

THREE ACRE FARMS PLC



INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

QUARTERLY REVIEW *for the third quarter ended 30 September 2018*

The Group's revenue for the third quarter of 2018 was Rs.677.0Mn compared to Rs.555.3Mn during the same quarter of 2017, representing an increase of Rs.121.7Mn or 22%. The Group's revenue for the nine months of 2018 was Rs.1,975.2Mn compared to Rs.1,787.6Mn during the nine months of 2017, representing an increase of Rs.187.6Mn or 10%.

The Group reported a total comprehensive income of Rs.213.9Mn for the third quarter of 2018 compared to Rs.107.8Mn during the same period of 2017, representing an increase of Rs.106.1Mn or 98%. The Group reported a total comprehensive income of Rs.530.0Mn for the nine months period of 2018 compared to Rs.461.6Mn during the same period of 2017, representing an increase of Rs.68.4Mn or 15%.

The Group revenue has increased as a result of improved demand for Layer Day Old Chicks (DOCs) due to the recovery of table egg market and the stable market conditions for Broiler DOCs during the quarter under review. The Group's margin has positively been driven by increased revenue due to effective farm management in Breeder and Commercial farms.

The Company and the Group have adhered to the Sri Lanka Financial Reporting Standards in the preparation of the interim financial statements for the period ended 30 September 2018.

There have been no other events subsequent to the interim period, which require disclosure in the interim financial statements.

(Sgd.) Cheng Chih Kwong, Primus
Executive Director and Chief Executive Officer

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

All amounts in Sri Lankan Rupees thousands

For the three months ended 30 September	Group		Group Change	Company	
	2018	2017		2018	2017
Revenue	676,964	555,301	22%	550,345	440,607
Cost of sales	(471,130)	(434,197)	9%	(355,940)	(352,572)
Gross profit	205,834	121,104	70%	194,405	88,035
Other operating (expenses) / income	(3,839)	(13,635)	(72%)	8,544	(41,241)
Selling and distribution expenses	(2,901)	(5,165)	(44%)	(2,901)	(5,017)
Administrative expenses	(5,818)	(6,420)	(9%)	(4,264)	(4,666)
Operating profit	193,276	95,884	102%	195,784	37,111
Finance income	53,824	27,184	98%	43,103	22,689
Finance costs	(7)	(6)	17%	(4)	(1)
Profit before tax	247,093	123,062	101%	238,883	59,799
Taxation	(33,181)	(15,285)	117%	(25,612)	(6,004)
Profit for the period	213,912	107,777	98%	213,271	53,795
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive income for the period	213,912	107,777	98%	213,271	53,795
Profit attributable to :					
Equity holders of the parent	213,912	107,777		213,271	53,795
	213,912	107,777		213,271	53,795
Total comprehensive income attributable to :					
Equity holders of the parent	213,912	107,777		213,271	53,795
	213,912	107,777		213,271	53,795
Basic earnings per share (Rs.)	9.09	4.58		9.06	2.28

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

All amounts in Sri Lankan Rupees thousands

For the nine months ended 30 September	Group		Group Change	Company	
	2018	2017		2018	2017
Revenue	1,975,242	1,787,570	10%	1,545,621	1,474,300
Cost of sales	(1,454,230)	(1,273,225)	14%	(1,097,694)	(1,052,193)
Gross profit	521,012	514,345	1%	447,927	422,107
Other operating income / (expenses)	6,662	(17,200)	NM	5,188	(80,810)
Selling and distribution expenses	(8,058)	(13,125)	(39%)	(8,058)	(12,977)
Administrative expenses	(18,913)	(18,260)	4%	(13,773)	(13,187)
Operating profit	500,703	465,760	8%	431,284	315,133
Finance income	137,187	76,689	79%	111,315	63,516
Finance costs	(49)	(17)	188%	(38)	(8)
Profit before tax	637,841	542,432	18%	542,561	378,641
Taxation	(107,803)	(80,846)	33%	(85,271)	(58,740)
Profit for the period	530,038	461,586	15%	457,290	319,901
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive income for the period	530,038	461,586	15%	457,290	319,901
Profit attributable to :					
Equity holders of the parent	530,038	461,586		457,290	319,901
	530,038	461,586		457,290	319,901
Total comprehensive income attributable to :					
Equity holders of the parent	530,038	461,586		457,290	319,901
	530,038	461,586		457,290	319,901
Basic earnings per share (Rs.)	22.51	19.60		19.42	13.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All amounts in Sri Lankan Rupees thousands

