Certificate for Quality Management Systems. In addition, Bairaha chicken processing and pre-cooked meat manufacturing factories were also simultaneously awarded the internationally acclaimed HACCP Food Safety Certificates.

2002 May

For the second successive year, Bairaha Farms Ltd. was awarded a Certificate of Compliance for the Annual Report for the year 2000/01 in the category of Food & Beverage Companies in the Annual Report Competition organised by The Institute of Chartered Accountants of Sri Lanka.

June/July

Bairaha Farms Ltd. divested its shareholding in Nutrena (Pvt) Ltd.

August

The Breeder Farm at Pasyala was upgraded by introducing an evaporating cooling system.

2003 May

For the third successive year Bairaha Farms Ltd. was awarded a Certificate of Compliance for the Annual Report for the year 2001/02 in the category of Food & Beverage Companies in the Annual Report Competition organised by The Institute of Chartered Accountants of Sri Lanka.

October

Katana property was sold to a property developer.

November

The first batch of breeder birds was housed in the new farm in the Kandy District.

2004 May

The ISO Quality Management System was assessed and upgraded in accordance with requirements of ISO 9001:2000 and certification was also granted. Re-certification was awarded for the revised HACCP system as well.

Our Journey

July

A historic and landmark agreement was signed between Bairaha Farms Ltd. and Hybro B.V. of Netherlands at the Headquarters of Hybro in Boxmeer, Netherlands to set up a joint venture Grand Parent Broiler Breeder Project in Sri Lanka.

October

The first batch of Grand Parent Chicks were imported by the joint venture company, namely, Fortune G-P Farms (Lanka) Ltd.

December

The Company was presented with a Certificate of Recognition for the Annual Report for the year 2003/04 in the Annual Report Competition organised by The Institute of Chartered Accountants of Sri Lanka.

2005 June

The first batches of Parent Chicks were hatched and the first external sale was executed.

December

The Institute of Chartered Accountants of Sri Lanka presented the Company with a Certificate of Recognition for the Annual Report for the year 2004/05 in the Annual Report Competition.

2006 May

BFL was awarded the prestigious ISO 22000:2005 by the Sri Lanka Standards Institution (SLSI).

December

BFL was once again awarded 'Certificate of Recognition' for its Annual Report for the year 2005/06 by The Institute of Chartered Accountants of Sri Lanka.

2007 March

The Company was awarded the Third Place for running the best poultry breeder farm in the National Livestock Award presented by the Ministry of Livestock Development.

July

BFL was bestowed with the Silver Award in the National Agribusiness Award, in the Large-Scale category, by the National Agribusiness Council.

September

The Company was bestowed with the 'Silver Award' for the year 2007 in the category of Importer, Distributor and Retailer by the Sri Lanka-Malaysia Business Council.

November

Mr. Yakooth Naleem was awarded both National and Western Province Merit Awards in the Extra Large category in the Sri Lankan Entrepreneur of the Year 2006 Competition, organised by the Federation of Chamber of Commerce and Industry of Sri Lanka.

The Institute of Chartered Accountants of Sri Lanka presented the Company the Certificate of Recognition for the Annual Report for the financial year 2006/07.

2008 February

The Faculty of Agriculture of the University of Peradeniya presented the Company with a memento in appreciation of the close co-operation that exists between the two institutions.

The Company established another Breeder Farm in Hiripitiya in the Kurunegala District.

July

Received GOLD Award in the Manufactures and Exporters of Household Consumable Product category at the 4th Annual Sri Lanka-Malaysian Business Awards (2008) organised by the Sri Lanka-Malaysia Business Council.

August

Highest DOC production and sale in the history of the Group. Received GOLD Award in the Producer/Processor - Large category at the Agribusiness Awards 2008 organised by the National Agribusiness Council.

November

The Institute of Chartered Accountants of Sri Lanka presented the Company with the Certificate of Recognition, in the Food & Beverage sector, for the Annual Report for the financial year 2007/08 in the Annual Report Competition.

2009 August

Bairaha Farms PLC was adjudged the winner of the Silver Award in the category of Manufacturers and Consumer Products awarded by the Sri Lanka-Malaysia Business Council.

- Bairaha Farms PLC was adjudged the joint winner of the Bronze Award in the category of Retailers of Finished Product awarded by the Sri Lanka-Malaysia Business Council.
- Fortune G-P Farms (Lanka) Ltd. was awarded the Gold Award in the Medium category for Input Supplier (Poultry) awarded by the National Agribusiness Council at the Agri-business Awards 2009.

Our Journey

November

- Fortune G-P Farms (Lanka) Ltd. exported two consignments of Broiler Breeder Parent chicks to Nepal. This company is a member of the Bairaha Group. Fortune G-P Farms (Lanka) Ltd. is the largest of the two companies in Sri Lanka which produces Broiler Breeder Parent Chicks.
- Bairaha Farms PLC won the Bronze Award of the Annual Report in the Food & Beverage sector in the Annual Report Award Competition 2009 organised by The Institute of Chartered Accountants of Sri Lanka.

2010 March

Bairaha Group becomes the largest and leading producer of broiler day-old chicks.

June

- Bairaha Farms PLC was adjudged the winner of the Gold Award in the category of Importer/Distributor/Retailer of finished products and semi finished products awarded by the Sri Lanka-Malaysia Business Council at the 6th Annual Sri Lanka-Malaysia Business Awards - 2010.
- Bairaha Farms PLC was adjudged the winner of the Bronze Award in the category of Manufacturers and Exporters of Household and Consumable awarded by the Sri Lanka-Malaysia Business Council at the 6th Annual Sri Lanka-Malaysia Business Awards - 2010.
- Appreciation award received by the Sri Lanka Veterinary Association.
- First export of Cobb 500 Parent chicks for the year on 26th June 2010 to Nepal.

December

- Bairaha Farms PLC was awarded a Certificate of Compliance in the Food & Beverage sector for the Financial Year 2009/10 in the Annual Report Competition organised in December 2010 by The Institute of Chartered Accountants of Sri Lanka.
- Bairaha Farms PLC signed an agreement with the BOI to set up a large scale state-of-the-art Broiler Farm.

2011 January

Bairaha Farms PLC share price reached an all time high of Rs. 525/-.

March

Market capitalisation of Bairaha Farms PLC reached Rs. 6.4 Bn.

September

Fortune G-P Farms (Lanka) Ltd. received a Bronze Export Award for the year 2010 from the National Chamber of Exporters of Sri Lanka.

November

Bairaha Farms PLC was presented with a prestigious Forbes Asia Award in a ceremony held in Hong Kong.

December

Bairaha Farms PLC was awarded a Certificate of Compliance in the Food and Beverage Sector for the Financial Year 2010/11 in the Annual Report Competition organised in December 2011 by The Institute of Chartered Accountants of Sri Lanka.

2012 August

- Fortune G-P Farms (Lanka) Ltd., while continuing its exports to Nepal undertook successfully its first export to a new destination, namely, Bangladesh.

December

- In the Chartered Accountants' 2012 Annual Report Awards organised by The Institute of Chartered Accountants of Sri Lanka, Bairaha Farms PLC was awarded a Certificate of Compliance in the Food and Beverage Sector.
- Bairaha Farms PLC exported the first consignment of Hatching Eggs to Middle East.

The Bairaha Family

Bairaha Farms PLC

Bairaha Farms PLC (BFPLC) is the holding company and it directly owns and manages a large-scale state-of-the-art chicken processing factory. It also owns and operates three modern breeder farms and provides essential Eliza and Bacteriological Laboratory services both to Bairaha Group and the poultry industry.

Hill Country Farms Ltd.

Hill Country Farms Ltd. operates two large-scale breeder farms and a hatchery for the production of broiler day-old chicks.

Bairaha Foods (Pvt) Ltd.

Bairaha Foods (Pvt) Ltd. is engaged in the manufacture of a range of value-added, pre-cooked meat products.

Siyane Farms Ltd.

Its principal activity is breeding of poultry for the production of broiler day-old chicks.

Fortune G-P Farms (Lanka) Ltd.

Its principal activity is the operation of a broiler breeder grandparent farm and hatchery for the production of broiler breeder parent chicks.

The eight companies named below are engaged in providing support services to the Group by purchasing and then leasing agricultural lands to it for setting up poultry projects:

BF Lands Development Ltd.

HCF Land Development Ltd.

Lanka Land Development Ltd.

Rajarata Land Development Ltd.

Cultural Triangle Land Development Ltd.

Windsor Real Estate Ltd.

Foster Real Estate Ltd.

Regency Real Estate Ltd.

Bairaha Trading (Pvt) Ltd.

Our Subsidiary Company, Bairaha Trading (Pvt) Ltd., is the trading arm of the Group. Bairaha has been the authorised local distributor for 'Antec' range of disinfectants from DuPont for many years, and these products have been distributed and marketed by this company.

Nature's Best Industry Ltd.

This company owns and runs a state-of-the-art broiler farm. It being a BOI-approved company, enjoys a 10 years' tax holiday and after the expiry of this tax holiday, it will be entitled for another 2 years concessionary tax rate of 10%.

As at today, the project is almost 60% complete and it has become a vital segment of our business.

Risk Management

Risk Management is a business imperative and generally risk is positively correlated to return. Like any other organisation, Bairaha too faces a multitude of risks in carrying out its business activities, although their magnitude may be different. The purpose of the risk management function at Bairaha is to assess the risks inherent in the activities of the Group and to recommend the steps needed to mitigate their impact through the adoption of suitable risk management measures.

Supply-Side Risks

Primary supply-side risks include the purchase of quality poultry feed, which mainly depends on the inputs used in its manufacture, and the quality of breeder chicks that the Company and subsidiary companies purchase.

Poor quality feed could result in poor performance by both breeding birds as well as the broilers. In order to minimise issues that could arise from poor quality feed, the Company maintains a close rapport with the suppliers to minimise any quality issues and the feed is periodically tested in an external laboratory for quality.

The risks associated with the availability of locally-produced raw materials for feed manufacture can be regarded as moderate, because Sri Lanka is becoming nearly self-sufficient in maize production. More rice by-products have also been made available for feed production as a result of additional land being brought under paddy cultivation. By making available adequate supplies of locally-produced raw materials for feed production as well as having the option of importing alternative raw materials,

the risk faced by the feed producers with regard to the availability of raw materials is minimised.

In regard to the risk associated with the purchase of parent chicks, this risk is being managed and mitigated by the fact that we buy these chicks from our Associate Company, Fortune G-P Farms (Lanka) Ltd., which has the best facilities of the only three grand parent breeding companies operating in Sri Lanka.

The Company also has the option of importing the parent breeder chicks directly from its principals' facilities located in numerous countries including USA, United Kingdom, the Netherlands and New Zealand.

Market Risk

Market risk for the Group continues to arise largely from fierce competition in a limited market, with the inevitable consequences of undercutting and a price war. Though it is not possible for Bairaha to avoid completely this generally negative form of competition, the perceived value of our brand could not be compromised solely by aggressive price-cutting.

We closely monitor market risk in regard to processed chicken through wholesale-price comparisons. Furthermore, we also seek to minimise future market risks by introducing new products considered to be value-for-money while continuing aggressively to promote our high value, ready-to-eat products. The work undertaken last year on the redesign of our existing product packages is still continuing and this should help to further strengthen our brand positioning.

In relation to risk associated with marketing of day-old-chicks, we seek to minimise this by producing and supplying quality chicks, while ensuring consistency in our supplies combined with an outstanding service and customer support. Further, by expanding our product portfolio by exporting broiler hatching eggs, we have also sought to some extent reduce our exposure to marketing day-old chicks in Sri Lanka.

Regulatory and Legal Risks

Company also faces potential risks of non-compliance with the provisions in the Inland Revenue Act, CSE Rules and other applicable laws and regulations. High legal expenses, fines and penalties, inquiries by the tax and regulatory authorities could ultimately seriously damage the Company's reputation. In order to manage these risks, the management continuously monitors the Group with regard to its compliance with laws and regulations, while audit checks are conducted by Internal Auditors. Auditors from the Sri Lanka Standards Institution regularly assess our compliance with food safety and quality management standards.

The fact that we are accredited with ISO 9001, ISO 22000 and HACCP system provide assurance to a great extent with regard to our food safety and quality management systems.

Risk Management

Financial Risks

Since the Company imports only a small percentage of its requirement of consumables, the Company is not overly exposed to foreign exchange risks.

We are satisfactorily managing financial risks relating to borrowings by controlling our exposure to debt while also having facilities with more than one financial institutions.

Operational Risks

Poor performance by out growers is one of the main operational risks faced by the Company. When out growers' due balances rise excessively, the Company is compelled to provide increased provisions for bad and doubtful debts, which in turn affects the Company's profitability and cash flows.

In order to manage this significant operational risk which is common to the industry, we periodically evaluate and monitor out growers' performance. Frequent defaulters are, over a period of time, weeded out and the shortfall taken up by the Company's own broiler farms or by new growers.

Natural Disasters, Weather Conditions and Diseases

Farming traditionally has been at the mercy of the weather. Droughts, floods, storms etc., could cause crop and livestock losses while an unusually good growing season can end up in a price war. Geophysical disasters, though less common, could have even more drastic impacts. Since such events cannot be predicted or be fully-prepared for, all properties and stocks of the Company are fully and comprehensively insured against natural disasters. Unfortunately, our livestock is not covered with insurance against poultry diseases, since this type of coverage is not available. The Company and the Group is minimising the risk associated with contagious poultry diseases by having our farms, both parent breeder and broiler, being located in numerous separate locations in a few districts. The Company and its subsidiary companies have minimised the hot environmental weather having an impact on production and productivity by having artificially cooled and ventilated houses to maintain a stable and comfortable environment for the birds.

Financial Reports

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Statement of Directors' Responsibilities

The Directors are responsible for ensuring that the Company keeps sufficient accounting records which disclose the financial position of the Company with reasonable accuracy and that the financial statements are prepared in conformity with the Sri Lanka Accounting Standards (SLFRS/LKAS) and comply with the provisions of the Companies Act. The Directors have adopted the going concern basis for the preparation of the financial statements.

The Directors are responsible for taking reasonable measures to safeguard the assets of the Company and in that regard maintain effective controls.

The Directors confirm that all statutory payments for the financial year have been made.

By Order of the Board
BAIRAHA FARMS PLC

(Sgd.)

P W CORPORATE SECRETARIAL (PVT) LTD.
Company Secretaries

15th July 2013

Annual Report of the Board of Directors on the Affairs of the Company

The Directors of Bairaha Farms PLC have pleasure in presenting their Annual Report together with the audited financial statements of the Company for the year ended 31st March 2013.

General

Pursuant to the requirements of the new Companies Act No. 07 of 2007, the Company was re-registered on 14th February 2008 and bears registration number PQ122. Accordingly, the name of the Company has changed to Bairaha Farms PLC.

Group Activities

The core activities of the Group are vertically integrated poultry farming, chicken processing and manufacturing of pre-cooked meats and in particular the following:

- Breeding poultry and operating of hatcheries for the production and sale of both parent and commercial broiler day-old chicks;
- Operating hundreds of outgrower farms as well as a few large scale own broiler farms;
- Processing, distributing and selling of packeted whole broiler chicken and broiler chicken portions (cut-ups);
- Manufacturing, distributing and selling of pre-cooked meats including chicken sausages, chicken meat balls, chicken sandwich slices and marinated chicken;
- Importing and distributing, as the exclusive local agent, the world-renowned 'Antec' brand disinfectants from DuPont Animal Health Solutions of USA;
- Marketing and selling of other products for poultry farming, including sales of hypromeal (produced by recycling the by-products of poultry processing) to feed millers.

Financial Statements

The financial statements of the Group are given on pages 31 to 78.

Summarised Financial Results

| | 31st March 2013 Rs. '000 | 31st March 2012 Rs. '000 |
|----------------------------|--------------------------------|--------------------------------|
| Group | | |
| Revenue | 2,917,526 | 2,828,815 |
| Total Comprehensive Income | 161,420 | 452,991 |
| Retained Earnings | 1,208,890 | 1,079,408 |

Auditors' Report

The Report of the Auditors on the financial statements of the Company is given on page 30.

Accounting Policies

The financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and the policies adopted thereof are given on pages 35 to 44. Figures pertaining to the previous periods have been restated where necessary to conform to the presentation for the year under review.

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 8 and 9.

Executive Directors

Mr. Yakooth Naleem - Managing Director
Mr. Riyal Yakooob
Mr. Kamil Naleem
Mr. Mubarak Naleem

Non-Executive Directors

Desamanya Prof. M.T.A. Furkhan - Chairman*
Desamanya C.P. de Silva*
Deshabandu N.S. Jabir*
Mr. Ilyas Naleem

* Independent Director

Prof. M.T.A. Furkhan, Desamanya C.P. de Silva and Deshabandu N.S. Jabir who are over 70 years of age will vacate office on 15th July 2013 in pursuance of Section 210 of the Companies Act No. 07 of 2007. Resolutions will be placed before the Shareholders at the forthcoming Annual General Meeting in terms of Section 211 of the Companies Act No. 07 of 2007 with regard to the appointments of Prof. M.T.A. Furkhan, Desamanya C.P. de Silva and Deshabandu N.S. Jabir as Directors of the Company.

In accordance with Articles 87 and 88 of the Articles of Association of the Company, Mr. Ilyas Naleem retires by rotation and, being eligible, is recommended for re-election.

Annual Report of the Board of Directors on the Affairs of the Company

Interest Register

The Company maintains an Interest Register in terms of the Companies Act No. 07 of 2007.

All related party transactions which encompass the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interest Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant interests of Directors in the shares of the Company as at 31st March 2013 are recorded in the Interest Register and details are given in this Report under Directors' Shareholdings.

Directors' Remuneration

The Directors' remuneration is disclosed in Note 22 to the financial statements on page 63.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of financial statements of the Company and to ensure that they reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 26.

Auditors

Messrs Ernst & Young, Chartered Accountants served as the Auditors during the year under review. As far as the Directors are aware, the Auditors' only relationship with the Company is in regard to their work relating to the audit and the computation that they do in regard to taxation.

The audit fee paid and payable for the year under review is Rs. 540,000/- and Rs. 1,687,000/-, respectively.

The Auditors have also provided tax compliance services during the year and the fee paid in this regard was Rs. 356,415/-.

In addition, with regard to SLFRS conversion, Rs. 310,000/- has been paid as an advance and the balance amount payable for this assignment is Rs. 1,240,000/-.

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company is Rs. 256,305,197/- divided into 16,000,000 Ordinary Shares.

Directors' Shareholdings

The shareholdings of the Directors of the Company are as follows:

| As at | No. of Shares | |
|--------------------------------|---------------|------------|
| | 31.03.2013 | 31.03.2012 |
| Directors | | |
| Desamanya Prof. M.T.A. Furkhan | 61,700 | 61,700 |
| Mr. Yakooth Naleem | 1,701,867 | 1,701,867 |
| Mr. Riyal Yakoob | 824,305 | 824,305 |
| Desamanya C.P. de Silva | 30,000 | 30,000 |
| Deshabandu N.S. Jabir | 10,000 | 10,000 |
| Mr. Ilyas Naleem | 1,548,600 | 1,598,600 |
| Mr. Kamil Naleem | 1,653,924 | 1,653,924 |
| Mr. Mubarak Naleem | 1,660,908 | 1,660,908 |

Major Shareholders, Distribution Schedule and Other Information

Information on the twenty largest shareholders of the Company, distribution schedule of the shareholders and market value per share are given as per the Listing Rules of the Colombo Stock Exchange on pages 79 and 80 under Investor Information.

Public Holding

53.18% of the issued shares of the Company are in the hands of the public.

Reserves

The movements of reserves during the year are given under the Statement of Changes in Equity on page 33.

Capital Expenditure

The total Group capital expenditure during the year amounted to Rs. 389 Mn compared to Rs. 436 Mn incurred in the previous year. Details of movements in property, plant & equipment are given under Notes 4.1 and 4.2 to the financial statements.

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, and all contributions, levies and taxes payable on behalf of, and in respect of employees

Annual Report of the Board of Directors on the Affairs of the Company

of the Company and all other known statutory dues as were due and payable by the Company as at the balance sheet date have been paid or, where relevant provided for.

Donations

The Company has made donations for charitable purposes amounting to Rs. 1,626,661/- (2012 - Rs. 1,436,086/-) for the year ended 31st March 2013.

Events Occurring after the Reporting Date

No circumstances have arisen since the reporting date, which would require adjustment to, or disclosure in the financial statements.