As at	Group		Company	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
Assets				
Non-current assets				
Property, plant and equipment	1,325,204	1,404,849	1,017,501	1,081,766
Leasehold right over land	68,051	68,576	68,051	68,576
Investment in subsidiary companies	-	-	-	-
Biological assets	522,739	501,110	403,012	380,571
Total non-current assets	1,915,994	1,974,535	1,488,564	1,530,913
Current assets				
Biological assets	25,919	27,649	22,178	19,994
Inventories	83,859	73,708	75,581	67,183
Trade and other receivables	97,830	53,398	88,274	49,129
Amount due from related companies	93,654	-	228,903	52,929
Current tax receivables	4,168	4,168	-	-
Cash and cash equivalents	1,925,831	1,423,668	1,505,822	1,169,584
Total current assets	2,231,261	1,582,591	1,920,758	1,358,819
Total assets	4,147,255	3,557,126	3,409,322	2,889,732
Equity				
Stated capital	623,604	623,604	623,604	623,604
Retained earnings	2,796,184	2,336,781	2,221,676	1,835,021
Total equity	3,419,788	2,960,385	2,845,280	2,458,625
Liabilities				
Non-current liabilities				
Deferred tax liabilities	206,564	210,114	148,488	151,972
Employee benefits	17,630	16,901	16,405	15,607
Total non-current liabilities	224,194	227,015	164,893	167,579
Current liabilities				
Trade and other payables	486,864	295,849	384,395	259,845
Amount due to related companies	4,964	73,877	3,897	3,683
Interest bearing borrowings	11,445	-	10,857	-
Total current liabilities	503,273	369,726	399,149	263,528
Total liabilities	727,467	596,741	564,042	431,107
Total equity and liabilities	4,147,255	3,557,126	3,409,322	2,889,732
Net assets per share (Rs.)	145.24	125.73	120.84	104.42

(Sgd.) K.A.R.S. Perera
General Manager

(Sgd.) Cheng Chih Kwong, Primus
Executive Director and Chief Executive Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All amounts in Sri Lankan Rupees thousands

Group	Stated	Retained	Total
For the nine months ended 30 September	capital	earnings	equity
Balance as at 1 January 2017	623,604	1,774,951	2,398,555
Profit for the period	-	461,586	461,586
Dividend paid	-	(94,180)	(94,180)
Other comprehensive income for the period, net of tax	-	-	-
Balance as at 30 September 2017	623,604	2,142,357	2,765,961
Balance as at 1 January 2018	623,604	2,336,781	2,960,385
Profit for the period	-	530,038	530,038
Dividend paid	-	(70,635)	(70,635)
Other comprehensive income for the period, net of tax	-	-	-
Balance as at 30 September 2018	623,604	2,796,184	3,419,788

Company	Stated	Retained	Total
For the nine months ended 30 September	capital	earnings	equity
Balance as at 1 January 2017	623,604	1,492,264	2,115,868
Profit for the period	-	319,901	319,901
Dividend paid	-	(94,180)	(94,180)
Other comprehensive income for the period, net of tax	-	-	-
Balance as at 30 September 2017	623,604	1,717,985	2,341,589
Balance as at 1 January 2018	623,604	1,835,021	2,458,625
Profit for the period	-	457,290	457,290
Dividend paid	-	(70,635)	(70,635)
Other comprehensive income for the period, net of tax	-	-	-
Balance as at 30 September 2018	623,604	2,221,676	2,845,280

CONSOLIDATED STATEMENT OF CASH FLOWS

All amounts in Sri Lankan Rupees thousands

For the nine months ended 30 September	Group		Company	
	2018	2017	2018	2017
Operating activities				
Profit before tax	637,841	542,432	542,561	378,641
Adjustments:				
Depreciation	77,586	80,728	67,875	71,152
Amortisation of leasehold right over land	525	521	525	521
Usage of biological assets	378,062	358,253	270,443	273,723
Loss / (profit) on disposal of property, plant and equipment	6,653	(264)	(499)	(264)
Change in fair value less cost to sell on biological assets	(4,992)	19,942	16,140	23,187
Dividend income	-	-	(12,955)	(11,640)
Exchange gain	(5,657)	(717)	(5,661)	(740)
Interest income	(131,530)	(75,972)	(105,654)	(62,776)
Interest expenses	49	17	38	8
Changes in working capital				
-Trade and other receivables	(27,618)	(27,815)	(23,713)	(22,056)
-Inventories	(10,151)	(21,574)	(8,398)	(18,969)
-Trade and other payables	145,039	(24,756)	96,026	(25,605)
-Amount due from related companies	(93,654)	(209,698)	(175,974)	(206,463)
-Amount due to related companies	(68,913)	(136,811)	214	(28,510)
Employee benefits	1,485	2,075	1,350	2,007
Cash generated from operations	904,725	506,361	662,318	372,216
Exchange gain	5,657	717	5,661	740
Interest received	114,716	74,705	90,225	61,879
Interest paid	(49)	(17)	(38)	(8)
Employee benefits paid	(756)	(3,460)	(552)	(3,460)
Tax paid	(65,377)	(32,274)	(60,234)	(29,194)
Net cash generated from operating activities	958,916	546,032	697,380	402,173
Investing activities				
Purchase of property, plant and equipment	(5,513)	(15,019)	(4,030)	(11,356)
Proceeds from disposal of property, plant and equipment	919	367	919	367
Dividend income	-	-	12,955	11,640
Purchase of biological assets	(392,969)	(362,104)	(311,208)	(244,508)
Net cash used in investing activities	(397,563)	(376,756)	(301,364)	(243,857)
Financing activities				
Dividend paid	(70,635)	(94,180)	(70,635)	(94,180)
Net borrowings	11,445	4,250	10,857	4,250
Net cash used in financing activities	(59,190)	(89,930)	(59,778)	(89,930)
Increase in cash and cash equivalents	502,163	79,346	336,238	68,386
Movements in cash and cash equivalents				
At the beginning of the period	1,423,668	830,773	1,169,584	691,296
Increase for the period	502,163	79,346	336,238	68,386
Balance at the end of the period	1,925,831	910,119	1,505,822	759,682

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The principal businesses of the Group are selective breeding, hatching, sale of Commercial Day Old Chicks (DOCs), both Broiler (for chicken meat) and Layer (for the production of table eggs), grandparent farm operation and commercial broiler farming.

The Company was listed in the Colombo Stock Exchange under the Food and Beverage Sector. The parent company, Ceylon Grain Elevators PLC holds 57.21% (as at September 2018) of the issued share capital of the Company.

2. APPROVAL OF FINANCIAL STATEMENTS

The interim financial statements of the Company and the Group for the nine months ended 30 September 2018 are unaudited and authorised for issue by the Board of Directors on 12 November 2018.

3. BASIS OF PREPARATION

The interim financial statements of the Company and the Group have been prepared in compliance with Sri Lanka Accounting Standard (LKAS) 34 - Interim Financial Reporting.

The interim financial statements have been prepared on a historical cost basis except for defined benefit obligation and biological assets.

4. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.

5. CONTINGENT LIABILITIES

There has not been any significant change in the nature of the contingent liabilities, which were disclosed in the Annual Report for the year ended 31 December 2017.

6. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2018, there are no events, which require adjustments to or disclosure in the financial statements.

7. COMPARATIVE INFORMATION

Comparative figures have been reported to be in line with the published Audited Financial Statements as at 31 December 2017, which are prepared and presented in accordance with the Sri Lanka Financial Reporting Standards.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Contd.)

8. CHANGE IN DIRECTORATE

Mr. Sunil Karunanayake, Non-Executive Independent Director deceased unexpectedly on 27 May 2018. The Board of Directors of the Company resolved to appoint Dr. Prathap Ramanujam as a Non-Executive Independent Director w.e.f. 7 August 2018.

9. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

SLFRS 16 - Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17 - Leases.

This standard becomes effective for annual periods beginning on or after 1 January 2019 (early adoption is permitted).

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of this new standard.