Corporate Governance

Corporate governance practices and principles with respect to the management and operations of the Company are set out on pages 14 to 16 of this Report. The Directors confirm that the Company has complied with the rules on corporate governance contained in the Listing Rules of the Colombo Stock Exchange.

An Audit Committee as well as the Remuneration Committee function as Sub Committees of the Board and they are composed of Directors with the requisite qualifications and experience. The composition of the said Committees is as follows:

Audit Committee

Desamanya C.P. de Silva - Chairman
Desamanya Prof. M.T.A. Furkhan
Deshabandu N.S. Jabir
Mr. Ilyas Naleem

Remuneration Committee

Desamanya Prof. M.T.A. Furkhan - Chairman
Desamanya C.P. de Silva
Deshabandu N.S. Jabir
Mr. Ilyas Naleem

Annual General Meeting

The Annual General Meeting will be held at the Kings Court, Cinnamon Lakeside Hotel, 115, Sir C.A. Gardiner Mawatha, Colombo 2 at 11.30 a.m. on Thursday the 26th of September 2013. The Notice of the Annual General Meeting appears on page 83.

By Order of the Board
BAIRAHA FARMS PLC

(Sgd.)
YAKOOTH NALEEM
Managing Director

(Sgd.)
RIYAL YAKOOB
Executive Director

(Sgd.)
P W CORPORATE SECRETARIAL (PVT) LTD.
Secretaries

15th July 2013
Colombo

Independent Auditors' Report



**Building a better
working world**

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BAIRAHA FARMS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Bairaha Farms PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the statements of financial position as at 31 March 2013, the statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2013 and the financial statements give a true and fair view of the Company's financial position as at 31 March 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at 31 March 2013 and its financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

(Sgd.)

ERNST & YOUNG
Chartered Accountants

15th July 2013.
Colombo

Statement of Financial Position

| As at | Note | Group | | | | Company | |
|-------------------------------------|------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | | 31.03.2013 Rs. | 31.03.2012 Rs. | 01.04.2011 Rs. | 31.03.2013 Rs. | 31.03.2012 Rs. | 01.04.2011 Rs. |
| ASSETS | | | | | | | |
| Non-Current Assets | | | | | | | |
| Property, Plant & Equipment | 4 | 1,436,004,587 | 1,139,611,154 | 755,237,970 | 612,067,339 | 538,103,759 | 426,953,318 |
| Intangible Assets | 5 | 4,400,881 | 3,683,852 | 4,170,048 | 4,400,881 | 3,683,852 | 4,170,048 |
| Investments in Subsidiaries | 6.1 | – | – | – | 160,691,050 | 160,690,050 | 106,940,050 |
| Investments in Joint Ventures | 6.2 | – | – | – | 2,895,010 | 2,895,000 | 2,895,000 |
| Investments in Associates | 7 | 53,315,887 | 32,171,920 | 17,981,918 | 15,162,700 | 15,162,700 | 15,162,700 |
| Other Investments | 8 | 1,121,013 | 1,182,825 | 1,246,998 | 1,121,013 | 1,182,825 | 1,246,998 |
| Biological Assets | 10 | 128,560,385 | 122,261,560 | 103,147,367 | 26,015,075 | 60,919,745 | 44,485,650 |
| | | 1,623,402,753 | 1,298,911,311 | 881,784,301 | 822,353,068 | 782,637,931 | 601,853,764 |
| Current Assets | | | | | | | |
| Inventories | 9 | 85,330,534 | 86,209,256 | 80,231,243 | 52,528,084 | 50,148,998 | 48,670,717 |
| Biological Assets | 10 | 156,061,155 | 115,865,091 | 104,383,667 | 86,753,570 | 71,124,226 | 88,417,507 |
| Trade & Other Receivables | 11 | 278,367,854 | 288,022,472 | 240,444,318 | 293,051,716 | 250,008,323 | 215,992,672 |
| Income Tax Receivable | | 23,631,650 | – | – | 23,779,017 | 16,482,342 | – |
| Amounts Due from Related Parties | 12 | 19,703,162 | 36,572,248 | 39,647,232 | 327,621,897 | 286,886,060 | 126,522,242 |
| Cash & Bank Balances | 25 | 165,928,647 | 173,288,661 | 238,072,111 | 132,636,062 | 64,279,950 | 130,512,571 |
| | | 729,023,002 | 699,957,728 | 702,778,571 | 916,370,347 | 738,929,899 | 610,115,709 |
| Total Assets | | 2,352,425,755 | 1,998,869,039 | 1,584,562,872 | 1,738,723,415 | 1,521,567,830 | 1,211,969,473 |
| EQUITY & LIABILITIES | | | | | | | |
| Equity | | | | | | | |
| Stated Capital | 13 | 256,305,197 | 256,305,197 | 256,305,197 | 256,305,197 | 256,305,197 | 256,305,197 |
| Revaluation Surplus | 14 | 249,923,859 | 253,249,938 | 238,719,678 | 122,362,131 | 123,683,381 | 125,760,027 |
| Available-for-Sale Reserve | | (125,986) | (64,174) | – | (125,986) | (64,174) | – |
| Other Reserves | 14 | 576,677 | 576,677 | 576,677 | 576,677 | 576,677 | 576,677 |
| Retained Earnings | | 1,208,889,633 | 1,079,408,085 | 706,959,986 | 637,475,499 | 549,105,490 | 379,465,631 |
| Total Equity | | 1,715,569,380 | 1,589,475,723 | 1,202,561,538 | 1,016,593,518 | 929,606,571 | 762,107,532 |
| Non-Current Liabilities | | | | | | | |
| Financing & Lease (Ijara) Payable | 15 | 153,337,980 | 85,195,228 | 14,464,080 | 126,547,705 | 52,261,577 | 14,464,080 |
| Deferred Tax Liabilities | 23.2 | 43,301,974 | 35,217,400 | 29,093,603 | 35,378,149 | 27,187,556 | 23,831,779 |
| Retirement Benefit Liability | 16 | 27,092,932 | 22,758,654 | 17,636,544 | 24,087,914 | 19,578,801 | 15,903,011 |
| | | 223,732,886 | 143,171,282 | 61,194,227 | 186,013,768 | 99,027,934 | 54,198,870 |
| Current Liabilities | | | | | | | |
| Trade & Other Payables | 17 | 358,565,446 | 212,747,843 | 240,622,799 | 297,038,155 | 201,290,418 | 212,672,300 |
| Dividends Payable | 18 | 3,024,779 | 3,015,005 | 5,822,175 | 3,024,779 | 3,015,005 | 5,822,175 |
| Amounts Due to Related Parties | 19 | – | – | – | 199,360,923 | 260,649,367 | 128,932,316 |
| Income Tax Payable | | – | 13,203,834 | 42,767,495 | – | – | 16,641,642 |
| Financing & Lease (Ijara) Payables | 15 | 51,533,264 | 37,255,352 | 31,594,638 | 36,692,272 | 27,978,535 | 31,594,638 |
| | | 413,123,489 | 266,222,034 | 320,807,107 | 536,116,129 | 492,933,325 | 395,663,071 |
| Total Equity and Liabilities | | 2,352,425,755 | 1,998,869,039 | 1,584,562,872 | 1,738,723,415 | 1,521,567,830 | 1,211,969,473 |

These financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

(Sgd.)

AHAMED ZAHIRI

Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by,

(Sgd.)

YAKOOTH NALEEM

Managing Director

(Sgd.)

RIYAL YAKOOB

Executive Director

The accounting policies and notes on pages 35 through 78 form an integral part of the financial statements.

15th July 2013

Colombo

Statement of Comprehensive Income

| Year ended 31st March | Note | Group | | Company | |
|---|------|-----------------|-----------------|-----------------|-----------------|
| | | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. |
| Revenue | 3 | 2,917,525,754 | 2,828,815,387 | 2,418,474,149 | 2,112,852,731 |
| Cost of Sales | | (2,485,415,219) | (2,082,384,234) | (2,159,401,902) | (1,714,548,092) |
| Gross Profit | | 432,110,535 | 746,431,153 | 259,072,247 | 398,304,639 |
| Other Operating Income | 20 | 16,796,988 | 14,003,232 | 76,693,390 | 51,330,686 |
| Distribution Costs | | (119,695,563) | (115,684,421) | (88,283,455) | (86,406,807) |
| Administrative Expenses | | (141,879,208) | (134,039,380) | (101,791,419) | (98,673,910) |
| Other Operating Expenses | | (670,755) | (423,336) | (641,044) | (303,104) |
| Finance Cost | 21 | (22,594,655) | (11,739,319) | (16,489,116) | (8,954,015) |
| Profit before Tax | 22 | 164,067,342 | 498,547,929 | 128,560,602 | 255,297,489 |
| Profit from Associate Companies | | 19,794,730 | 12,553,487 | - | - |
| Income Tax Expense | 23 | (22,380,524) | (67,051,482) | (8,190,593) | (21,657,630) |
| Profit for the Year | | 161,481,548 | 444,049,934 | 120,370,009 | 233,639,859 |
| Other Comprehensive Income | | | | | |
| Fair Value Losses - Other Investments | | (61,812) | (64,174) | (61,812) | (64,174) |
| Surplus on Revaluation of Property, Plant & Equipment | | - | 9,005,071 | - | - |
| Other Comprehensive Income for the Year | | (61,812) | 8,940,897 | (61,812) | (64,174) |
| Total Comprehensive Income | | 161,419,736 | 452,990,831 | 120,308,197 | 233,575,685 |
| Total Attributable to: | | | | | |
| Equity Holders of the Parent | | 161,481,548 | 444,049,934 | 120,370,009 | 233,639,859 |
| Non-Controlling Interest | | - | - | - | - |
| | | 161,481,548 | 444,049,934 | 120,370,009 | 233,639,859 |
| Total Comprehensive Income Attributable to: | | | | | |
| Equity Holders of the Parent | | 161,419,736 | 452,990,831 | 120,308,197 | 233,575,685 |
| Non-Controlling Interest | | - | - | - | - |
| | | 161,419,736 | 452,990,831 | 120,308,197 | 233,575,685 |
| Earnings per Share - Basic | 24 | 10.09 | 27.75 | | |

The accounting policies and notes on pages 35 through 78 form an integral part of the financial statements.

Statement of Changes in Equity

| <i>Year ended 31st March 2013</i> | Stated Capital Rs. | Revaluation Surplus Rs. | Available-for- Sale Reserves Rs. | Other Reserves Rs. | Retained Earnings Rs. | Total Rs. |
|--|--------------------------|-------------------------------|---|--------------------------|-----------------------------|---------------|
| GROUP | | | | | | |
| Balance as at 01st April 2011 | 256,305,197 | 238,719,678 | – | 576,677 | 706,959,986 | 1,202,561,538 |
| Profit for the Year | – | – | – | – | 444,049,934 | 444,049,934 |
| Other Comprehensive Income | – | 9,005,071 | (64,174) | – | – | 8,940,897 |
| Realised Revaluation Surplus on Property, Plant & Equipment | – | (2,076,646) | – | – | – | (2,076,646) |
| Deferred Tax Adjustment on Revaluation | – | 7,601,835 | – | – | (7,601,835) | – |
| Dividends | – | – | – | – | (64,000,000) | (64,000,000) |
| Balance as at 31st March 2012 | 256,305,197 | 253,249,938 | (64,174) | 576,677 | 1,079,408,085 | 1,589,475,723 |
| Profit for the Year | – | – | – | – | 161,481,548 | 161,481,548 |
| Other Comprehensive Income | – | – | (61,812) | – | – | (61,812) |
| Realised Revaluation Surplus on Property, Plant & Equipment | – | (3,326,079) | – | – | – | (3,326,079) |
| Dividends | – | – | – | – | (32,000,000) | (32,000,000) |
| Balance as at 31 March 2013 | 256,305,197 | 249,923,859 | (125,986) | 576,677 | 1,208,889,633 | 1,715,569,380 |
| COMPANY | | | | | | |
| Balance as at 01st April 2011 | 256,305,197 | 125,760,027 | – | 576,677 | 379,465,631 | 762,107,532 |
| Profit for the Year | – | – | – | – | 233,639,859 | 233,639,859 |
| Other Comprehensive Income | – | – | (64,174) | – | – | (64,174) |
| Realised Revaluation Surplus on Property, Plant & Equipment | – | (2,076,646) | – | – | – | (2,076,646) |
| Dividends | – | – | – | – | (64,000,000) | (64,000,000) |
| Balance as at 31st March 2012 | 256,305,197 | 123,683,381 | (64,174) | 576,677 | 549,105,490 | 929,606,571 |
| Profit for the Year | – | – | – | – | 120,370,009 | 120,370,009 |
| Other Comprehensive Income | – | – | (61,812) | – | – | (61,812) |
| Realised Revaluation Surplus on Property, Plant & Equipment | – | (1,321,250) | – | – | – | (1,321,250) |
| Dividends | – | – | – | – | (32,000,000) | (32,000,000) |
| Balance as at 31st March 2013 | 256,305,197 | 122,362,131 | (125,986) | 576,677 | 637,475,499 | 1,016,593,518 |

The accounting policies and notes on pages 35 through 78 form an integral part of the financial statements.

Cash Flow Statement

| Year ended 31st March | Note | Group | | Company | |
|--|------|---------------|---------------|---------------|---------------|
| | | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. |
| Cash Flows from/(used in) Operating Activities | | | | | |
| Profit before Tax | | 164,067,342 | 498,547,929 | 128,560,602 | 255,297,489 |
| Adjustments for: | | | | | |
| Allowance for Weight Loss | | 3,416,189 | 15,868,469 | 3,416,189 | 15,868,469 |
| Depreciation | 22 | 86,239,541 | 57,838,241 | 47,180,898 | 37,560,622 |
| Net of Provision Written Back and Written Off for the Related Party Receivables, Investment in Subsidiaries & Other Receivables & Payables | | - | (2,947,100) | - | (28,762,566) |
| Realised Revaluation Surplus on Disposal of Property, Plant & Equipment | | (3,326,079) | (2,076,646) | (1,321,250) | (2,076,646) |
| Intangible Assets Amortisation | 5 | 585,349 | 486,196 | 585,349 | 486,196 |
| Income from Investments | 20 | (2,788) | (2,714) | (72,969,543) | (17,665,392) |
| (Profit)/Loss on Sale of Property, Plant & Equipment | 20 | (2,039,315) | (779,263) | (634,501) | (779,263) |
| Finance Cost | 21 | 22,594,655 | 11,739,319 | 16,489,116 | 8,954,015 |
| Provision for Defined Benefit Plans | 16 | 5,629,148 | 6,539,498 | 5,575,033 | 4,890,228 |
| Provision for Bad & Doubtful Debts | 22 | 5,508,171 | 6,983,814 | 3,768,169 | 6,023,246 |
| Operating Profit before Working Capital Changes | | 282,672,212 | 592,197,743 | 130,650,062 | 279,796,398 |
| (Increase)/Decrease in Inventories | | (2,537,467) | (21,846,482) | (5,795,275) | (17,346,750) |
| (Increase)/Decrease in Biological Assets | | (40,196,064) | (11,481,424) | (15,629,344) | 17,293,281 |
| (Increase)/Decrease in Trade and Other Receivables | | 4,146,447 | (54,561,968) | (46,811,562) | (40,038,897) |
| Increase/(Decrease) in Related Company Balances (Net) | | 16,869,086 | 3,074,984 | (102,024,281) | (57,409,333) |
| Increase /(Decrease) in Trade and Other Payables | | 144,468,365 | (26,564,369) | 95,747,736 | (7,606,751) |
| Cash Generated from Operations | | 405,422,579 | 480,818,484 | 56,137,335 | 174,687,948 |
| Finance Costs Paid | 21 | (22,594,655) | (11,739,319) | (16,489,116) | (8,954,015) |
| Defined Benefit Plan Costs Paid | 16 | (1,294,870) | (1,417,388) | (1,065,920) | (1,214,438) |
| Income Tax Paid | | (51,131,434) | (90,491,346) | (7,296,675) | (51,425,837) |
| Net Cash Flows from/(used in) Operating Activities | | 330,401,621 | 377,170,431 | 31,285,624 | 113,093,658 |
| Cash Flows from/(used in) Investing Activities | | | | | |
| Acquisition of Property, Plant & Equipment | 4 | (389,061,991) | (436,227,719) | (122,120,245) | (151,732,425) |
| Acquisition of Intangible Assets | 5 | (1,302,378) | - | (1,302,378) | - |
| Investment in Subsidiaries | | - | - | (1,000) | - |
| Investment in Joint Ventures | | - | - | (10) | - |
| Proceeds from Sale of Property, Plant & Equipment | | 8,468,332 | 3,800,625 | 1,610,268 | 3,800,625 |
| Proceeds from Disposal of Shares | | - | - | - | - |
| Net Acquisition of Biological Assets | | (6,298,825) | (19,114,193) | 34,904,670 | (16,434,095) |
| Dividend Received | 20 | 2,788 | 2,714 | 72,969,543 | 17,665,392 |
| Net Cash Flows from/(used in) Investing Activities | | (388,192,074) | (451,538,573) | (13,939,152) | (146,700,503) |
| Cash Flows from/(used in) Financing Activities | | | | | |
| Dividend Paid | | (31,990,226) | (66,807,170) | (31,990,226) | (66,807,170) |
| Proceeds from Financing and Lease (Ijara) | 15 | 151,090,435 | 117,563,827 | 146,590,435 | 72,692,682 |
| Repayment of Financing Payable | 15 | (62,154,268) | (29,524,983) | (62,154,268) | (29,524,983) |
| Principal Payment under Lease (Ijara) | 15 | (11,031,117) | (11,646,982) | (1,436,302) | (8,986,305) |
| Net Cash Flows from/(used in) Financing Activities | | 45,914,824 | 9,584,692 | 51,009,639 | (32,625,776) |
| Net Increase/(Decrease) in Cash & Cash Equivalents | | (11,875,629) | (64,783,450) | 68,356,111 | (66,232,621) |
| Cash & Cash Equivalents at the beginning of the Year | 25 | 173,288,661 | 238,072,111 | 64,279,950 | 130,512,571 |
| Cash & Cash Equivalents at the end of the Year | 25 | 161,413,033 | 173,288,661 | 132,636,062 | 64,279,950 |

The accounting policies and notes on pages 35 through 78 form an integral part of the financial statements.

Notes to the Financial Statements

1. Corporate Information

1.1 General

Bairaha Farms PLC ('Company'), is a public quoted company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 407, Galle Road, Colombo 03.

Subsidiary Companies

Hill Country Farms Ltd.

Bairaha Foods (Pvt) Ltd.

BF Land Development Ltd.

HCF Land Development Ltd.

Lanka Land Development Ltd.

Golden Rooster Restaurants (Pvt) Ltd.

Siyane Farms Ltd.

Bairaha Trading (Pvt) Ltd.

Nature's Best Industry Ltd.

Regency Real Estate Company Ltd.

The principal places of business of Hill Country Farms Ltd., and Bairaha Foods (Pvt) Ltd., are situated at Batadole Road, Ellakkala, Pasyala and Ellalamulla, Pasyala respectively. All other companies, principal places of their business are at the same place where the registered office is situated.

Associate Companies

Fortune G-P Farms (Lanka) Ltd.

Joint Ventures

Rajarata Land Development Ltd.

Cultural Triangle Land Development Ltd.

Windsor Real Estate Ltd.

1.2 Principal Activities and Nature of Operations

The main activity of the Group centres around integrated poultry farming. The subsidiaries and related companies in the Group support and complement the activities of Bairaha Farms PLC, which is the Holding Company.

Within the purview of integrated poultry farming, the activities covered range from breeding of poultry, production of broiler day-old chicks, processing and marketing of its own brand of Bairaha broiler chicken and cut-ups, and marketing of a diverse range of products required by the livestock sector, specially the Antec range of disinfectants from the United Kingdom.

Bairaha Farms PLC being the pioneer quality packeted chicken processor owns and manages a large-scale state-of-the-art chicken processing, freezing and cold storage complex.

1.3 Date of Authorisation for Issue

The financial statements of Bairaha Farms PLC and subsidiary companies, for the year ended 31st March 2013 were authorised for issue by the Board of Directors on 15th July 2013.

2.1 Basis of Preparation

The financial statements which comprise, Statement of Financial Position, the Statement of Comprehensive Income, Statement of Changes in Equity and the Cash Flow Statement, together with the accounting policies and notes (the 'financial statements') have been prepared on a historical cost basis, except for, all property, plant & equipment other than assets classified as plant and machinery, available-for-sale financial assets and consumable biological assets that have been measured at fair value. The financial statements are presented in Sri Lankan Rupees.

2.1.1 General Policies

'The Company' refers to Bairaha Farms PLC as the Holding Company and 'the Group' refers to the Company and all its subsidiaries.

2.1.2 Statement of Compliance

The financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by The Institute of Chartered Accountants of Sri Lanka and the preparation and presentation of these financial statements is in compliance with the Companies Act No. 07 of 2007.

For all periods up to and including the year ended 31st March 2012, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS). The financial statements for the year ended 31st March 2013 are the first financial statement; the Group have been prepared and presented in accordance with SLFRS/LKAS. Refer Note 32 for information on how the Group adopted SLFRS/LKAS.

2.1.3 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations.

Notes to the Financial Statements

2.1.4 Comparative Information

The accounting policies have been consistently applied by the Group with those of the previous financial year in accordance with LKAS 01- Presentation of Financial Statements, except those which had to be changed as a result of application of the new SLFRS.

2.1.5 Basis of Consolidation

(a) The consolidated financial statements include the results, assets and liabilities of the Company and its subsidiaries as at 31st March. The financial statements of the subsidiaries are prepared for the same reporting year as the Company.

(b) All Intra-Group balances; transactions and profits & losses are eliminated on consolidation. Subsidiaries are fully-consolidated from the date of acquisition, being the date on which the Group obtains control, and continued to be consolidated until the date that such control ceases.

2.2 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. In the process of applying the Group accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below.

Taxation

The Group is subject to income taxes and other taxes. Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guideline on the treatment of the adoption of SLFRS in the financial statements and the taxable profit for the purpose of imposition of taxes.

Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements. The Group recognised assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome

of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred tax amounts in the period in which the determination is made.

Defined Benefit Plans

The defined benefit obligation and the related charge for the year are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates etc. Due to the long-term nature of such obligations these estimates are subject to significant uncertainty. Further details are given in Note 16.

Inventory

The Group reviews its inventory at each reporting date to assess whether an allowance for such assets should be recorded in the Statement of Comprehensive Income. In particular judgment by management is required in the estimation of the amount and the timing of future cash flows when determining the level of allowance required. Such estimates are based on a number of assumptions and actual results may differ, resulting in future changes to the allowance.

Useful Lives of Property, Plant & Equipment

The Group reviews the residual values, useful lives and methods of depreciation of assets as at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Fair Value of Property, Plant & Equipment

All property, plant & equipment except plant & machinery of the Group are reflected at fair value. The Group engaged independent valuation specialist to determine fair value of certain property, plant & equipment. Further details are given in Note 04.

Impairment Losses on Trade Receivables

The Group review individually significant receivables at each reporting date to assess whether an impairment loss should be recorded in the Statement of Comprehensive Income. In particular, judgment of the management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

Notes to the Financial Statements

2.3 Summary of Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SLFRS Statement of Financial Position at 01st April 2011 for the purpose of transition to SLFRS, unless otherwise is indicated.

2.3.1 Foreign Currency Translation

The financial statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. The resulting gains or losses are accounted for in the Statement of Comprehensive Income.

2.3.2 Taxation

(a) Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act.

(b) Deferred Taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except -

- where the deferred income tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised except -

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Notes to the Financial Statements

(c) Sales Taxes

Revenues, expenses and assets are recognised net of the amount of sales tax except -

- where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities, in which case the sales tax is recognised as a part of the cost of the asset or part of expense items as applicable,
- receivable and payable that are stated with the amount of sales tax included.

The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Statement of Financial Position.

2.3.3 Borrowing Costs

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

2.3.4 Biological Assets and Agricultural Produce

A biological asset is a living animal or plant. Biological assets consist of breeder birds, hatching eggs and broiler birds.

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

In management's opinion, the fair value of the consumable biological assets is substantially represented by formation cost, mainly due to the short life cycle of the birds and the fact that a significant share of the profits arises from the manufacturing process (i.e., as broiler whole chicken, broiler portions and further processing meat) and not from the live birds. Accordingly, the cost of consumable biological assets approximates its fair value. Consumable biological assets are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell.

Bearer biological assets are those other than consumable biological assets. Bearer biological assets are not agricultural produce but, rather, are self-regenerating. As per the ruling

issued by Institute of Chartered Accountants in March 2012, preparers can choose to either measure bearer biological assets at cost (using LKAS 16 - *Property, Plant & Equipment*) or at fair value under LKAS 41 - *Agriculture*.

Company has identified breeder birds as bearer biological assets. All initial and subsequent direct costs relating to breeder birds are capitalised until the bird reaches its intended use (within 20 weeks). Subsequently, these are carried at cost less accumulated amortisation over a period of 40 weeks.

Agricultural produce harvested from an entity's biological assets is measured at its fair value less costs to sell at the point of harvest. Agricultural produce includes meat carcass.

2.3.5 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow-moving items. Net realisable value is the estimated price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted as follows:

2.3.5.1 Broiler Meat

Broiler meat is valued at prime cost together with an appropriate proportion of overheads on weighted average basis, after making due allowance for weight losses.

2.3.5.2 Poultry Feed, Drugs and Sundry Inventories

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

2.3.5.3 Trading Inventories

Trading inventories which include retail items for sale are valued at actual cost on weighted average basis.

2.3.6 Cash & Cash Equivalents

Cash & cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Notes to the Financial Statements

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash in hand, demand deposits and short-term highly liquid investments as defined above net of outstanding bank overdrafts.

2.3.7 Property, Plant & Equipment

(a) Cost and Valuation

All items of property, plant & equipment are initially recorded at cost. Where items of property, plant & equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the reporting date. Subsequent to the initial recognition as an asset at cost, revalued property, plant & equipment are carried at revalued amounts less any subsequent depreciation thereon. All other property, plant & equipment are stated at historical cost less depreciation and less any impairment in value.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit or loss, in which case the increase is recognised in the profit or loss. A revaluation deficit is recognised in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(b) Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant & equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognised as an expense when incurred.

(c) Depreciation

The provision for depreciation is calculated by using straight-line method on the cost or valuation of all property, plant & equipment other than freehold land, in order to write-off such amounts over the estimated useful lives by equal instalments.

Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An item of property, plant & equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.3.8 Leases

(a) Finance Leases - Where the Company is the Lessee

Property, plant & equipment on finance leases, which effectively transfer to the Company substantially all the risk and benefits incidental to ownership of the leased item are capitalised at their fair value or if lower, at the present value of the minimum lease payments and disclosed as property, plant & equipment and depreciated over the period the Company is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor together with the interest payable over the period of the lease is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges that are charged, are reflected in the Statement of Comprehensive Income.

(b) Operating Leases

Leases where the lessor effectively retains substantially all the risk and benefit of ownership over the lease term are classified as operating leases.

Rentals paid under operating leases are recognised as an expense comprise in the Statement of Comprehensive Income on a straight line basis over the lease term.

2.3.9 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Notes to the Financial Statements

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the intangible asset.

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

A summary of the policies applied to the Company's intangible assets is as follows:

| The Class of Intangible Assets | Useful Life | Amortisation Method |
|--------------------------------|-------------|----------------------|
| Computer Software | 10 Years | Straight-line method |

2.3.10 Financial Instruments - Initial Recognition and Subsequent Measurement

(i) Financial Assets

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate and determine the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Group's financial instruments consist of Loans and receivables and Available-for-Sale financial instruments, of which accounting policies on subsequent measurement, impairment and de-recognition are set out below:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Comprehensive Income in distribution cost.

Loans and receivables are presented as 'cash & bank balance', 'trade and other receivables', and amounts due from related parties on the Statement of Financial Position.

Available-for-Sale Financial Investments

Available-for-sale financial investments include equity securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the Profit or loss in finance costs and removed from the available-for-sale reserve.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets

Notes to the Financial Statements

in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial assets reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Available-for-sale financial investments are presented as "other investments" on the Statement of Financial Position.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when -

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

(ii) Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Statement of Comprehensive Income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised

Notes to the Financial Statements

or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to distribution cost in the statement of comprehensive income.

Available-for-Sale Financial Investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss - is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairments are recognised directly in other comprehensive income.

(iii) Financial Liabilities

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition and all financial liabilities are recognised initially at fair value.

Group's financial liabilities consists of loans and borrowings of which accounting policies on subsequent measurement, and derecognition are set out below:

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised as well as through the Effective Interest Rate (EIR) method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Comprehensive Income.

The Group's loans and borrowings include trade and other payables, bank overdrafts, financing & lease (ijara) payables, and amounts due to related parties.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

(iv) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if-

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include-

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

Notes to the Financial Statements

2.3.11 Investment in an Associate

Investments in associate companies are accounted for on the equity method, whereby the share of profit of the associates attributable to the Company is accounted for as income and the value of the investment (which was initially recognised at cost) is adjusted by a like amount.

An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

In the separate financial statements of the Company, such investments in associates are accounted for at cost.

2.3.12 Interest in a Joint Venture

The Company's interest in joint ventures is accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the Company's financial statements on a line-by-line basis. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies of the joint venture in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intra-group balances, transactions and unrealised gains and losses on such transactions between the Group and its jointly controlled entity. Losses on these transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

In the separate financial statements of the Company, such investments in joint ventures are accounted for at cost.

2.3.13 Impairment of Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely

independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 'exceed' the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Comprehensive Income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

2.3.14 Retirement Benefit Obligations

(a) Defined Benefit Plan - Gratuity

Employees are eligible to receive a gratuity payment of half-month's salary per year of service at the end of service provided the employee has provided 5 years of service.

The liability recognised in the statement of financial position is the present value of defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in the Statement of Comprehensive Income.

Funding Arrangements

The Gratuity liability is not externally funded.

Notes to the Financial Statements

(b) Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.3.15 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.3.16 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue:

(a) Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to buyer; with the Company retaining neither continuing managerial involvement to the degree usually associated with the ownership, nor effective control over the goods sold.

(b) Rendering of Services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

(c) Dividends

Dividend income is recognised when the shareholders' right to receive the payment is established.

(d) Rental Income

Rental income is recognised on accrual basis.

(e) Others

Other income is recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of property, plant & equipment and other non-current assets including investments have been accounted for in the Statement of Comprehensive Income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of revalued property, plant & equipment, amount remaining in revaluation reserve relating to that asset is transferred directly to accumulated profit.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.4 Standards Issued but Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the financial statements are set out below. The Bank and the Group will adopt these standards when they become effective. Pending a detailed review the financial impact is not reasonably estimable as at the date of publication of these financial statements.

- (i) SLFRS 9 - 'Financial Instruments': Classification and Measurement SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.
- (ii) SLFRS 13 - 'Fair Value Measurement'
SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 provides guidance on all fair value measurements under SLFRS.

SLFRS 9 will be effective for financial periods beginning on or after 01st January 2015 whilst SLFRS 13 will be effective for financial periods beginning on or after 01st January 2014.

In addition to the above, following standards have also been issued and will be effective from 01st January 2014:
SLFRS 10 - Consolidated Financial Statements
SLFRS 11 - Joint Arrangements
SLFRS 12 - Disclosure of Interests in Other

Notes to the Financial Statements

3. Revenue

| Year ended 31st March | Group | | Company | |
|-----------------------|---------------|---------------|---------------|---------------|
| | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. |
| Summary | | | | |
| Gross Value of Sales | 3,265,013,598 | 3,164,939,119 | 2,705,951,436 | 2,363,709,280 |
| Less: Value Added Tax | (347,487,844) | (336,123,732) | (287,477,287) | (250,856,549) |
| Revenue | 2,917,525,754 | 2,828,815,387 | 2,418,474,149 | 2,112,852,731 |

4. Property, Plant & Equipment

4.1 Group

4.1.1 Gross Carrying Amounts

| | Balance as at 01.04.2011 Rs. | Additions/ Transfers Rs. | Revaluation Surplus Rs. | Disposals/ Transfers Rs. | Balance as at 01.04.2012 Rs. | Additions/ Transfers Rs. | Disposals/ Transfers Rs. | Balance as at 31.03.2013 Rs. |
|--|---------------------------------------|--------------------------------|-------------------------------|--------------------------------|---------------------------------------|--------------------------------|--------------------------------|---------------------------------------|
| At Cost/Valuation | | | | | | | | |
| Land | 177,849,749 | 23,780,564 | 9,005,071 | – | 210,635,384 | 41,399,158 | (770,000) | 251,264,542 |
| Buildings | 111,917,524 | 21,018,094 | – | (200,000) | 132,735,618 | 38,880,317 | – | 171,615,935 |
| Buildings on Leasehold Lands | 9,255,000 | 723,500 | – | – | 9,978,500 | 605,750 | – | 10,584,250 |
| Poultry Sheds | 139,486,270 | 84,943,173 | – | – | 224,429,443 | 127,049,289 | – | 351,478,732 |
| Plant & Machinery | 110,217,655 | 146,363,102 | – | (500,000) | 256,080,757 | 123,843,605 | (541,490) | 379,382,872 |
| Equipment | 109,613,033 | 64,988,167 | – | (100,273) | 174,500,927 | 48,567,644 | (4,000) | 223,064,571 |
| Furniture & Fittings | 4,241,210 | 4,661,729 | – | – | 8,902,939 | 4,449,148 | (1,000) | 13,351,087 |
| Motor Vehicles | 38,884,413 | 5,552,900 | – | (2,855,000) | 41,582,313 | 25,543,570 | (4,830,000) | 62,295,883 |
| Computer Equipment | 3,772,830 | 606,000 | – | – | 4,378,830 | 1,003,721 | – | 5,382,551 |
| | 705,237,684 | 352,637,229 | 9,005,071 | (3,655,273) | 1,063,224,711 | 411,342,202 | (6,146,490) | 1,468,420,423 |
| Assets on Finance Leases | | | | | | | | |
| Land | 1,250,000 | – | – | (1,250,000) | – | – | – | – |
| Motor Vehicles | – | 3,584,000 | – | – | 3,584,000 | 4,500,000 | – | 8,084,000 |
| Plant & Machinery | 21,924,026 | 44,300,537 | – | – | 66,224,563 | – | (21,924,026) | 44,300,537 |
| | 23,174,026 | 47,884,537 | – | (1,250,000) | 69,808,563 | 4,500,000 | (21,924,026) | 52,384,537 |
| Total Value of Depreciable Assets | 728,411,710 | 400,521,766 | 9,005,071 | (4,905,273) | 1,133,033,274 | 415,842,202 | (28,070,516) | 1,520,804,960 |

Notes to the Financial Statements

4.1.2 In the Course of Construction

| | Balance as at 01.04.2011 Rs. | Additions/ Transfers Rs. | Revaluation Surplus Rs. | Disposals/ Transfers Rs. | Balance as at 01.04.2012 Rs. | Additions/ Transfers Rs. | Disposals/ Transfers Rs. | Balance as at 31.03.2013 Rs. |
|--|---------------------------------------|--------------------------------|-------------------------------|--------------------------------|---------------------------------------|--------------------------------|--------------------------------|---------------------------------------|
| Capital Work-in- Progress | 44,882,539 | 82,922,827 | – | (45,966,875) | 81,838,491 | 238,206,519 | (245,292,849) | 74,752,161 |
| Total Gross Carrying Amount | 773,294,248 | 483,444,594 | 9,005,071 | (50,872,148) | 1,214,871,765 | 654,048,721 | (273,363,365) | 1,595,557,121 |

4.1.3 Depreciation

| | Balance as at 01.04.2011 Rs. | Charge for the Year/ Transfers Rs. | Disposals/ Transfers Rs. | Balance as at 01.04.2012 Rs. | Charge for the Year/ Transfers Rs. | Disposals/ Transfers Rs. | Balance as at 31.03.2013 Rs. |
|---------------------------------|---------------------------------------|---|--------------------------------|---------------------------------------|---|--------------------------------|---------------------------------------|
| At Cost/Valuation | | | | | | | |
| Buildings | 3,313,236 | 3,762,741 | (5,500) | 7,070,477 | 4,295,578 | – | 11,366,055 |
| Buildings on Leasehold Land | 636,750 | 647,603 | – | 1,284,353 | 670,383 | – | 1,954,736 |
| Poultry Sheds | 8,369,176 | 11,361,944 | – | 19,731,120 | 18,207,930 | – | 37,939,050 |
| Plant & Machinery | (14,501,979) | 14,130,731 | (77,500) | (448,748) | 30,819,788 | (139,885) | 30,231,155 |
| Equipment | 12,716,587 | 17,328,019 | (5,223) | 30,039,383 | 24,775,128 | (1,000) | 54,813,511 |
| Furniture & Fittings | 363,966 | 517,140 | – | 881,106 | 1,039,732 | (233) | 1,920,605 |
| Motor Vehicles | 4,230,310 | 5,755,192 | (545,688) | 9,439,814 | 7,045,310 | (1,806,500) | 14,678,624 |
| Computer Equipment | 735,832 | 1,021,034 | – | 1,756,866 | 1,189,959 | – | 2,946,825 |
| | 15,863,878 | 54,524,404 | (633,911) | 69,754,371 | 88,043,807 | (1,947,618) | 155,850,560 |
| Assets on Finance Leases | | | | | | | |
| Motor Vehicles | – | 357,909 | – | 357,909 | 818,850 | – | 1,176,759 |
| Plant & Machinery | 2,192,403 | 2,955,928 | – | 5,148,331 | 3,405,992 | (6,029,108) | 2,525,215 |
| | 2,192,403 | 3,313,837 | – | 5,506,240 | 4,224,842 | (6,029,108) | 3,701,974 |
| Total Depreciation | 18,056,281 | 57,838,241 | (633,911) | 75,260,611 | 92,268,649 | (7,976,726) | 159,552,534 |

Notes to the Financial Statements

4.1.4 Net Book Values

| | Balance as at 31.03.2013 Rs. | Balance as at 31.03.2012 Rs. | Balance as at 01.04.2011 Rs. |
|---|------------------------------------|------------------------------------|------------------------------------|
| At Cost/Valuation | | | |
| Land | 251,264,542 | 210,635,384 | 177,849,749 |
| Buildings | 160,249,880 | 125,665,141 | 108,604,288 |
| Buildings on Leasehold Land | 8,629,515 | 8,694,147 | 8,618,250 |
| Poultry Sheds | 313,539,682 | 204,698,323 | 131,117,094 |
| Plant & Machinery | 349,151,717 | 256,529,505 | 124,719,636 |
| Equipment | 168,251,060 | 144,461,544 | 96,896,446 |
| Furniture & Fittings | 11,430,482 | 8,021,833 | 3,877,244 |
| Motor Vehicles | 47,617,259 | 32,142,499 | 34,654,103 |
| Computer Equipment | 2,435,726 | 2,621,964 | 3,036,998 |
| | 1,312,569,863 | 993,470,340 | 689,373,808 |
| Assets on Finance Leases | | | |
| Land | - | - | 1,250,000 |
| Motor Vehicles | 6,907,241 | 3,226,091 | - |
| Plant & Machinery | 41,775,322 | 61,076,232 | 19,731,623 |
| | 48,682,563 | 64,302,323 | 20,981,623 |
| In the Course of Construction | | | |
| Capital Work-in-Progress | 74,752,161 | 81,838,491 | 44,882,539 |
| Total Carrying Amount of Property, Plant & Equipment | 1,436,004,587 | 1,139,611,154 | 755,237,970 |

Notes to the Financial Statements

4.1.5 Group

The following assets were revalued on 31st March 2010 and the lands of joint venture companies were revalued on 31st March 2012 by Messrs Ariyathilaka & Co. (Pvt) Ltd. an independent valuer. The results of such revaluation was incorporated in these financial statements from its effective date which was 31st March 2010 and 31st March 2012. The buildings and other assets were valued on the current replacement cost basis and net replacement cost basis respectively. The surplus arising from the revaluation was transferred to a revaluation surplus.