10. NM – Change in percentage term is Not Meaningful.

INVESTOR INFORMATION

(01) Market Price per Share	As at 30.09.2018	As at 30.09.2017
Highest Market Price (Rs.)	115.00	130.00
Lowest Market Price (Rs.)	92.60	116.50
Closing Market Price (Rs.)	98.00	120.50

(02) Public Shareholding	As at 30.09.2018	As at 30.09.2017
The percentage of shares held by the public	27.78%	27.78%
The number of shareholders representing the public holding	2,586	2,636

Float Adjusted Market Capitalisation

The float adjusted market capitalisation as at 30 September 2018 was Rs.641Mn under Option 5 of Section 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

(03) List of 20 major shareholders based on their shareholding as at 30 September 2018

No.	Name	No of Shares	Percentage
1	Ceylon Grain Elevators PLC	13,469,980	57.21
2	Prima Limited, Singapore	3,532,627	15.00
3	UBS AG Zurich	617,360	2.62
4	Seylan Bank PLC / R.A. Rishard	385,310	1.64
5	Seylan Bank PLC / S.R. Fernando	353,792	1.50
6	Eka Limited	313,262	1.33
7	Supra Limited, Hong Kong	258,989	1.10
8	Phillip Securities Pte Ltd	240,000	1.02
9	Assetline Leasing Company Ltd / M.N. Singa Laxana	178,845	0.76
10	Citizens Development Business Finance PLC	178,390	0.76
11	People's Leasing & Finance PLC / M.N. Singa Laxana	166,500	0.70
12	People's Merchant Finance PLC / M.M.Fuad	161,787	0.69
13	Seylan Bank PLC / C. N. Rajahmone	161,570	0.69
14	People's Leasing & Finance PLC / HI Line Trading (Pvt) Ltd	160,768	0.68
15	Elgin Investments Limited	125,000	0.53
16	Mrs.D.M. Fernando	100,000	0.42
17	Mr.R.A. Rishard	90,428	0.38
18	Commercial Bank of Ceylon PLC / U.C. Bandaranayake	90,000	0.38
19	Mellon Bank N.A.-Commonwealth of Massachusetts	82,446	0.35
20	Merchant Bank of Sri Lanka PLC / K. R.U. Gunawardena	80,000	0.34
	Total	20,747,054	88.12

CORPORATE INFORMATION

Company Name

Three Acre Farms PLC

Company Registration No.

PQ 195

Registered Office

No.15, Rock House Lane, Colombo 15, Sri Lanka.

Tel : +94 (11) 2522556 or 8 / 2523580 / 2526378 to 2526383

Fax : +94 (11) 2524163

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

Stated Capital

Rs. 623,604,000

Number of Shares

23,545,000 Ordinary Shares

Subsidiary Companies

Ceylon Pioneer Poultry Breeders Limited

Millennium Multibreeder Farms (Private) Limited

Name of Directors

Mr. Wickrema Senaka Weerasooria

Mr. Cheng Chih Kwong, Primus

Mr. Tan Beng Chuan

Mr. Cheng Koh Chuen, Bernard

Mr. Sunil Leeniyagoda

Dr. Prathap Ramanujam (Appointed w.e.f. 7 August 2018)

Lawyers

Varners Lanka Law Office

D.L. & F. De Saram

Auditors

KPMG, Colombo, Sri Lanka.

Company Secretary

S S P Corporate Services (Private) Limited

No.101, Inner Flower Road, Colombo 3.

Bankers

Hatton National Bank PLC

Nations Trust Bank PLC

National Development Bank PLC

Bank of Ceylon

Seylan Bank PLC

Union Bank of Colombo PLC

- Non-Executive Independent Chairman
- Executive Director and Chief Executive Officer
- Executive Director and Group General Manager
- Non-Executive Director
- Non-Executive Director
- Non-Executive Independent Director

Directors Shareholding

Mr. Wickrema Senaka Weerasooria

- 2,000 Shares

Mr. Cheng Chih Kwong, Primus

- 19 Shares

Mr. Tan Beng Chuan

- Nil

Mr. Cheng Koh Chuen, Bernard

- Nil

Mr. Sunil Leeniyagoda

- Nil

Dr. Prathap Ramanujam (Appointed w.e.f. 7 August 2018)

- Nil