Freehold Land Carried at Revalued Amount

| Company | Location | Last Revaluation Date | Land Extent | Carrying Value as at 31.03.2013 Freehold Land |
|---|--|-----------------------|---------------|--|
| Bairaha Farms PLC | Ginigama Estate - Hiripitiya | 31.03.2010 | 20A-4R-19.5P | 10,560,938 |
| | | | | 10,560,938 |
| Hill Country Farms Ltd. | Ellakkala Estate - Pasyala | 31.03.2010 | 39A-0R-28.9P | 58,770,938 |
| | | | | 58,770,938 |
| Lanka Land Development Ltd. | Kendalanda Estate - Urapola | 31.03.2010 | 31A-3R-24.55P | 19,027,500 |
| | | | | 19,027,500 |
| H.C.F. Land Development Ltd. | Ginigama Estate - Hiripitiya | 31.03.2010 | 7A-0R-0P | 3,500,000 |
| | Pahalahammillewa - Nikaweratiya | | 28A-1R-6.5P | 9,446,975 |
| | Polgasagare Estate - Kalalpitiya | | 0A-0R-12.5P | 1,250,000 |
| | | | | 14,196,975 |
| B.F. Lands Development Ltd. | Ellakkala Estate - Pasyala | 31.03.2010 | 25A-2R-5.1P | 51,063,750 |
| | Kondagahamulla Estate - Kondagahamulla | 31.03.2010 | 6A-1R-0.6P | 12,162,500 |
| | | | | 63,226,250 |
| Siyane Farms Ltd. | St. Catherine Estate - Dolosbage | 31.03.2010 | 24A-0R-15P | 9,637,500 |
| | | | | 9,637,500 |
| Nature's Best Industry Ltd. | Dangaswewa Estate - Anamaduwa | | 48A-2R-10P | 31,136,222 |
| | | | | 31,136,222 |
| Rajarata Land Development Ltd. | Maloya Mukalanawatte - Galewela | 31.03.2012 | 47A-3R-14.6P | 15,079,438 |
| | | | | 15,079,438 |
| Cultural Triangle Land Development Ltd. | Gurumadahenayaya - Galewela | 31.03.2012 | 7A-0R-0P | 8,750,000 |
| | | | | 8,750,000 |
| Windsor Real Estate Ltd. | Nagane Estate - Kurunegala | | 36A-1R-27.8P | 65,587,000 |
| | | | | 65,587,000 |
| Total | | | | 251,264,542 |

Notes to the Financial Statements

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

| | Cost | Cumulative Depreciation if Assets were Carried at Cost | Net Carrying Amount 2013 | Net Carrying Amount 2012 |
|------------------------------|-------------|---|-----------------------------------|-----------------------------------|
| | Rs. | Rs. | Rs. | Rs. |
| Class of Assets | | | | |
| Land | 49,259,921 | – | 49,259,921 | 49,259,921 |
| Buildings | 77,582,655 | 26,653,125 | 50,929,530 | 53,257,243 |
| Buildings on Leasehold Lands | 11,667,021 | 6,422,149 | 5,244,872 | 6,411,574 |
| Poultry Sheds | 102,394,440 | 52,271,874 | 50,122,566 | 56,290,906 |
| Equipment | 185,772,098 | 182,337,288 | 3,434,811 | 26,656,323 |
| Furniture & Fittings | 10,006,781 | 9,840,455 | 166,326 | 1,167,004 |
| Motor Vehicles | 20,239,285 | 20,239,285 | – | – |
| Computer Equipment | 10,765,244 | 10,765,244 | – | – |

Assets on Finance Leases

| | | | | |
|----------------|-----------|-----------|---------|-----------|
| Motor Vehicles | 6,726,087 | 6,214,397 | 511,690 | 1,520,099 |
| Equipment | 2,501,730 | 2,501,730 | – | – |

4.1.6 During the financial year, the Group acquired property, plant & equipment to the aggregate value of Rs. 389,061,991/- (2012 - Rs. 436,227,719/-). Cash payments amounting to Rs. 389,061,991/- (2012 - Rs. 436,227,719/-) was paid during the year for purchases of property, plant & equipment.

4.1.7 Finance leases of which the lease period has lapsed have been transferred into the relevant class of assets under 'Cost' as the ownership of the assets had transferred to the Company during the year.

4.1.8 The Useful Life of the Assets (Group/Company)

| | |
|-----------------------------|--------------------|
| Buildings | Over 33.3 Years |
| Buildings on Leasehold Land | Over 10 Years |
| Poultry Sheds | Over 16.6 Years |
| Plant & Machinery | Over 10 - 20 Years |
| Equipment | Over 8 Years |
| Furniture & Fittings | Over 10 Years |
| Motor Vehicles | Over 6.67 Years |
| Computer Equipment | Over 4 Years |

Notes to the Financial Statements

4.2 Company

4.2.1 Gross Carrying Amounts

| | Balance as at 01.04.2011 Rs. | Additions/ Transfers Rs. | Disposals/ Transfers Rs. | Balance as at 01.04.2012 Rs. | Additions/ Transfers Rs. | Disposals/ Transfers Rs. | Balance as at 31.03.2013 Rs. |
|--|---------------------------------------|--------------------------------|--------------------------------|---------------------------------------|--------------------------------|--------------------------------|---------------------------------------|
| At Cost/Valuation | | | | | | | |
| Land | 10,560,938 | - | - | 10,560,938 | - | - | 10,560,938 |
| Buildings | 98,865,024 | 10,567,836 | (200,000) | 109,232,860 | 18,400,589 | - | 127,633,449 |
| Buildings on Leasehold Land | 5,130,000 | - | - | 5,130,000 | - | - | 5,130,000 |
| Poultry Sheds | 98,971,269 | 16,909,297 | - | 115,880,566 | 3,711,362 | - | 119,591,928 |
| Plant & Machinery | 76,313,201 | 84,570,532 | (500,000) | 160,383,733 | 82,210,194 | - | 242,593,927 |
| Equipment | 82,677,874 | 38,201,926 | (100,273) | 120,779,527 | 14,176,090 | - | 134,955,617 |
| Furniture & Fittings | 3,639,892 | 666,047 | - | 4,305,939 | 3,363,640 | (1,000) | 7,668,579 |
| Motor Vehicles | 23,517,024 | 1,530,000 | (2,855,000) | 22,192,024 | 15,151,758 | (1,500,000) | 35,843,782 |
| Computer Equipment | 3,223,303 | 516,000 | - | 3,739,303 | 999,221 | - | 4,738,524 |
| | 402,898,525 | 152,961,638 | (3,655,273) | 552,204,890 | 138,012,854 | (1,501,000) | 688,716,744 |
| Assets on Finance Leases | | | | | | | |
| Plant & Machinery | 21,924,026 | - | - | 21,924,026 | - | (21,924,026) | - |
| | 21,924,026 | - | - | 21,924,026 | - | (21,924,026) | - |
| Total Value of Depreciable Assets | 424,822,551 | 152,961,638 | (3,655,273) | 574,128,916 | 138,012,854 | (23,425,026) | 688,716,744 |

4.2.2 In the Course of Construction

| | | | | | | | |
|------------------------------------|--------------------|--------------------|---------------------|--------------------|--------------------|---------------------|--------------------|
| Capital Work-in-Progress | 12,083,970 | 11,082,604 | (12,311,817) | 10,854,757 | 30,907,437 | (24,876,020) | 16,886,174 |
| Total Gross Carrying Amount | 436,906,521 | 164,044,242 | (15,967,090) | 584,983,673 | 168,920,291 | (48,301,046) | 705,602,918 |

4.2.3 Depreciation

| | Balance as at 01.04.2011 Rs. | Charge for the Year/ Transfers Rs. | Disposals/ Transfers Rs. | Balance as at 01.04.2012 Rs. | Charge for the Year/ Transfers Rs. | Disposals/ Transfers Rs. | Balance as at 31.03.2013 Rs. |
|---------------------------------|---------------------------------------|---|--------------------------------|---------------------------------------|---|--------------------------------|---------------------------------------|
| At Cost/Valuation | | | | | | | |
| Buildings | 2,900,605 | 3,171,111 | (5,500) | 6,066,216 | 3,467,961 | - | 9,534,177 |
| Buildings on Leasehold Land | 513,000 | 513,000 | - | 1,026,000 | 513,000 | - | 1,539,000 |
| Poultry Sheds | 5,938,276 | 6,582,346 | - | 12,520,622 | 6,984,461 | - | 19,505,083 |
| Plant & Machinery | (14,613,892) | 8,208,238 | (77,500) | (6,483,154) | 19,636,517 | - | 13,153,363 |
| Equipment | 9,783,248 | 12,527,323 | (5,223) | 22,305,348 | 15,665,484 | - | 37,970,832 |
| Furniture & Fittings | 313,129 | 388,556 | - | 701,685 | 550,716 | (233) | 1,252,168 |
| Motor Vehicles | 2,327,984 | 3,105,242 | (545,688) | 4,887,538 | 3,717,582 | (525,000) | 8,080,120 |
| Computer Equipment | 598,450 | 872,403 | - | 1,470,853 | 1,029,983 | - | 2,500,836 |
| | 7,760,800 | 35,368,219 | (633,911) | 42,495,108 | 51,565,704 | (525,233) | 93,535,579 |
| Assets on Finance Leases | | | | | | | |
| Plant & Machinery | 2,192,403 | 2,192,403 | - | 4,384,806 | 1,644,302 | (6,029,108) | - |
| | 2,192,403 | 2,192,403 | - | 4,384,806 | 1,644,302 | (6,029,108) | - |
| Total Depreciation | 9,953,203 | 37,560,622 | (633,911) | 46,879,914 | 53,210,006 | (6,554,341) | 93,535,579 |

Notes to the Financial Statements

4.2.4 Net Book Values

| | Balance as at 31.03.2013 Rs. | Balance as at 31.03.2012 Rs. | Balance as at 31.03.2011 Rs. |
|---|------------------------------------|------------------------------------|------------------------------------|
| At Cost/Valuation | | | |
| Land | 10,560,938 | 10,560,938 | 10,560,938 |
| Buildings | 118,099,272 | 103,166,644 | 95,964,419 |
| Buildings on Leasehold Land | 3,591,000 | 4,104,000 | 4,617,000 |
| Poultry Sheds | 100,086,845 | 103,359,944 | 93,032,993 |
| Plant & Machinery | 229,440,564 | 166,866,887 | 90,927,093 |
| Equipment | 96,984,785 | 98,474,179 | 72,894,626 |
| Furniture & Fittings | 6,416,411 | 3,604,254 | 3,326,763 |
| Motor Vehicles | 27,763,662 | 17,304,486 | 21,189,040 |
| Computer Equipment | 2,237,688 | 2,268,450 | 2,624,853 |
| | 595,181,165 | 509,709,782 | 395,137,725 |
| Assets on Finance Leases | | | |
| Plant & Machinery | – | 17,539,220 | 19,731,623 |
| | – | 17,539,220 | 19,731,623 |
| In the Course of Construction | | | |
| Capital Work-in-Progress | 16,886,174 | 10,854,757 | 12,083,970 |
| Total Carrying Amount of Property, Plant & Equipment | 612,067,339 | 538,103,759 | 426,953,318 |

4.2.5 Company

The fair value of property, plant & equipment was determined by means of a revaluation during the financial year 2010 by Messrs Ariyathilaka & Co. (Pvt) Ltd. an independent valuer in reference to market based evidence. The results of such revaluation were incorporated in these financial statements from its effective date which is 31st March 2010. The surplus arising from the revaluation was transferred to a revaluation reserve and revaluation deficit charge as current year expenses.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

| Class of Assets | Cost Rs. | Cumulative Depreciation if Assets were Carried at Cost Rs. | Net Carrying Amount 2013 Rs. | Net Carrying Amount 2012 Rs. |
|------------------------------|-------------|--|--|--|
| Land | 6,273,718 | – | 6,273,718 | 6,273,718 |
| Buildings | 61,153,496 | 22,603,310 | 38,550,186 | 40,384,975 |
| Buildings on Leasehold Lands | 5,770,279 | 3,750,682 | 2,019,597 | 2,596,625 |
| Poultry Sheds | 48,055,422 | 26,986,406 | 21,069,016 | 23,963,921 |
| Equipment | 131,420,919 | 126,635,854 | 4,785,065 | 21,212,680 |
| Furniture & Fittings | 9,032,822 | 8,911,228 | 121,593 | 1,024,876 |
| Motor Vehicles | 15,786,584 | 15,786,584 | – | – |
| Computer Equipment | 10,643,194 | 10,643,194 | – | – |

4.2.6 During the financial year, the Company acquired property, plant & equipment to the aggregate value of Rs. 122,120,245/- (2012 - Rs. 151,732,425/-). Cash payments amounting to Rs. 122,120,245/- (2012 - Rs. 151,732,425/-) was paid during the year for purchases of property, plant & equipment.

Notes to the Financial Statements

5. Intangible Assets (Group/Company)

5.1 Summary

| | Computer Software Rs. | Total Rs. |
|----------------------------|--------------------------|--------------|
| Cost | | |
| As at 01st April 2011 | 4,861,963 | 4,861,963 |
| Acquired during the Period | - | - |
| As at 01st April 2012 | 4,861,963 | 4,861,963 |
| Acquired during the Period | 1,302,378 | 1,302,378 |
| As at 31st March 2013 | 6,164,341 | 6,164,341 |
| Amortisation | | |
| As at 01st April 2011 | 691,915 | 691,915 |
| Amortisation for the Year | 486,196 | 486,196 |
| As at 01st April 2012 | 1,178,111 | 1,178,111 |
| Amortisation for the Year | 585,349 | 585,349 |
| As at 31st March 2013 | 1,763,460 | 1,763,460 |
| Net Book Value | | |
| As at 01st April 2011 | 4,170,048 | 4,170,048 |
| As at 01st April 2012 | 3,683,852 | 3,683,852 |
| As at 31st March 2013 | 4,400,881 | 4,400,881 |

6. Investments in Subsidiaries and Joint Ventures

6.1 Subsidiaries

| | Country of Incorporation | Holding % | Cost 2013 Rs. | Directors' Valuation* 2013 Rs. | Cost 2012 Rs. | Directors' Valuation* 2012 Rs. | Cost as at 01.04.2011 Rs. | Directors' Valuation as at* 01.04.2011 Rs. |
|--|-----------------------------|--------------|---------------------|---|---------------------|---|------------------------------------|---|
| Non-Quoted | | | | | | | | |
| Hill Country Farms Ltd. | Sri Lanka | 100 | 54,000,000 | 150,200,531 | 54,000,000 | 164,694,636 | 54,000,000 | 176,331,259 |
| Bairaha Foods (Pvt) Ltd. | Sri Lanka | 100 | 3,750,000 | 24,431,975 | 3,750,000 | 15,832,325 | 3,750,000 | 7,098,843 |
| Lanka Land Development Ltd. | Sri Lanka | 100 | 2,100,000 | 13,109,234 | 2,100,000 | 13,110,376 | 2,100,000 | 13,129,368 |
| HCF Land Development Ltd. | Sri Lanka | 100 | 5,300,000 | 7,454,865 | 5,300,000 | 7,450,569 | 5,300,000 | 7,531,433 |
| BF Lands Development Ltd. | Sri Lanka | 100 | 10,540,000 | 64,136,173 | 10,540,000 | 63,754,820 | 10,540,000 | 63,885,017 |
| Golden Rooster Restaurants (Pvt) Ltd. | Sri Lanka | 100 | 2,000,000 | - | 2,000,000 | - | 2,000,000 | - |
| Siyane Farms Ltd. | Sri Lanka | 100 | 35,000,050 | 484,666,915 | 35,000,050 | 473,210,051 | 35,000,050 | 256,417,711 |
| Nature's Best Industries Ltd. | Sri Lanka | 100 | 50,000,000 | 56,189,391 | 50,000,000 | 49,699,918 | - | - |
| Regency Real Estate Company Ltd. | Sri Lanka | 100 | 1,000 | - | - | - | - | - |
| Total Non-Quoted Investments in Subsidiaries | | | 162,691,050 | 800,189,084 | 162,690,050 | 787,752,695 | 112,690,050 | 524,393,631 |
| Allowance for Decline in Value Other than Temporary | | | (2,000,000) | | (2,000,000) | | (5,750,000) | |
| Total Carrying Value of Investments in Subsidiaries | | | 160,691,050 | | 160,690,050 | | 106,940,050 | |

* Directors' Valuation of Shares is on Net Assets Basis.

Notes to the Financial Statements

6.1.1 Board of Directors decided to wind-up the business activities of Golden Rooster Restaurants (Pvt) Ltd., during the financial year 2001/02. Accordingly, the movable assets of the Company were sold after calling for tender. Full provision has been made for this investment.

6.2 Joint Ventures

| | Carrying Value 2013 Rs. | Holding 2013 % | Carrying Value 2012 Rs. | Holding 2012 % | Carrying Value as at 01.04.2011 Rs. | Holding as at 01.04.2011 % |
|---|-------------------------------|----------------------|-------------------------------|----------------------|---|----------------------------------|
| Rajarata Land Development Ltd. | 1,495,000 | 50 | 1,495,000 | 50 | 1,495,000 | 50 |
| Cultural Triangle Land Development Ltd. | 1,400,000 | 50 | 1,400,000 | 50 | 1,400,000 | 50 |
| Windsor Real Estate Ltd. | 10 | 50 | - | - | - | - |
| | 2,895,010 | | 2,895,000 | | 2,895,000 | |

6.2.1 Rajarata Land Development Ltd., Cultural Triangle Land Development Ltd. and Windsor Real Estate Ltd. holds lands on behalf of the Group.

6.2.2 Company Share of Financial Details of Joint Ventures:

| | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. |
|---------------------|-------------|-------------|-------------------------|
| Non-Current Assets | 44,708,219 | 11,914,719 | 2,909,648 |
| Current Assets | 1,472,533 | 164,829 | 171,015 |
| Current Liabilities | 34,142,680 | 97,653 | 119,904 |
| Income | 163,708 | 75,000 | 75,000 |
| Expense | 131,311 | 63,369 | 67,249 |

Notes to the Financial Statements

7. Investments in Associates

| | Holding | | | Group Carrying Value | | | Company Carrying Value | | |
|---|---------|-------|---------------------|-------------------------|------------|---------------------|---------------------------|------------|---------------------|
| | 2013 | 2012 | As at 01.04.2011 | 2013 | 2012 | As at 01.04.2011 | 2013 | 2012 | As at 01.04.2011 |
| | % | % | % | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Non-Quoted | | | | | | | | | |
| Confifi Aquaculture Ventures (Pvt) Ltd. | 24 | 24 | 24 | - | - | - | - | - | 1,789,949 |
| Fortune G-P Farms (Lanka) Ltd. | 39.54 | 39.54 | 39.54 | 53,315,887 | 32,171,920 | 17,981,918 | 15,162,700 | 15,162,700 | 15,162,700 |
| Total Non-Quoted Investment in Associates | | | | 53,315,887 | 32,171,920 | 17,981,918 | 15,162,700 | 15,162,700 | 16,952,649 |
| Allowances for Decline in Value other than Temporary | | | | - | - | - | - | - | (1,789,949) |
| Total Carrying Value of the Investment in Associates | | | | 53,315,887 | 32,171,920 | 17,981,918 | 15,162,700 | 15,162,700 | 15,162,700 |
| Directors' Valuation* | | | | 53,315,887 | 32,171,920 | 17,981,918 | 53,315,887 | 32,171,920 | 17,981,918 |

* Directors' Valuation of Shares is on Net Assets Basis.

| | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. |
|---|--------------|--------------|-------------------------|
| Share of the Associate's Net Assets: | | | |
| Current Assets | 27,475,299 | 43,430,719 | 26,670,076 |
| Non-Current Assets | 47,529,524 | 30,269,312 | 30,810,448 |
| Current Liabilities | (18,917,530) | (37,584,760) | (34,823,825) |
| Non-Current Liabilities | (2,771,406) | (3,943,351) | (4,674,781) |
| Net Assets | 53,315,887 | 32,171,920 | 17,981,918 |
| Share of the Associate's Revenue and Profit: | | | |
| Revenue | 86,777,578 | 64,505,458 | 54,605,381 |
| Profit After Tax | 19,794,730 | 12,553,487 | 4,536,336 |

Notes to the Financial Statements

8. Other Investments (Group/Company)

Investments in Equity Securities

| | No. of Shares | Carrying Value 2013 Rs. | Carrying Value 2012 Rs. | Carrying Value as at 01.04.2011 Rs. |
|--|---------------|-------------------------------|-------------------------------|---|
| Quoted | | | | |
| Investments with Non-Related Parties | | | | |
| Merchant Bank of Sri Lanka PLC | 2,307 | 36,912 | 67,595 | 106,583 |
| Mahaweli Reach Hotel PLC | 3,500 | 69,300 | 88,200 | 119,000 |
| Lanka Walltiles PLC | 42 | 2,310 | 2,941 | 7,140 |
| Blue Diamonds Jewellery Worldwide PLC | 8,922 | 12,491 | 24,089 | 14,275 |
| Vanik Incorporation PLC | 6,200 | - | - | - |
| Total Investments in Quoted Equity Securities | | 121,013 | 182,825 | 246,998 |
| Non-Quoted | | | | |
| Amāna Bank Ltd. | 200,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| | | 1,121,013 | 1,182,825 | 1,246,998 |

9. Inventories

| | Group | | | Company | | |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2013 Rs. | 2012 Rs. | 01.04.2011 Rs. | 2013 Rs. | 2012 Rs. | 01.04.2011 Rs. |
| Broiler Meat & Eggs | 32,737,404 | 30,533,498 | 28,519,180 | 26,334,897 | 25,369,153 | 27,727,860 |
| Poultry Feed & Drugs | 21,043,153 | 20,089,367 | 20,876,598 | 10,661,514 | 10,972,148 | 9,337,826 |
| Sundry Stocks | 31,521,350 | 34,203,181 | 30,456,700 | 15,531,673 | 13,807,697 | 11,605,031 |
| Trading Stocks | 28,627 | 1,383,210 | 378,765 | - | - | - |
| | 85,330,534 | 86,209,256 | 80,231,243 | 52,528,084 | 50,148,998 | 48,670,717 |

10. Biological Assets

| | Group | | | Company | | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2013 Rs. | 2012 Rs. | 01.04.2011 Rs. | 2013 Rs. | 2012 Rs. | 01.04.2011 Rs. |
| Bearer Biological Assets | | | | | | |
| Breeder Birds | 128,560,385 | 122,261,560 | 103,147,367 | 26,015,075 | 60,919,745 | 44,485,650 |
| Total Non-Current | 128,560,385 | 122,261,560 | 103,147,367 | 26,015,075 | 60,919,745 | 44,485,650 |
| Consumable Biological Assets | | | | | | |
| Broiler Birds - Own Farms | 67,794,275 | 33,698,159 | 14,160,865 | 32,796,086 | 11,273,247 | 14,160,865 |
| Broiler Birds - Outgrowers | 40,279,112 | 38,965,433 | 52,212,533 | 40,279,112 | 38,965,433 | 52,212,533 |
| Hatching Eggs | 47,987,768 | 43,201,499 | 38,010,269 | 13,678,372 | 20,885,546 | 22,044,109 |
| Total Current | 156,061,155 | 115,865,091 | 104,383,667 | 86,753,570 | 71,124,226 | 88,417,507 |
| | 284,621,540 | 238,126,651 | 207,531,034 | 112,768,645 | 132,043,971 | 132,903,157 |

Notes to the Financial Statements

11. Trade and Other Receivables

| | Group | | | Company | | |
|------------------------------------|--------------|--------------|-------------------|--------------|--------------|-------------------|
| | 2013 Rs. | 2012 Rs. | 01.04.2011 Rs. | 2013 Rs. | 2012 Rs. | 01.04.2011 Rs. |
| Trade Receivables | | | | | | |
| - Related Parties (Note 11.1) | - | - | - | 103,191,212 | 57,558,599 | 24,406,616 |
| - Others | 261,522,435 | 249,357,805 | 219,699,796 | 194,428,845 | 181,702,678 | 180,934,795 |
| Less: Allowance for Doubtful Debts | | | | | | |
| - Others | (13,959,041) | (8,450,869) | (6,493,388) | (10,425,183) | (6,657,013) | (633,767) |
| | 247,563,394 | 240,906,936 | 213,206,408 | 287,194,874 | 232,604,264 | 204,707,644 |
| Other Debtors | 62,090,281 | 77,096,263 | 55,758,642 | 46,045,787 | 55,652,570 | 47,951,128 |
| Less: Allowance for Doubtful Debts | | | | | | |
| - Other Debtors | (45,586,567) | (45,586,567) | (47,769,536) | (45,586,567) | (45,586,567) | (47,769,536) |
| | 16,503,714 | 31,509,696 | 7,989,106 | 459,220 | 10,066,003 | 181,592 |
| Advances and Prepayments | 11,865,008 | 11,402,840 | 14,584,754 | 2,961,884 | 3,135,056 | 6,439,386 |
| Loans to Company Officers | 2,435,738 | 4,203,000 | 4,664,050 | 2,435,738 | 4,203,000 | 4,664,050 |
| | 278,367,854 | 288,022,472 | 240,444,318 | 293,051,716 | 250,008,323 | 215,992,672 |

11.1 Trade Dues Receivable from Related Parties

| Relationship | Group | | | Company | | |
|---|-------------|-------------|-------------------|-------------|-------------|-------------------|
| | 2013 Rs. | 2012 Rs. | 01.04.2011 Rs. | 2013 Rs. | 2012 Rs. | 01.04.2011 Rs. |
| Trade Dues Receivable from Related Parties | | | | | | |
| Bairaha Foods (Pvt) Ltd. | - | - | - | 32,347,898 | 26,731,620 | 24,406,616 |
| Nature's Best Industries Ltd. | - | - | - | 70,843,314 | 30,826,979 | - |
| | - | - | - | 103,191,212 | 57,558,599 | 24,406,616 |

Notes to the Financial Statements

12. Amounts Due from Related Parties

| Relationship | Group | | | Company | | |
|---|---------------|------------|------------------|-------------|-------------|------------------|
| | 2013 | 2012 | As at 01.04.2011 | 2013 | 2012 | As at 01.04.2011 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Hill Country Farms Ltd. | Subsidiary | - | - | - | 42,846,691 | 12,457,730 |
| Bairaha Foods (Pvt) Ltd. | Subsidiary | - | - | - | 6,069,576 | 23,965,608 |
| BF Lands Development Ltd. | Subsidiary | - | - | - | 5,906,936 | 3,902,713 |
| Golden Rooster Restaurants (Pvt) Ltd. | Subsidiary | - | - | - | 1,783,094 | 1,684,576 |
| Lanka Land Development (Pvt) Ltd. | Subsidiary | - | - | - | 14,497,756 | 14,359,925 |
| Conffii Aquaculture Ventures (Pvt) Ltd. | Associate | - | - | 1,448,948 | - | 1,448,948 |
| Bairaha Trading (Pvt) Ltd. | Subsidiary | - | - | - | 2,832,047 | 2,536,261 |
| HCF Land (Pvt) Ltd. | Subsidiary | - | - | - | 7,132,809 | 5,951,851 |
| Nature's Best Industries Ltd. | Subsidiary | - | - | - | 240,202,473 | 49,328,655 |
| Fortune G-P Farms (Lanka) Ltd. | Associate | 19,485,327 | 36,572,248 | 39,647,232 | 19,485,327 | 36,365,299 |
| Regency Real Estate Company Ltd. | Subsidiary | 75,000 | - | - | 75,000 | - |
| Windsor Real Estate Ltd. | Joint Venture | 142,835 | - | - | 34,199,710 | - |
| | | 19,703,162 | 36,572,248 | 41,096,180 | 329,352,681 | 288,616,844 |
| Less: Allowance made for Amounts due from | | | | | | |
| - Bairaha Foods (Pvt) Ltd. | | - | - | - | - | (22,476,919) |
| - Golden Rooster Restaurants (Pvt) Ltd. | | - | - | - | (1,730,784) | (1,553,457) |
| - Conffii Aquaculture Ventures (Pvt) Ltd. | | - | - | (1,448,948) | - | (1,448,948) |
| | | 19,703,162 | 36,572,248 | 39,647,232 | 327,621,897 | 286,886,060 |
| | | | | | | 126,522,242 |

13. Stated Capital (Group/Company)

| | 2013 | 2012 | As at 01.04.2011 |
|------------------------------|-------------|-------------|------------------|
| | Rs. | Rs. | Rs. |
| Fully-Paid Ordinary Shares | 256,305,197 | 256,305,197 | 256,305,197 |
| (16,000,000 Ordinary Shares) | 256,305,197 | 256,305,197 | 256,305,197 |

13.1 Rights, Preference and Restrictions of Classes of Capital

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company.

Notes to the Financial Statements

14. Reserves

| | Group | | | Company | | |
|---------------------------------|-------------|-------------|-------------------------|-------------|-------------|-------------------------|
| | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. |
| Summary | | | | | | |
| Revaluation Surplus (Note 14.1) | 249,923,859 | 253,249,938 | 238,719,678 | 122,362,131 | 123,683,381 | 125,760,027 |
| | 249,923,859 | 253,249,938 | 238,719,678 | 122,362,131 | 123,683,381 | 125,760,027 |

14.1 Revaluation Surplus

On Property, Plant & Equipment

| | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. |
|---|-------------|-------------|-------------------------|-------------|-------------|-------------------------|
| Balance as at the beginning of the Year | 253,249,938 | 238,719,678 | 240,031,043 | 123,683,381 | 125,760,027 | 127,071,392 |
| Revaluation Surplus during the Year | - | 9,005,071 | - | - | - | - |
| Deferred Tax Adjustment on Revaluation | - | 7,601,835 | - | - | - | - |
| Realised Surplus on Disposal Transferred to Retained Profit | (3,326,079) | (2,076,646) | (1,311,365) | (1,321,250) | (2,076,646) | (1,311,365) |
| Balance as at the end of the Year | 249,923,859 | 253,249,938 | 238,719,678 | 122,362,131 | 123,683,381 | 125,760,027 |

14.2 Other Reserves

| | Group | | | Company | | |
|---|-------------|-------------|-------------------------|-------------|-------------|-------------------------|
| | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. |
| Balance as at the beginning of the Year | 576,677 | 576,677 | 576,677 | 576,677 | 576,677 | 576,677 |
| Additions during the Year | - | - | - | - | - | - |
| Balance as at the end of the Year | 576,677 | 576,677 | 576,677 | 576,677 | 576,677 | 576,677 |

15. Financing & Lease (IJARA) Payables

15.1 Group

| | 2013 | | | 2012 | | | As at 01.04.2011 | | |
|------------------------------|---------------------------------------|--------------------------------------|--------------|---------------------------------------|--------------------------------------|--------------|---------------------------------------|--------------------------------------|--------------|
| | Amount Repayable within 1 Year Rs. | Amount Repayable after 1 Year Rs. | Total Rs. | Amount Repayable within 1 Year Rs. | Amount Repayable after 1 Year Rs. | Total Rs. | Amount Repayable within 1 Year Rs. | Amount Repayable after 1 Year Rs. | Total Rs. |
| Finance Leases (Note 15.1.1) | 10,325,378 | 26,790,275 | 37,115,653 | 10,713,119 | 32,933,651 | 43,646,770 | 8,986,305 | 1,436,302 | 10,422,607 |
| Bank Loans (Note 15.1.2) | 36,692,272 | 126,547,705 | 163,239,977 | 26,542,233 | 52,261,577 | 78,803,810 | 22,608,333 | 13,027,778 | 35,636,111 |
| Bank Overdrafts (Note 25.2) | 4,515,614 | - | 4,515,614 | - | - | - | - | - | - |
| | 51,533,264 | 153,337,980 | 204,871,244 | 37,255,352 | 85,195,228 | 122,450,580 | 31,594,638 | 14,464,080 | 46,058,718 |

Non-current lease liabilities are payable within 5 years.

Notes to the Financial Statements

15.1.1 Finance Leases - Ijara

| | As at 01.04.2011 Rs. | New Leases Obtained Rs. | Repayments Rs. | As at 01.04.2012 Rs. | New Leases Obtained Rs. | Repayments Rs. | As at 31.03.2013 Rs. |
|------------------------------------|----------------------------|-------------------------------|-------------------|----------------------------|-------------------------------|-------------------|----------------------------|
| Lanka ORIX Finance PLC - Al Falaah | 10,422,607 | 19,575,325 | (10,803,788) | 19,194,144 | - | (5,655,521) | 13,538,623 |
| Amāna Bank Ltd. | - | 25,295,820 | (843,194) | 24,452,626 | 4,500,000 | (5,375,596) | 23,577,030 |
| | 10,422,607 | 44,871,145 | (11,646,982) | 43,646,770 | 4,500,000 | (11,031,117) | 37,115,653 |

| | 2011 Rs. | 2012 Rs. | 2013 Rs. |
|--|-------------|--------------|-------------|
| Gross Liability | 12,070,282 | 55,264,143 | 44,591,493 |
| Finance Charges Allocated to Future Periods | (1,647,675) | (11,617,373) | (7,475,840) |
| Net Liability | 10,422,607 | 43,646,770 | 37,115,653 |

Security:

Leased Assets on Finance Leases - Ijara.

15.1.2 Bank Loans

| | As at 01.04.2011 Rs. | Loans Obtained Rs. | Repayments Rs. | As at 01.04.2012 Rs. | Loans Obtained Rs. | Repayments Rs. | As at 31.03.2013 Rs. |
|-----------------|----------------------------|--------------------------|-------------------|----------------------------|--------------------------|-------------------|----------------------------|
| Amāna Bank Ltd. | 35,636,111 | 72,692,682 | (29,524,983) | 78,803,810 | 146,590,435 | (62,154,268) | 163,239,977 |
| | 35,636,111 | 72,692,682 | (29,524,983) | 78,803,810 | 146,590,435 | (62,154,268) | 163,239,977 |

Security:

Immovable property, plant & machinery located at Ellalamulla Estate in Pasyala have been pledged against the loan facilities obtained from Amāna Bank Ltd.

15.2 Company

| | 2013 | | | 2012 | | | As at 01.04.2011 | | |
|---------------------------------|---|--|--------------|---|--|--------------|---|--|--------------|
| | Amount Repayable within 1 Year Rs. | Amount Repayable after 1 Year Rs. | Total Rs. | Amount Repayable within 1 Year Rs. | Amount Repayable after 1 Year Rs. | Total Rs. | Amount Repayable within 1 Year Rs. | Amount Repayable after 1 Year Rs. | Total Rs. |
| Finance Leases (Note 15.2.1) | - | - | - | 1,436,302 | - | 1,436,302 | 8,986,305 | 1,436,302 | 10,422,607 |
| Bank Loans (Note 15.2.2) | 36,692,272 | 126,547,705 | 163,239,977 | 26,542,233 | 52,261,577 | 78,803,810 | 22,608,333 | 13,027,778 | 35,636,111 |
| Bank Overdrafts (Note 25.2) | - | - | - | - | - | - | - | - | - |
| | 36,692,272 | 126,547,705 | 163,239,977 | 27,978,535 | 52,261,577 | 80,240,112 | 31,594,638 | 14,464,080 | 46,058,718 |

Non-current lease liabilities are payable within 5 years.

Notes to the Financial Statements

15.2.1 Finance Leases - Ijara

| | As at 01.04.2011 Rs. | New Leases Obtained Rs. | Repayments Rs. | As at 01.04.2012 Rs. | New Leases Obtained Rs. | Repayments Rs. | As at 31.03.2013 Rs. |
|--|----------------------------|-------------------------------|-------------------|----------------------------|-------------------------------|-------------------|----------------------------|
| Lanka ORIX Finance PLC - Al Falaah | 10,422,607 | - | (8,986,305) | 1,436,302 | - | (1,436,302) | - |
| | 10,422,607 | - | (8,986,305) | 1,436,302 | - | (1,436,302) | - |
| | As at 01.04.2011 Rs. | | | 2012 Rs. | | | 2013 Rs. |
| Gross Liability | 12,070,282 | | | 1,480,408 | | | - |
| Finance Charges Allocated to Future Periods | (1,647,675) | | | (44,106) | | | - |
| Net Liability | 10,422,607 | | | 1,436,302 | | | - |

Security:

Leased Assets on Finance Leases - Ijara.

15.2.2 Bank Loans

| | As at 01.04.2011 Rs. | Loans Obtained Rs. | Repayments Rs. | As at 01.04.2012 Rs. | Loans Obtained Rs. | Repayments Rs. | As at 31.03.2013 Rs. |
|-----------------|----------------------------|--------------------------|-------------------|----------------------------|--------------------------|-------------------|----------------------------|
| Amāna Bank Ltd. | 35,636,111 | 72,692,682 | (29,524,983) | 78,803,810 | 146,590,435 | (62,154,268) | 163,239,977 |
| | 35,636,111 | 72,692,682 | (29,524,983) | 78,803,810 | 146,590,435 | (62,154,268) | 163,239,977 |

Security:

Immovable property, plant & machinery located at Ellalamulla Estate in Pasyala have been pledged against the loan facilities obtained from Amāna Bank Ltd.

16. Retirement Benefit Liability

| | Group | | | Company | | |
|--|-------------|-------------|-------------------------|-------------|-------------|-------------------------|
| | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. |
| Defined Benefit Obligation - Gratuity | | | | | | |
| Balance as at the beginning of the Year | 22,758,654 | 17,636,544 | 15,889,055 | 19,578,801 | 15,903,011 | 14,429,276 |
| Charge for the Year (Note 16.1) | 5,629,148 | 6,539,498 | 3,007,589 | 5,575,033 | 4,890,228 | 2,674,435 |
| Payments during the Year | (1,294,870) | (1,417,388) | (1,260,100) | (1,065,920) | (1,214,438) | (1,200,700) |
| Balance as at the end of the Year | 27,092,932 | 22,758,654 | 17,636,544 | 24,087,914 | 19,578,801 | 15,903,011 |

16.1 Charge for the Year

| | | | | | | |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Current Service Cost | 1,731,589 | 3,125,692 | 1,371,452 | 1,677,474 | 1,476,422 | 1,038,298 |
| Interest Cost on Benefit Liability | 3,302,711 | 2,752,610 | 1,636,137 | 3,302,711 | 2,752,610 | 1,636,137 |
| Recognition of Actuarial Experience | 594,848 | 661,196 | - | 594,848 | 661,196 | - |
| | 5,629,148 | 6,539,498 | 3,007,589 | 5,575,033 | 4,890,228 | 2,674,435 |

Notes to the Financial Statements

16.2 The retirement benefit liability of Bairaha Farms PLC is valued by Mr. Piyal Goonatilleke, who is a fellow member of the Society of Actuaries (USA) and a member of the American Academy of Actuaries. Defined Liability is valued as of 31st March 2012 and the principal assumptions used in the valuation is as follows:

Principal Actuarial Assumptions

| | 2013 | 2012 | As at 01.04.2011 |
|------------------|------------|------------|------------------|
| Discount Rate | 11.5% p.a. | 11.5% p.a. | 11% p.a. |
| Salary Increases | 10% p.a. | 10% p.a. | 10% p.a. |
| Staff Turnover | | | |
| 20 to 35 Years | 10% | 10% | 10% |
| 35 to 40 Years | 7.50% | 7.50% | 7.50% |
| 40 to 45 Years | 5% | 5% | 5% |
| 45 to 50 Years | 2.50% | 2.50% | 2.50% |
| Over 55 Years | 1% | 1% | 1% |

17. Trade and Other Payables

| | Group | | | Company | | |
|---|-------------|-------------|-------------------------|-------------|-------------|-------------------------|
| | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. |
| Trade Creditors - Related Parties (Note 17.1) | - | - | - | 80,887,008 | 46,451,018 | 1,441,105 |
| - Others | 271,752,348 | 131,566,897 | 173,211,080 | 153,405,547 | 95,627,644 | 155,807,475 |
| | 271,752,348 | 131,566,897 | 173,211,080 | 234,292,555 | 142,078,662 | 157,248,580 |
| Sundry Creditors Including Accrued Expenses | 86,813,098 | 81,180,946 | 67,411,719 | 62,745,600 | 59,211,756 | 55,423,720 |
| | 358,565,446 | 212,747,843 | 240,622,799 | 297,038,155 | 201,290,418 | 212,672,300 |

17.1 Trade Dues Payable to Related Parties

| Relationship | | Group | | | Company | | |
|-------------------------------|------------|-------------|-------------|-------------------------|-------------|-------------|-------------------------|
| | | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. |
| Bairaha Foods (Pvt) Ltd. | Subsidiary | - | - | - | 445,922 | 1,570,030 | 1,405,995 |
| Bairaha Trading (Pvt) Ltd. | Subsidiary | - | - | - | 2,244,498 | 2,773,668 | 35,110 |
| Nature's Best Industries Ltd. | Subsidiary | - | - | - | 78,196,588 | 42,107,320 | - |
| | | - | - | - | 80,887,008 | 46,451,018 | 1,441,105 |

18. Dividends

| | Group | | | Company | | |
|--|-------------|-------------|-------------------------|-------------|-------------|-------------------------|
| | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. |
| 18.1 Dividends Payable (Unclaimed Dividends) | 3,024,779 | 3,015,005 | 5,822,175 | 3,024,779 | 3,015,005 | 5,822,175 |
| | 3,024,779 | 3,015,005 | 5,822,175 | 3,024,779 | 3,015,005 | 5,822,175 |

18.2 Rs. 32,000,000/- dividends has been declared and paid for the financial year ended 31st March 2013.

Notes to the Financial Statements

19. Amounts Due to Related Parties

| Relationship | Group | | | Company | | |
|----------------------------|-------------|-------------|-------------------------|-------------|-------------|-------------------------|
| | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. |
| Hill Country Farms Ltd. | – | – | – | 6,157,386 | – | – |
| Siyane Farms Ltd. | – | – | – | 191,817,046 | 260,649,367 | 128,932,316 |
| Bairaha Trading (Pvt) Ltd. | – | – | – | 1,386,491 | – | – |
| | – | – | – | 199,360,923 | 260,649,367 | 128,932,316 |

20. Other Operating Income

| | Group | | Company | |
|---|-------------|-------------|-------------|-------------|
| | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. |
| Income from Other Investments - Quoted | 2,788 | 2,714 | 2,788 | 2,714 |
| Income from Other Investments - Subsidiaries | – | – | 71,752,244 | 17,662,678 |
| Income from Other Investments - Joint Ventures | – | – | 1,495 | – |
| Income from Other Investments - Associates | – | – | 1,213,016 | – |
| Rental Income from Related Parties | 126,002 | 127,715 | 1,743,392 | 1,744,892 |
| Profit on Disposal of Property, Plant & Equipment | 2,039,315 | 779,263 | 634,501 | 779,263 |
| Profit on Disposal of Shares | – | – | – | – |
| Miscellaneous Income | 14,628,883 | 13,093,540 | 1,345,954 | 31,141,139 |
| | 16,796,988 | 14,003,232 | 76,693,390 | 51,330,686 |

21. Finance Cost

| | Group | | Company | |
|--------------------------------------|-------------|-------------|-------------|-------------|
| | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. |
| Interest Expense on Overdrafts | 98,678 | 6,159 | 93,706 | 6,159 |
| Finance Charges on Lease Liabilities | 6,136,128 | 4,383,754 | 44,106 | 1,603,568 |
| Finance Charges on Fixed Loans | 16,359,849 | 7,349,406 | 16,351,304 | 7,344,288 |
| | 22,594,655 | 11,739,319 | 16,489,116 | 8,954,015 |

Notes to the Financial Statements

22. Profit/(Loss) from Operating Activities

| | Group | | Company | |
|---|-------------|-------------|-------------|-------------|
| | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. |
| Stated after Charging/(Crediting) | | | | |
| Production Overheads: | | | | |
| Allowance for Weight Losses | 3,416,189 | 15,868,469 | 3,416,189 | 15,868,469 |
| Depreciation | 80,748,111 | 53,729,425 | 42,638,483 | 34,095,900 |
| Staff Cost (Including Following Retirement Benefit Plan Cost) | 102,864,049 | 92,052,536 | 77,687,304 | 68,992,122 |
| - Defined Benefit Plan Cost - Gratuity | 2,547,902 | 2,881,720 | 2,620,219 | 1,582,631 |
| - Defined Contribution Plan Costs - EPF & ETF | 4,446,666 | 3,692,876 | 2,744,545 | 2,341,595 |
| Administration Expenses: | | | | |
| Directors' Emoluments | 18,271,900 | 16,136,050 | 18,271,900 | 16,136,050 |
| Legal Fees | 94,460 | 469,423 | 94,460 | 469,423 |
| Donations | 1,626,661 | 1,436,086 | 1,577,661 | 1,369,486 |
| Depreciation | 3,043,202 | 2,461,546 | 2,094,187 | 1,817,452 |
| Staff Cost (Including Following Retirement Benefit Plan Cost) | 14,338,617 | 17,213,135 | 11,179,489 | 13,453,245 |
| - Defined Benefit Plan Cost - Gratuity | 1,966,263 | 3,134,814 | 1,839,831 | 2,784,633 |
| - Defined Contribution Plan Costs - EPF & ETF | 2,903,330 | 2,754,520 | 2,180,548 | 2,124,163 |
| Distribution Cost: | | | | |
| Advertising Costs | 23,535,518 | 28,134,637 | 23,535,518 | 28,134,637 |
| Allowance for Bad & Doubtful Debts | 5,508,171 | 6,983,814 | 3,768,169 | 6,023,246 |
| Depreciation | 2,448,228 | 1,647,270 | 2,448,228 | 1,647,270 |
| Staff Cost (Including Following Retirement Benefit Plan Cost) | 28,558,006 | 27,000,689 | 26,736,199 | 25,237,617 |
| - Defined Benefit Plan Cost - Gratuity | 1,114,982 | 522,964 | 1,114,982 | 522,964 |
| - Defined Contribution Plan Costs - EPF & ETF | 1,787,855 | 1,473,121 | 1,559,904 | 1,283,769 |

Notes to the Financial Statements

23. Income Tax Expense

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. |

The Major Components of Income Tax Expense are as follows:

Income Statement

Current Income Tax

| | | | | |
|---|------------|------------|---|------------|
| Current Tax Expense on Ordinary Activities for the Year (Note 23.1) | 14,295,950 | 60,360,761 | – | 18,301,853 |
| Under/(Over) Provision of Current Taxes in Respect of Prior Years | – | 566,924 | – | – |

Deferred Income Tax

| | | | | |
|--|------------|------------|-----------|------------|
| Deferred Taxation Charge/(Reversal) (Note 23.2) | 8,084,574 | 6,123,797 | 8,190,593 | 3,355,777 |
| Income Tax Expense/(Income) Reported in the Income Statement | 22,380,524 | 67,051,482 | 8,190,593 | 21,657,630 |

23.1 A Reconciliation between Tax Expense and the Product of Accounting Profit Multiplied by the Statutory Tax Rate is as follows:

| | Group | | Company | |
|---|-------------|-------------|--------------|--------------|
| | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. |
| Accounting Profit/(Loss) before Tax from Operations | 164,067,342 | 498,547,929 | 128,560,602 | 255,297,489 |
| Accounting Profit before Income Tax | 164,067,342 | 498,547,929 | 128,560,602 | 255,297,489 |
| At the Statutory Income Tax Rate (12%-28%) | 19,688,081 | 59,825,751 | 15,427,272 | 30,635,699 |
| Adjustments in Respect to Current Income Tax of Previous Year | | 566,924 | – | – |
| Non-Deductible Expenses and Other Allowable Credits | (5,392,131) | 560,772 | (15,427,272) | (12,333,846) |
| Effect of Deferred Tax | 8,084,574 | 6,123,797 | 8,190,593 | 3,355,777 |
| At the Effective Income Tax Rate | 22,380,524 | 67,077,244 | 8,190,593 | 21,657,630 |
| Deemed Dividend Tax | – | (25,762) | – | – |
| Current Tax Expense Reported in the Income Statement | 22,380,524 | 67,051,482 | 8,190,593 | 21,657,630 |

Nature's Best Industries Ltd. (fully-owned subsidiary of Bairaha Farms PLC) is a BOI Company which enjoys a 10-year tax holiday (w.e.f. 2011/12).

Notes to the Financial Statements

23.2 Deferred Tax Assets, Liabilities and Income Tax Relates to the followings:

23.2.1 Group

| | Statement of Financial Position | | | Statement of Comprehensive Income | |
|--------------------------------------|---------------------------------|-------------|-------------------------|-----------------------------------|-------------|
| | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. | 2013 Rs. | 2012 Rs. |
| Deferred Tax Liability | | | | | |
| Temporary Difference on PP&E | 55,369,331 | 42,144,588 | 41,637,814 | (13,224,743) | (506,774) |
| | 55,369,331 | 42,144,588 | 41,637,814 | | |
| Deferred Tax Assets | | | | | |
| Provision for Bad & Doubtful Debts | (804,422) | (931,227) | (7,970,290) | (126,805) | (7,039,063) |
| Defined Benefit Plans | (2,683,705) | (2,504,347) | (2,763,379) | 179,358 | (259,032) |
| Finance Lease | 123,750 | (177,649) | (1,810,542) | (301,399) | (1,632,893) |
| Tax Losses Carried Forward | (8,702,980) | (3,313,965) | – | 5,389,015 | 3,313,965 |
| | (12,067,357) | (6,927,188) | (12,544,211) | | |
| Deferred Income Tax Income/(Expense) | | | | (8,084,574) | (6,123,797) |
| Net Deferred Tax Liability/(Asset) | 43,301,974 | 35,217,400 | 29,093,603 | | |

23.2.2 Company

| | Statement of Financial Position | | | Statement of Comprehensive Income | |
|--------------------------------------|---------------------------------|-------------|-------------------------|-----------------------------------|-------------|
| | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. | 2013 Rs. | 2012 Rs. |
| Deferred Tax Liability | | | | | |
| Temporary Difference on PP&E | 41,459,848 | 30,633,042 | 32,430,600 | (10,826,806) | 1,797,558 |
| | 41,459,848 | 30,633,042 | 32,430,600 | | |
| Deferred Tax Assets | | | | | |
| Provision for Bad & Doubtful Debts | (795,858) | (918,381) | (4,402,827) | (122,523) | (3,484,446) |
| Defined Benefit Plans | (2,599,350) | (2,349,456) | (2,385,452) | 249,894 | (35,996) |
| Finance Lease | – | (177,649) | (1,810,542) | (177,649) | (1,632,893) |
| Tax Losses Carried Forward | (2,686,491) | – | – | 2,686,491 | – |
| | (6,081,699) | (3,445,486) | (8,598,821) | | |
| Deferred Income Tax Income/(Expense) | | | | (8,190,593) | (3,355,777) |
| Net Deferred Tax Liability/(Asset) | 35,378,149 | 27,187,556 | 23,831,779 | | |

Notes to the Financial Statements

24. Earnings Per Share

24.1 Basic Earnings per Share is calculated by dividing the net profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding without a corresponding change in the resources such as a bonus issue.

24.2 The following reflects the income and share data used in the basic earnings per share computations:

| | 2013 Rs. | 2012 Rs. |
|--|----------------|----------------|
| Amounts Used as the Numerators: | | |
| Profit for the Year | 161,481,548 | 444,049,934 |
| Profit for the Year Attributable to Ordinary Shareholders for Basic Earnings per Share | 161,481,548 | 444,049,934 |
| | 2013 Number | 2012 Number |
| Number of Ordinary Shares Used as Denominators: | | |
| Weighted Average Number of Ordinary Shares in Issue Applicable to Basic Earnings per Share | 16,000,000 | 16,000,000 |
| Adjusted Weighted Average Number of Ordinary Shares Applicable to Basic Earnings per Share | 16,000,000 | 16,000,000 |

25. Cash & Cash Equivalents

Components of Cash & Cash Equivalents

25.1 Favourable Cash & Cash Equivalent Balance

| | Group | | | Company | | |
|----------------------|-------------|-------------|-------------------------|-------------|-------------|-------------------------|
| | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. |
| Cash & Bank Balances | 165,928,647 | 173,288,661 | 238,072,111 | 132,636,062 | 64,279,950 | 130,512,571 |
| | 165,928,647 | 173,288,661 | 238,072,111 | 132,636,062 | 64,279,950 | 130,512,571 |

25.2 Unfavourable Cash & Cash Equivalent Balances

| | | | | | | |
|---|-------------|-------------|-------------|-------------|------------|-------------|
| Bank Overdrafts | (4,515,614) | - | - | - | - | - |
| Total Cash & Cash Equivalents for the Purpose of Cash Flow Statements | 161,413,033 | 173,288,661 | 238,072,111 | 132,636,062 | 64,279,950 | 130,512,571 |

Notes to the Financial Statements

26. Commitments and Contingencies**Commitments**

Capital commitments approved and contracted as at the reporting date, but not provided for in the financial statements for the Group and the Company amounted to Rs. 31,199,551/- and Rs. 7,895,197/- respectively.

Contingencies (Group/Company)

The Company has obtained Letter of Credit facility of Rs. 32,648,086/- as at 31st March 2013.

Guarantees

A corporate guarantee of Rs. 50 Mn has been given to HNB on behalf of Golden Grains (Pvt) Ltd. for a short-term loan.

27. Assets Pledged

27.1 The following assets retained as security for liabilities:

| Nature of Assets | Nature of Liability | Carrying Amount Pledged | | | Included under |
|------------------|--|-------------------------|-------------|-------------------------|-----------------------------|
| | | 2013 Rs. | 2012 Rs. | As at 01.04.2011 Rs. | |
| Group | | | | | |
| Leased Assets | Charge over Leased Assets on Finance Leases - Ijara | 48,682,563 | 64,302,323 | 20,981,623 | Property, Plant & Equipment |
| | | 48,682,563 | 64,302,323 | 20,981,623 | |
| Company | | | | | |
| Leased Assets | Charge over Leased Assets on Finance Leases - Ijara | - | 17,539,220 | 19,731,623 | Property, Plant & Equipment |
| | | - | 17,539,220 | 19,731,623 | |

27.2 Assets pledged on bank loans are disclosed under Notes 15.1.2 & 15.2.2 for Group & Company respectively.

Notes to the Financial Statements

28. Fair Value of Financial Instruments

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques.

28.1 Determination of Fair Value and Fair Value Hierarchy

The only financial instruments carried at fair value consist of shares in listed and unlisted entities, as shown in Note 8. All such shares except for investment in Amāna Bank Ltd. are determined based on Level 1 of fair value hierarchy. Based on similar entities' observable market data (Level 2) the fair value of Amāna Bank Ltd. can be considered to approximate its cost.

28.2 Set out below is the comparison, by class, of the carrying amounts of fair values of the Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities:

| | Group | | | | Company | | | |
|------------------------------------|------------------------|--------------------|------------------------|--------------------|------------------------|--------------------|------------------------|--------------------|
| | 2013 | | 2012 | | 2013 | | 2012 | |
| | Carrying Amount Rs. | Fair Value Rs. | Carrying Amount Rs. | Fair Value Rs. | Carrying Amount Rs. | Fair Value Rs. | Carrying Amount Rs. | Fair Value Rs. |
| Financial Assets | | | | | | | | |
| Trade & Other Receivables, (net) | 278,367,854 | 278,367,854 | 288,022,472 | 288,022,472 | 293,051,716 | 293,051,716 | 250,008,323 | 250,008,323 |
| Amounts Due from Related Parties | 19,703,162 | 19,703,162 | 36,572,248 | 36,572,248 | 327,621,897 | 327,621,897 | 286,886,060 | 286,886,060 |
| Cash & Bank Balances | 165,928,647 | 165,928,647 | 173,288,661 | 173,288,661 | 132,636,062 | 132,636,062 | 64,279,950 | 64,279,950 |
| Total Financial Assets | 463,999,663 | 463,999,663 | 497,883,381 | 497,883,381 | 753,309,675 | 753,309,675 | 601,174,333 | 601,174,333 |
| Financial Liabilities | | | | | | | | |
| Trade & Other Payables | 358,565,445 | 358,565,445 | 212,747,843 | 212,747,843 | 297,038,154 | 297,038,154 | 201,290,417 | 201,290,417 |
| Amounts Due to Related Parties | – | – | – | – | 199,360,923 | 199,360,923 | 260,649,367 | 260,649,367 |
| Financing & Lease (Ijara) Payables | 51,533,264 | 51,533,264 | 37,255,352 | 37,255,352 | 36,692,272 | 36,692,272 | 27,978,535 | 27,978,535 |
| Total Financial Liabilities | 410,098,709 | 410,098,709 | 250,003,195 | 250,003,195 | 533,091,349 | 533,091,349 | 489,918,319 | 489,918,319 |

Fair Value of Financial Assets and Liabilities Not Carried at Fair Value

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Notes to the Financial Statements

Assets and Liabilities for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. This assumption is applied to cash and cash equivalents, trade and other receivables, amounts due from and to related parties and trade and other payables.

Financing & Lease (Ijara) Payables for which periodical interest is paid are also considered to be carried at fair value in the books since the original financing rate does not differ materially from the current market rate.

29. Risk Management

29.1 Introduction

The group's principal financial liabilities comprise of loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations.

The Group has trade and other receivables, amounts due from related parties and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to credit risk, liquidity risk and market risk.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include investments in equity securities.

The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance.

Notes to the Financial Statements

29.2 Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, and loans given to related companies.

29.2.1 Age Analysis of Trade Receivables

| | Group | | | | | | | |
|-----------------------|---------------------------|--------------------------|----------------------|----------------------|-----------------------------|-----------|-----------------|--------------|
| | Past Due but Not Impaired | | | | | | Impaired Rs. | Total Rs. |
| | Not Past Due Rs. | Less than 30 Days Rs. | 31 to 60 Days Rs. | 61 to 90 Days Rs. | More than 91 Days Rs. | | | |
| Trade Receivables | 144,660,606 | 64,088,465 | 16,131,455 | 13,208,614 | 2,890,350 | 6,583,904 | 247,563,394 | |
| | 144,660,606 | 64,088,465 | 16,131,455 | 13,208,614 | 2,890,350 | 6,583,904 | 247,563,394 | |
| Specific Impairment | | | 6,583,904 | | | | | |
| Collective Impairment | | | 7,375,137 | | | | | |

| | Company | | | | | | | |
|-----------------------|---------------------------|--------------------------|----------------------|----------------------|-----------------------------|-----------|-----------------|--------------|
| | Past Due but not Impaired | | | | | | Impaired Rs. | Total Rs. |
| | Not Past Due Rs. | Less than 30 Days Rs. | 31 to 60 Days Rs. | 61 to 90 Days Rs. | More than 91 Days Rs. | | | |
| Trade Receivables | 126,527,439 | 52,903,076 | 32,347,898 | 70,843,314 | 1,523,101 | 3,050,046 | 287,194,874 | |
| | 126,527,439 | 52,903,076 | 32,347,898 | 70,843,314 | 1,523,101 | 3,050,046 | 287,194,874 | |
| Specific Impairment | | | 3,050,046 | | | | | |
| Collective Impairment | | | 7,375,137 | | | | | |

29.3 Liquidity Risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company manages liquidity risk by monitoring and managing its cash requirements to ensure access to sufficient funds to meet operational and investing requirements. The primary source of liquidity is cash generated from operations and supplemented by credit facilities.

Notes to the Financial Statements

29.3.1 Maturity Analysis of Financial Assets and Financial Liabilities

An analysis of financial assets and financial liabilities based on the remaining period at the balance sheet date to the respective contractual maturity dates is as follows:

| | Group | | | | | |
|--------------------------------------|------------------------------------|-----------------------------------|--|-------------------------------------|-----------------------------------|--|
| | 2013 Within 12 Months Rs. | 2013 After 12 Months Rs. | 2013 Total as at 31.03.2013 Rs. | 2012 Within 12 Months Rs. | 2012 After 12 Months Rs. | 2012 Total as at 31.03.2012 Rs. |
| Assets | | | | | | |
| Trade and Other Receivables (Net) | 278,367,854 | – | 278,367,854 | 288,022,472 | – | 288,022,472 |
| Amounts Due from Related Parties | 19,703,162 | – | 19,703,162 | 36,572,248 | – | 36,572,248 |
| Cash and Bank Balances | 165,928,647 | – | 165,928,647 | 173,288,661 | – | 173,288,661 |
| Total Assets | 463,999,663 | – | 463,999,663 | 497,883,381 | – | 497,883,381 |
| Liabilities | | | | | | |
| Trade and Other Payables | 358,565,445 | – | 358,565,445 | 212,747,843 | – | 212,747,843 |
| Amounts Due to Related Parties | – | – | – | – | – | – |
| Financing and Lease (Ijara) Payables | 51,533,264 | 153,337,980 | 204,871,244 | 37,255,352 | 85,195,228 | 122,450,580 |
| Total liabilities | 410,098,709 | 153,337,980 | 563,436,689 | 250,003,195 | 85,195,228 | 335,198,423 |
| Net | 53,900,954 | (153,337,980) | (99,437,026) | 247,880,186 | (85,195,228) | 162,684,958 |
| | Company | | | | | |
| | 2013 Within 12 Months Rs. | 2013 After 12 Months Rs. | 2013 Total as at 31.03.2013 Rs. | 2012 With in 12 Months Rs. | 2012 After 12 Months Rs. | 2012 Total as at 31.03.2012 Rs. |
| Assets | | | | | | |
| Trade and Other Receivables (Net) | 293,051,716 | – | 293,051,716 | 250,008,323 | – | 250,008,323 |
| Amounts Due from Related Parties | 327,621,897 | – | 327,621,897 | 286,886,060 | – | 286,886,060 |
| Cash and Bank Balances | 132,636,062 | – | 132,636,062 | 64,279,950 | – | 64,279,950 |
| Total Assets | 753,309,675 | – | 753,309,675 | 601,174,333 | – | 601,174,333 |
| Liabilities | | | | | | |
| Trade and Other Payables | 297,038,154 | – | 297,038,154 | 201,290,417 | – | 201,290,417 |
| Amounts Due to Related Parties | 260,649,367 | – | 260,649,367 | 260,649,367 | – | 260,649,367 |
| Financing and Lease (Ijara) Payables | 36,692,272 | 126,547,705 | 163,239,977 | 27,978,535 | 52,261,577 | 80,240,112 |
| Total liabilities | 594,379,793 | 126,547,705 | 720,927,498 | 489,918,319 | 52,261,577 | 542,179,896 |
| Net | 158,929,882 | (126,547,705) | 32,382,177 | 111,256,014 | (52,261,577) | 58,994,437 |

Notes to the Financial Statements

30. Related Party Disclosures

30.1 Transactions with Related Entities

30.1.1 Subsidiaries

| Nature of Transactions | Group | | Company | |
|-------------------------------------|-------------|-------------|-------------|-------------|
| | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. |
| Sales | – | – | 210,632,160 | 171,401,982 |
| Purchases | – | – | 579,299,949 | 257,537,031 |
| Rent Received | – | – | 1,848,432 | 1,848,432 |
| Expenses Incurred by Parent Company | – | – | 103,935,514 | 82,109,583 |
| Expenses Incurred by Subsidiaries | – | – | 10,564,068 | 22,064,587 |
| Fund Transfers | – | – | 69,000,000 | 12,500,000 |
| Hatching Fees | – | – | 24,296,803 | 17,734,577 |
| Collection of Debtors | – | – | 182,728,741 | 161,305,935 |

30.1.2 Associates

| | | | | |
|----------------|------------|------------|------------|------------|
| Purchases | 19,417,977 | 25,975,195 | 19,417,977 | 25,975,195 |
| Fund Transfers | 21,091,714 | – | 21,091,714 | – |

30.2 Transactions with Key Management Personnel

The Key Management Personnel of the Company are the members of its Board of Directors. Transactions with close family members of Key Management Personnel are also taken into account in the transactions with Key Management Personnel.

| | Group | | Company | |
|---|-------------|-------------|-------------|-------------|
| | 2013 Rs. | 2012 Rs. | 2013 Rs. | 2012 Rs. |
| (a) Transactions with Key Management Personnel or their Close Family Members | | | | |
| Rent of Premises Owned by Key Management Personnel | 1,584,000 | 1,584,000 | 1,584,000 | 1,584,000 |
| (b) Key Management Personnel Compensation | | | | |
| Short-Term Employee Benefits | 18,271,900 | 16,136,050 | 18,271,900 | 16,136,050 |

30.3 Trade Dues Receivable from Related Parties, Amounts Due from Related Parties, Trade Dues Payable to Related Parties, and Amounts Due to Related Parties as at the reporting date are disclosed in Notes 11.1, 12, 17.1 & 19 respectively.

31. Events Occurring After the Reporting Date

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

Notes to the Financial Statements

32. Explanation of Transition to SLFRS/LKAS

These financial statements, for the year ended 31st March 2013, are the first the Group has prepared in accordance with SLFRS/LKAS. For periods up to and including the year ended 31st March 2012, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS).

Accordingly, the Group has prepared financial statements which comply with SLFRS/LKAS applicable for periods ending on or after 31st March 2013, together with the comparative period data as at and for the year ended 31st March 2012, as described in the accounting policies. In preparing these financial statements, the Group's opening Statement of Financial Position was prepared as at 1st April 2011, the Group's date of transition to SLFRS/LKAS. This note explains the principal adjustments made by the Group in restating its SLAS Statement of Financial Position as at 1st April 2011 and its previously published SLAS financial statements as at and for the year ended 31st March 2012.

SLFRS 1 First-Time Adoption of Sri Lanka Financial Reporting Standards allows first-time adopters certain exemptions and exceptions from the retrospective application of certain SLFRS/LKAS. However the Group has not elected to apply any exemptions and exceptions under SLFRS 1.

Reconciliation of Equity as at 31st March 2011

| | Note | Group | | | Company | | |
|----------------------------------|------|---------------------------|--|---------------------------------|---------------------------|--|---------------------------------|
| | | SLAS as at 2011 Rs. | Remeasurements/ Reclassification Rs. | SLFRS/LKAS as at 2011 Rs. | SLAS as at 2011 Rs. | Remeasurements/ Reclassification Rs. | SLFRS/LKAS as at 2011 Rs. |
| ASSETS | | | | | | | |
| Non-Current Assets | | | | | | | |
| Property, Plant & Equipment | A | 732,867,812 | 22,370,158 | 755,237,970 | 406,335,389 | 20,617,929 | 426,953,318 |
| Intangible Assets | | 4,170,048 | – | 4,170,048 | 4,170,048 | – | 4,170,048 |
| Investments in Subsidiaries | | – | – | – | 106,940,050 | – | 106,940,050 |
| Investments in Joint Ventures | | – | – | – | 2,895,000 | – | 2,895,000 |
| Investments in Associates | | 17,981,918 | – | 17,981,918 | 15,162,700 | – | 15,162,700 |
| Other Investments | | 1,246,998 | – | 1,246,998 | 1,246,998 | – | 1,246,998 |
| Biological Assets | B | – | 103,147,367 | 103,147,367 | – | 44,485,650 | 44,485,650 |
| | | 756,266,776 | 125,517,525 | 881,784,301 | 536,750,185 | 65,103,579 | 601,853,764 |
| Current Assets | | | | | | | |
| Inventories | C | 235,549,744 | (155,318,501) | 80,231,243 | 129,361,341 | (80,690,624) | 48,670,717 |
| Biological Assets | D | – | 104,383,667 | 104,383,667 | – | 88,417,507 | 88,417,507 |
| Trade and Other Receivables | E | 309,741,133 | (69,296,815) | 240,444,318 | 285,289,487 | (69,296,815) | 215,992,672 |
| Income Tax Receivable | | – | – | – | – | – | – |
| Amounts Due from Related Parties | | 39,647,232 | – | 39,647,232 | 126,522,242 | – | 126,522,242 |
| Cash and Bank Balances | | 238,072,111 | – | 238,072,111 | 130,512,571 | – | 130,512,571 |
| | | 823,010,220 | (120,231,649) | 702,778,571 | 671,685,641 | (61,569,932) | 610,115,709 |
| Total Assets | | 1,579,276,996 | 5,285,876 | 1,584,562,872 | 1,208,435,826 | 3,533,648 | 1,211,969,473 |

Notes to the Financial Statements

| | Note | Group | | | Company | | |
|--|------|---------------------------|--|---------------------------------|---------------------------|--|---------------------------------|
| | | SLAS as at 2011 Rs. | Remeasurements/ Reclassification Rs. | SLFRS/LKAS as at 2011 Rs. | SLAS as at 2011 Rs. | Remeasurements/ Reclassification Rs. | SLFRS/LKAS as at 2011 Rs. |
| EQUITY and LIABILITIES | | | | | | | |
| Capital and Reserves | | | | | | | |
| Stated Capital | | 256,305,197 | – | 256,305,197 | 256,305,197 | – | 256,305,197 |
| Revaluation Surplus | | 238,719,678 | – | 238,719,678 | 125,760,027 | – | 125,760,027 |
| Available-for-Sale Reserve | | – | – | – | – | – | – |
| Other Reserves | | 576,677 | – | 576,677 | 576,677 | – | 576,677 |
| Retained Earnings | F | 701,674,110 | 5,285,876 | 706,959,986 | 375,931,984 | 3,533,647 | 379,465,631 |
| Total Equity | | 1,197,275,662 | 5,285,876 | 1,202,561,538 | 758,573,885 | 3,533,647 | 762,107,532 |
| Non-Current Liabilities and Deferred Income | | | | | | | |
| Financing and Lease (Ijara) Payables | | 14,464,080 | – | 14,464,080 | 14,464,080 | – | 14,464,080 |
| Deferred Tax Liabilities | | 29,093,603 | – | 29,093,603 | 23,831,779 | – | 23,831,779 |
| Retirement Benefit Liability | | 17,636,544 | – | 17,636,544 | 15,903,011 | – | 15,903,011 |
| | | 61,194,227 | – | 61,194,227 | 54,198,870 | – | 54,198,870 |
| Current Liabilities | | | | | | | |
| Trade and Other Payables | | 240,622,799 | – | 240,622,799 | 212,672,300 | – | 212,672,300 |
| Dividends Payable | | 5,822,175 | – | 5,822,175 | 5,822,175 | – | 5,822,175 |
| Amounts Due to Related Parties | | – | – | – | 128,932,316 | – | 128,932,316 |
| Income Tax Payable | | 42,767,495 | – | 42,767,495 | 16,641,642 | – | 16,641,642 |
| Financing and Lease (Ijara) Payables | | 31,594,638 | – | 31,594,638 | 31,594,638 | – | 31,594,638 |
| | | 320,807,107 | – | 320,807,107 | 395,663,071 | – | 395,663,071 |
| Total Equity and Liabilities | | 1,579,276,996 | 5,285,876 | 1,584,562,872 | 1,208,435,826 | 3,533,647 | 1,211,969,473 |

Note

A. Reassessment of useful life of fully-depreciated plant and machinery by adjusting accumulated depreciation amounting to Rs. 10,536,025/- and Rs. 9,871,210/- in the Group and the Company respectively.

Reassessment of useful life of plant and machinery by adjusting accumulated depreciation amounting to Rs. 11,834,133/- and Rs. 10,746,719/- in the Group and the Company respectively.

B. Reclassification of parent birds as biological assets - non-current (bearer) from inventory amounting to Rs. 103,147,367/- and Rs. 44,485,650/- in the Group and the Company respectively.

C. Transferring from inventory to non-current (bearer) and current (consumable) biological assets amounting to Rs. 155,318,501/- and Rs. 80,690,624/- in the Group and the Company respectively.

D. Reclassification of broiler birds and hatching eggs as biological assets - current (consumables) from inventory amounting to Rs. 52,171,134/- and Rs. 36,204,974/- in the Group and the Company respectively.

Reclassification of the cost of broiler birds - outgrowers as biological assets - current (consumables) from trade and other receivables, net amounting to Rs. 52,212,533 in the Group and the Company.

Notes to the Financial Statements

E. Transferring from trade and other receivables, net to current (consumable) biological assets amounting to Rs. 73,524,552/- in the Group and the Company.

Provision for broiler debtors amounting to Rs. 4,227,737/- is reversed in the Group and the Company.

F. Charging the unrealised profit balance in broiler birds - outgrowers amounting to Rs. 21,312,019/- in the Group and the Company and resulting adjustments from A and E above.

Reconciliation of Equity as at 31st March 2012

| | Note | Group | | | Company | | |
|----------------------------------|------|---------------------------|--|---------------------------------|---------------------------|--|---------------------------------|
| | | SLAS as at 2012 Rs. | Remeasurements/ Reclassification Rs. | SLFRS/LKAS as at 2012 Rs. | SLAS as at 2012 Rs. | Remeasurements/ Reclassification Rs. | SLFRS/LKAS as at 2012 Rs. |
| ASSETS | | | | | | | |
| Non-Current Assets | | | | | | | |
| Property, Plant & Equipment | A | 1,113,073,145 | 26,538,009 | 1,139,611,154 | 514,792,104 | 23,311,655 | 538,103,759 |
| Intangible Assets | | 3,683,852 | - | 3,683,852 | 3,683,852 | - | 3,683,852 |
| Investments in Subsidiaries | | - | - | - | 160,690,050 | - | 160,690,050 |
| Investments in Joint Ventures | | - | - | - | 2,895,000 | - | 2,895,000 |
| Investments in Associates | | 32,171,920 | - | 32,171,920 | 15,162,700 | - | 15,162,700 |
| Other Investments | B | 1,246,998 | (64,174) | 1,182,825 | 1,246,998 | (64,174) | 1,182,825 |
| Biological Assets | C | - | 122,261,560 | 122,261,560 | - | 60,919,745 | 60,919,745 |
| | | 1,150,175,915 | 148,735,395 | 1,298,911,311 | 698,470,704 | 84,167,227 | 782,637,931 |
| Current Assets | | | | | | | |
| Inventories | D | 285,370,474 | (199,161,218) | 86,209,256 | 143,227,536 | (93,078,538) | 50,148,998 |
| Biological Assets | E | - | 115,865,091 | 115,865,091 | - | 71,124,226 | 71,124,226 |
| Trade and Other Receivables | F | 336,763,735 | (48,741,263) | 288,022,472 | 298,749,586 | (48,741,263) | 250,008,323 |
| Income Tax Receivable | | - | - | - | 16,482,342 | - | 16,482,342 |
| Amounts Due from Related Parties | | 36,572,248 | - | 36,572,248 | 286,886,060 | - | 286,886,060 |
| Cash and Bank Balances | | 173,288,661 | - | 173,288,661 | 64,279,950 | - | 64,279,950 |
| | | 831,995,118 | (132,037,390) | 699,957,728 | 809,625,474 | (70,695,575) | 738,929,899 |
| Total Assets | | 1,982,171,033 | 16,698,006 | 1,998,869,039 | 1,508,096,178 | 13,471,652 | 1,521,567,830 |

Notes to the Financial Statements

| | Note | Group | | | Company | | |
|--|------|---------------------------|--|---------------------------------|---------------------------|--|---------------------------------|
| | | SLAS as at 2012 Rs. | Remeasurements/ Reclassification Rs. | SLFRS/LKAS as at 2012 Rs. | SLAS as at 2012 Rs. | Remeasurements/ Reclassification Rs. | SLFRS/LKAS as at 2012 Rs. |
| EQUITY AND LIABILITIES | | | | | | | |
| Capital and Reserves | | | | | | | |
| Stated Capital | | 256,305,197 | – | 256,305,197 | 256,305,197 | – | 256,305,197 |
| Revaluation Surplus | | 253,249,938 | – | 253,249,938 | 123,683,381 | – | 123,683,381 |
| Available-for-Sale Reserve | B | – | (64,174) | (64,174) | – | (64,174) | (64,174) |
| Other Reserves | | 576,677 | – | 576,677 | 576,677 | – | 576,677 |
| Retained Earnings | G | 1,062,645,906 | 16,762,179 | 1,079,408,085 | 535,569,665 | 13,535,825 | 549,105,490 |
| Total Equity | | 1,572,777,718 | 16,698,005 | 1,589,475,723 | 916,134,920 | 13,471,652 | 929,606,572 |
| Non-Current Liabilities and Deferred Income | | | | | | | |
| Financing and Lease (Ijara) Payables | | 85,195,228 | – | 85,195,228 | 52,261,577 | – | 52,261,577 |
| Deferred Tax Liabilities | | 35,217,400 | – | 35,217,400 | 27,187,556 | – | 27,187,556 |
| Retirement Benefit Liability | | 22,758,654 | – | 22,758,654 | 19,578,801 | – | 19,578,801 |
| | | 143,171,282 | – | 143,171,282 | 99,027,934 | – | 99,027,934 |
| Current Liabilities | | | | | | | |
| Trade and Other Payables | | 212,747,842 | – | 212,747,842 | 201,290,417 | – | 201,290,417 |
| Dividends Payable | | 3,015,005 | – | 3,015,005 | 3,015,005 | – | 3,015,005 |
| Amounts Due to Related Parties | | – | – | – | 260,649,367 | – | 260,649,367 |
| Income Tax Payable | | 13,203,834 | – | 13,203,834 | – | – | – |
| Financing and Lease (Ijara) Payables | | 37,255,352 | – | 37,255,352 | 27,978,535 | – | 27,978,535 |
| | | 266,222,033 | – | 266,222,034 | 492,933,324 | – | 492,933,324 |
| Total Equity and Liabilities | | 1,982,171,033 | 16,698,006 | 1,998,869,039 | 1,508,096,178 | 13,471,652 | 1,521,567,830 |

Note

A. Net impact of accumulated depreciation for reassessed fully-depreciated plant and machinery amounting to Rs. 8,459,507/- and Rs. 8,176,138/- were adjusted in the Group and the Company respectively.

Net impact of accumulated depreciation for reassessed plant and machinery amounting to Rs. 18,078,502/- and Rs. 15,135,517/- were adjusted in the Group and the Company respectively.

B. Fair value losses on other investment amounting to Rs. 64,174/- is charged in the Group and the Company.

C. Reclassification of parent birds as biological assets - non-current (bearer) from inventory amounting to Rs. 122,261,560/- and Rs. 60,919,745/- in the Group and the Company respectively.

D. Transferring from inventory to non-current (bearer) and current (consumable) biological assets amounting to Rs. 199,161,218 and Rs. 93,078,538 in the Group and the Company respectively.

E. Reclassification of broiler birds and hatching eggs as biological assets - current (consumables) from inventory amounting to Rs. 76,899,658/- and Rs. 32,158,793/- in the Group and the Company respectively.

Reclassification of the cost of broiler birds - outgrowers as biological assets - current (consumables) from trade and other receivables, net amounting to Rs. 38,965,433/- in the Group and the Company.

Notes to the Financial Statements

F. Transferring from trade and other receivables, net to current (consumable) biological assets Amounting to Rs. 49,737,424/- in the Group and the Company.

Provision for broiler debtors amounting to Rs. 996,161/- is reversed in the Group and the Company.

G. Charging the unrealised profit balance in broiler birds - outgrowers amounting to Rs. 10,771,991/- in the Group and the Company, and resulting adjustments from A, B and F above.

Reconciliation of Total Comprehensive Income for the Year Ended 31st March 2012

| | Note | Group | | | Company | | |
|---|------|---------------------------|--|---------------------------------|---------------------------|--|---------------------------------|
| | | SLAS as at 2012 Rs. | Remeasurements/ Reclassification Rs. | SLFRS/LKAS as at 2012 Rs. | SLAS as at 2012 Rs. | Remeasurements/ Reclassification Rs. | SLFRS/LKAS as at 2012 Rs. |
| Revenue | A | 2,791,838,686 | 36,976,701 | 2,828,815,387 | 2,079,963,898 | 32,888,833 | 2,112,852,731 |
| Cost of Sales | B | (2,060,115,412) | (22,268,822) | (2,082,384,234) | (1,694,893,013) | (19,655,079) | (1,714,548,092) |
| Gross Profit | | 731,723,274 | 14,707,879 | 746,431,153 | 385,070,885 | 13,233,754 | 398,304,639 |
| Other Operating Income | | 14,003,232 | | 14,003,232 | 51,330,686 | - | 51,330,686 |
| Distribution Costs | C | (112,452,845) | (3,231,576) | (115,684,421) | (83,175,231) | (3,231,576) | (86,406,807) |
| Administrative Expenses | | (134,039,380) | - | (134,039,380) | (98,673,910) | - | (98,673,910) |
| Other Operating Expenses | | (423,336) | - | (423,336) | (303,104) | - | (303,104) |
| Finance Cost | | (11,739,319) | - | (11,739,319) | (8,954,015) | - | (8,954,015) |
| Profit before Tax | | 487,071,626 | 11,476,303 | 498,547,929 | 245,295,311 | 10,002,178 | 255,297,489 |
| Profit/(Loss) from Associate Companies | | 12,553,487 | | 12,553,487 | - | | - |
| Income Tax Expense | | (67,051,482) | | (67,051,482) | (21,657,630) | | (21,657,630) |
| Profit for the Year | | 432,573,631 | 11,476,303 | 444,049,934 | 223,637,681 | 10,002,178 | 233,639,859 |
| Other Comprehensive Income | | | | | | | |
| Fair Value Losses - Other Investments | D | - | (64,174) | (64,174) | - | (64,174) | (64,174) |
| Surplus on Revaluation of Property, Plant & Equipment | | - | 9,005,071 | 9,005,071 | - | - | - |
| Other Comprehensive Income for the Year | | - | 8,940,898 | 8,940,898 | - | (64,174) | (64,174) |
| Total Comprehensive Income | | 432,573,631 | 20,417,200 | 452,990,831 | 223,637,681 | 9,938,004 | 233,575,685 |
| Profit Attributable to: | | | | | | | |
| Equity Holders of the Parent | | 432,573,631 | 11,476,303 | 444,049,934 | 223,637,681 | 10,002,178 | 233,639,859 |
| Non-Controlling Interest | | - | - | - | - | - | - |
| | | 432,573,631 | 11,476,303 | 444,049,934 | 223,637,681 | 10,002,178 | 233,639,859 |
| Total Comprehensive Income Attributable to: | | | | | | | |
| Equity Holders of the Parent | | 432,573,631 | 20,417,200 | 452,990,831 | 223,637,681 | 9,938,004 | 233,575,685 |
| Non-Controlling Interest | | - | - | - | - | - | - |
| | | 432,573,631 | 20,417,200 | 452,990,831 | 223,637,681 | 9,938,004 | 233,575,685 |

Notes to the Financial Statements

Note

A. NBT was added back to the revenue amounting to Rs. 36,976,701/- and Rs. 32,888,833/- in the Group and the Company respectively.

B. NBT was charged to the cost of sales amounting to Rs. 36,976,701/- and Rs. 32,888,833/- in the Group and the Company respectively.

Unrealised profit reversed in broiler birds - outgrowers is Rs. 10,540,028/- in the Group and the Company.

Depreciation for reassessed fully-depreciated plant and machinery amounting to Rs. 2,076,519/- and Rs. 1,659,072/- were charged in the Group and the Company respectively.

Depreciation for reassessed plant and machinery amounting to Rs. 6,244,370/- and Rs. 4,388,798/- were reversed in the Group and the Company respectively.

C. Net impact of impairment of broiler debtors amounting to Rs. 3,231,576/- was charged in the Group and the Company.

D. Net impact of fair value losses on other investment amounting to Rs. 64,174/- was charged in the Group and the Company.

Statement of Cash Flows

The transition from SLAS to SLFRS/ LKAS has not had a material impact on the statement of cash flows.

Investor Information

1. 20 Major Shareholders of the Company as at 31st March 2013

| Name | No. of Shares as at 31.03.2013 | % | No. of Shares as at 31.03.2012 | % |
|--|-----------------------------------|---------|-----------------------------------|---------|
| 1. Mr. M.N.M. Yakooth | 1,701,867 | 10.637 | 1,701,867 | 10.637 |
| 2. Mr. M.N.M. Mubarak | 1,660,908 | 10.381 | 1,660,908 | 10.381 |
| 3. Mr. M.N.M. Kamil | 1,653,924 | 10.337 | 1,653,924 | 10.337 |
| 4. Mr. M.N.M. Ilyas | 1,548,600 | 9.679 | 1,598,600 | 9.991 |
| 5. Perpetual Capital (Pvt) Ltd. | 1,283,345 | 8.021 | 1,363,400 | 8.521 |
| 6. Employees' Trust Fund Board | 1,229,742 | 7.686 | 654,602 | 4.091 |
| 7. Mr. M.Y.M. Riyal | 824,305 | 5.152 | 824,305 | 5.152 |
| 8. Mrs. F.S. Imran | 612,047 | 3.825 | 612,047 | 3.825 |
| 9. Amāna Bank Ltd. | 402,629 | 2.516 | 137,700 | 0.861 |
| 10. Mrs. A.W.M.S. Rafeeka | 300,000 | 1.875 | 300,000 | 1.875 |
| 11. Shehans Ltd. | 259,750 | 1.623 | 259,750 | 1.623 |
| 12. Mr. T.L.M. Imtiaz | 182,174 | 1.139 | 215,500 | 1.347 |
| 13. Perpetual Asset Management (Pvt) Ltd. | 167,500 | 1.047 | 167,500 | 1.047 |
| 14. Mr. M.M. Salahudeen | 146,000 | 0.912 | 80,000 | 0.500 |
| 15. Confifi Capital (Pvt) Ltd. | 143,951 | 0.900 | 35,000 | 0.219 |
| 16. Confifi Management Services (Pvt) Ltd. | 133,000 | 0.831 | 133,000 | 0.831 |
| 17. Mr. R. Pestonjee | 130,000 | 0.813 | 130,000 | 0.813 |
| 18. Globemart International (Pvt) Ltd. | 111,900 | 0.699 | 223,800 | 1.399 |
| 19. Venture Partners (Pvt) Ltd. | 88,200 | 0.551 | 73,200 | 0.458 |
| 20. Naleemiah Institute of Islamic Studies Society | 78,100 | 0.488 | 78,100 | 0.488 |
| | 12,657,942 | 79.112 | 11,903,203 | 74.395 |
| Others | 3,342,058 | 20.888 | 4,096,797 | 25.605 |
| Total | 16,000,000 | 100.000 | 16,000,000 | 100.000 |

2. Shareholding as at 31st March 2013

| From | To | No. of Shareholders | No. of Shares | % |
|---------|-------------|------------------------|------------------|--------|
| 1 | - 1,000 | 3,171 | 795,694 | 4.97 |
| 1,001 | - 10,000 | 407 | 1,129,052 | 7.06 |
| 10,001 | - 100,000 | 57 | 1,583,612 | 9.90 |
| 100,001 | - 1,000,000 | 12 | 3,413,256 | 21.33 |
| Over | 1,000,000 | 6 | 9,078,386 | 56.74 |
| | | 3,653 | 16,000,000 | 100.00 |

| Categories of Shareholders | No. of Shareholders | No. of Shares | % |
|----------------------------|------------------------|------------------|--------|
| Local Individuals | 3,499 | 11,237,971 | 70.24 |
| Local Institutions | 128 | 4,700,539 | 29.38 |
| Foreign Individuals | 24 | 46,490 | 0.29 |
| Foreign Institutions | 2 | 15,000 | 0.09 |
| | 3,653 | 16,000,000 | 100.00 |

Investor Information

| Year ended 31st March | 2013 | 2012 | 2011 | 2010 | 2009 |
|-----------------------|------|------|------|------|------|
|-----------------------|------|------|------|------|------|

3. Market Value per Share (Rs.)

| | | | | | |
|------------------|--------|--------|--------|-------|-------|
| Highest | 194.00 | 497.00 | 525.00 | 43.75 | 18.25 |
| Lowest | 110.00 | 125.00 | 333.50 | 8.75 | 7.25 |
| As at 31st March | 149.70 | 130.00 | 401.00 | 34.00 | 8.75 |

Share Trading

| | | | | | |
|---|-------------|-----------|------------|------------|-----------|
| No. of Shares Traded during the Year | 3,033,096 | 7,727,899 | 27,128,000 | 12,253,400 | 3,142,400 |
| Value of Shares Traded during the Year (Rs. '000) | 459,633,357 | 2,466,291 | 4,804,116 | 276,804 | 44,229 |
| Number of Transactions during the Year | 5,666 | 17,263 | 32,124 | 6,537 | 1,956 |

4. Ratios and Other Transactions

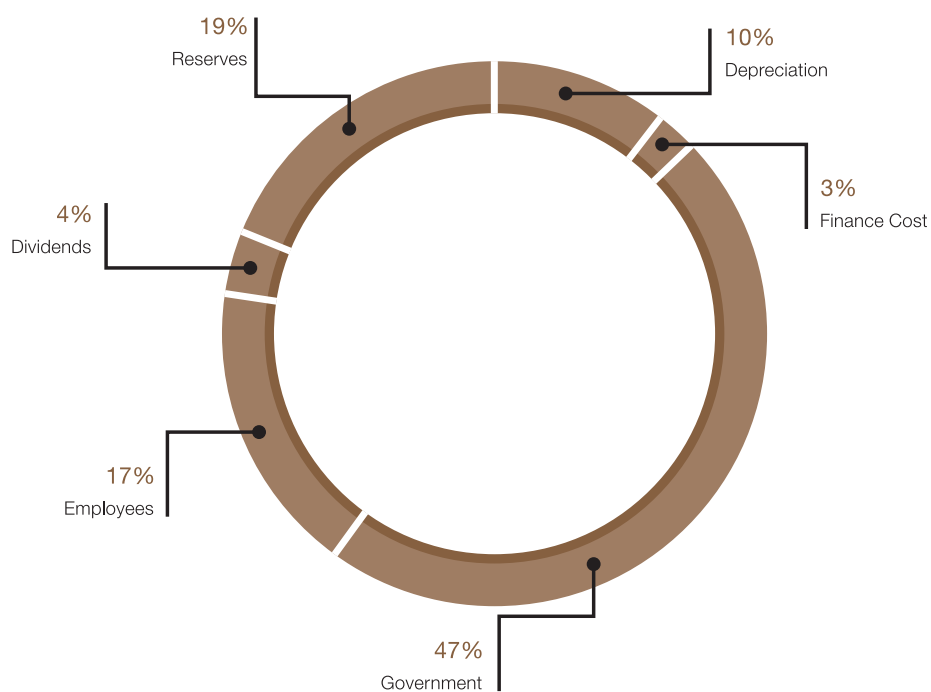
| | | | | | |
|---------------------------------|--------|-------|-------|-------|-------|
| Shareholders' Funds (Rs. Mn) | 1,716 | 1,589 | 1,203 | 761 | 455 |
| Earnings/(Loss) per Share (Rs.) | 10.09 | 27.75 | 30.37 | 8.38 | 0.16 |
| Turnover (Rs. Mn) | 2,918 | 2,829 | 2,555 | 2,064 | 1,840 |
| Turnover Growth (%) | 3 | 11 | 24 | 12 | 13 |
| Dividends per Share (Rs.) | 2.00 | 4.00 | 3.00 | 0.50 | 1.00 |
| Net Assets per Share (Rs.) | 107.22 | 99.34 | 75.16 | 47.54 | 28.43 |

5. Market Capitalisation

| | | | | | |
|---------------------------|-------|-------|-------|-----|-----|
| As at 31st March (Rs. Mn) | 2,400 | 2,080 | 6,416 | 544 | 140 |
|---------------------------|-------|-------|-------|-----|-----|

Value Added Statement

| | 31st March 2013 Rs. '000 | % | 31st March 2012 Rs. '000 | % |
|--|-----------------------------|--------|-----------------------------|--------|
| Revenue | 3,265,014 | | 3,164,939 | |
| Less: Cost of Materials and Services Purchased | (2,415,753) | | (2,017,018) | |
| Value Added | 849,261 | | 1,147,921 | |
| To Employees as Remuneration | 145,761 | 17.16 | 136,266 | 11.87 |
| To Government as Taxes | 401,184 | 47.24 | 434,028 | 37.81 |
| To Providers of Capital | | | | |
| Finance Cost on Borrowings | 22,595 | 2.66 | 11,739 | 1.02 |
| Dividends to the Shareholders | 32,000 | 3.77 | 64,000 | 5.58 |
| Retained in the Business as | | | | |
| Depreciation | 86,239 | 10.15 | 57,838 | 5.04 |
| Reserves | 161,482 | 19.01 | 444,050 | 38.68 |
| | 849,261 | 100.00 | 1,147,921 | 100.00 |



Five Year Summary

| Year ended 31st March | 2013 Rs. '000 | 2012 Rs. '000 | 2011 Rs. '000 | 2010 Rs. '000 | 2009 Rs. '000 |
|--|------------------|------------------|------------------|------------------|------------------|
| Statement of Comprehensive Income | | | | | |
| Revenue | 2,917,526 | 2,828,815 | 2,554,762 | 2,064,259 | 1,839,779 |
| Profit before Taxation | 164,067 | 498,548 | 584,576 | 154,182 | 13,551 |
| Taxation (Charge)/Reversal | (22,380) | (67,051) | (103,166) | (20,420) | (6,514) |
| Profit after Taxation | 141,687 | 431,497 | 481,410 | 133,762 | 7,037 |
| Minority Interest | – | – | – | – | – |
| Profit/(Loss) from Associate Companies | 19,795 | 12,553 | 4,536 | 386 | (4,444) |
| Other Comprehensive Income | (62) | 8,941 | – | – | – |
| Total Comprehensive Income | 161,420 | 452,991 | 485,946 | 134,148 | 2,593 |
| Statement of Financial Position | | | | | |
| Property, Plant & Equipment | 1,436,005 | 1,139,611 | 755,238 | 626,838 | 425,070 |
| Intangible Assets | 4,401 | 3,684 | 4,170 | 3,579 | 1,649 |
| Investments | 54,437 | 33,355 | 19,229 | 14,319 | 13,933 |
| Biological Assets | 128,560 | 122,261 | 103,147 | – | – |
| | 1,623,403 | 1,298,911 | 881,784 | 644,736 | 440,652 |
| Current Assets | 729,023 | 699,958 | 702,779 | 593,618 | 573,051 |
| Less: Current Liabilities | (413,123) | (266,222) | (320,807) | (404,930) | (454,103) |
| Net Current Assets | 315,900 | 433,736 | 381,972 | 188,688 | 118,948 |
| Total Assets Less: Current Liabilities | 1,939,303 | 1,732,647 | 1,263,756 | 833,424 | 559,600 |
| Less: | | | | | |
| Long-Term Liabilities | (153,338) | (85,195) | (14,464) | (47,290) | (86,827) |
| Deferred Liabilities | (70,395) | (57,976) | (46,730) | (25,494) | (17,859) |
| Net Assets | 1,715,570 | 1,589,476 | 1,202,562 | 760,640 | 454,914 |
| Equity | | | | | |
| Stated Capital | 256,305 | 256,305 | 256,305 | 256,305 | 256,305 |
| Revaluation Reserves | 249,924 | 253,250 | 238,720 | 240,031 | 60,453 |
| Other Reserves | 451 | 513 | 577 | 577 | 577 |
| Revenue Reserves | 1,208,890 | 1,079,408 | 706,960 | 263,727 | 137,579 |
| | 1,715,570 | 1,589,476 | 1,202,562 | 760,640 | 454,914 |

Notice of Meeting

NOTICE IS HEREBY given that the Thirty-Eighth Annual General Meeting of Bairaha Farms PLC will be held at the "Kings Court" of Cinnamon Lakeside Hotel, 115, Sir C.A. Gardiner Mawatha, Colombo 2 at 11.30 a.m. on Thursday the 26th of September 2013 for the following purposes:

1. To pass the ordinary resolution set out below to appoint Desamanya Prof. M.T.A. Furkhan, who is 78 years of age, as a Director of the Company.

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not apply to Desamanya Prof. M.T.A. Furkhan, who is 78 years of age and that he be and is hereby appointed a Director of the Company."

2. To pass the ordinary resolution set out below to appoint Desamanya C.P. de Silva, who is 84 years of age, as a Director of the Company.

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not apply to Desamanya C.P. de Silva, who is 84 years of age and that he be and is hereby appointed a Director of the Company."

3. To pass the ordinary resolution set out below to appoint Deshabandu N.S. Jabir, who is 75 years of age, as a Director of the Company.

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not apply to Deshabandu N.S. Jabir, who is 75 years of age and that he be and is hereby appointed a Director of the Company."

4. To receive and consider the Annual Report of the Board of Directors on the Affairs of the Company and the financial statements for the year ended 31st March 2013 and the Report of the Auditors' thereon.
5. To re-elect as a Director, Mr. Ilyas Naleem who retires by rotation in terms of Articles 87 and 88 of the Articles of Association of the Company.

6. To authorise the Directors to determine donations for the ensuing year.
7. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.

By Order of the Board,
BAIRAHA FARMS PLC

(Sgd.)

P.W. CORPORATE SECRETARIAL (PVT) LTD.

Secretaries

15th July 2013

Colombo

Notes

1. A member is entitled to appoint a proxy to attend and vote instead of himself/herself and a proxy need not be a member of the Company.
2. A Form of Proxy is enclosed herewith for this purpose.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company, 2nd Floor, No. 407, Galle Road, Colombo 3 not less than forty-eight hours before the time fixed for the Meeting. The envelope in which the Proxy Form is enclosed must be marked with the words 'Annual General Meeting' on the top left hand corner of the envelope, and the envelope must be addressed to Secretaries, Bairaha Farms PLC, 2nd Floor, No. 407, Galle Road, Colombo 3.
4. Shareholders/Proxyholders attending the Meeting are requested to bring their **National Identity Cards** and post the Attendance Slip (Business Reply Card) enclosed herewith to the Company to reach them not less than forty-eight hours before the time fixed for the Meeting.

Form of Proxy

I/We*
 of.....

 being a Shareholder/s* of Bairaha Farms PLC hereby appoint:
 of
 or failing him/her*

| | |
|--------------------------------|----------------------------|
| Mohamed Thassim Ahamed Furkhan | of Colombo or failing him* |
| Yakooth Naleem | of Colombo or failing him* |
| Riyal Yakooob | of Colombo or failing him* |
| Charitha Prasanna de Silva | of Colombo or failing him* |
| Nowfel Saly Jabir | of Colombo or failing him* |
| Ilyas Naleem | of Colombo or failing him* |
| Kamil Naleem | of Colombo or failing him* |
| Mubarak Naleem | of Colombo |

as my/our* proxy to represent me/us* and to vote on my/our* behalf at the Thirty-Eighth Annual General Meeting of the Company to be held at "Kings Court" of the Cinnamon Lakeside Hotel, 115, Sir C.A. Gardiner Mawatha, Colombo 2, at 11.30 a.m. on Thursday the 26th of September 2013 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

| | For | Against |
|---|--------------------------|--------------------------|
| 1. To appoint Desamanya Prof. M.T.A Furkhan who is 78 years of age as a Director of the Company pursuant to the provisions of the Companies Act No. 07 of 2007 | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To appoint Desamanya C.P. de Silva who is 84 years of age as a Director of the Company pursuant to the provisions of the Companies Act No. 07 of 2007 | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To appoint Deshabandu N.S. Jabir who is 75 years of age as a Director of the Company pursuant to the provisions of the Companies Act No. 07 of 2007 | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To receive and consider the Annual Report of the Board of Directors and the financial statements together with the Report of the Auditors thereon for the year ended 31st March 2013 | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To re-elect as a Director Mr. Ilyas Naleem, who retires by rotation at the Annual General Meeting, in terms of Articles 87 and 88 of the Articles of Association. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To authorise the Directors to determine donations as they think fit during the year ending 31st March 2014 and up to the date of the next Annual General Meeting. | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |

In witness my/our* hands this day of Two
 Thousand and Thirteen.

**Delete whichever is inapplicable.*

.....
 Signature of Shareholder/s*

Notes: 1. A proxy need not be a member of the Company.
 2. Instructions as to completion of Form of Proxy appear overleaf.

Form of Proxy

Instructions for Completion

1. This Form of Proxy must be deposited at the Registered Office, 2nd Floor, No. 407, Galle Road, Colombo 3 not less than forty-eight hours before the time fixed for the Meeting. The envelope in which the Proxy Form is enclosed must be marked with the words 'Annual General Meeting' on the top left-hand corner of the envelope, and the envelope must be addressed to Secretaries, Bairaha Farms PLC, 2nd Floor, No. 407, Galle Road, Colombo 3.
2. In perfecting the Form of Proxy please ensure that all details are legible.
3. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your proxy please insert the relevant details.
4. Please indicate with an 'X' in the space provided how your proxy is to vote on each resolution. If no indication is given, the proxy in his/her discretion will vote as he/she thinks fit.
5. In the case of a Company/Corporation the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
6. In the case of a proxy signed by an Attorney, the original Power of Attorney must be deposited at the Registered Office for registration.
7. In the case of joint holders the Form of Proxy must be signed by the first holder.

Corporate Information

Company Registration Number

PQ 122

Registered Office

2nd Floor, No. 407, Galle Road, Colombo 3.

Telephone: +9411 2575255

Telefax: +9411 2575256

Website: www.bairaha.com

E-mail: corporateoffice@bairaha.com

Directors

Desamanya Prof. M.T.A. Furkhan - *Chairman*

Mr. Yakooth Naleem - *Managing Director*

Mr. Riyal Yakooob - *Executive Director*

Desamanya C.P. de Silva

Deshabandu N.S. Jabir

Mr. Ilyas Naleem

Mr. Kamil Naleem - *Executive Director*

Mr. Mubarak Naleem - *Executive Director*

Auditors

Messrs Ernst & Young, Chartered Accountants,
No. 201, De Saram Place, Colombo 10.

Secretaries & Registrars

P W Corporate Secretarial (Pvt) Ltd.,

No. 3/17, Kynsey Road, Colombo 8.

Telephone: +9411 4640360

Main Bankers

Amāna Bank Ltd.,

No. 480, Galle Road, Colombo 3.

Bank of Ceylon, Corporate Branch,

No. 4, Bank of Ceylon Mawatha, Colombo 1.

Hatton National Bank,

Darley Road, Colombo 10.



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