

DELIVERING

# TRUSTED NUTRITION





DELIVERING

# TRUSTED NUTRITION

Three Acre Farms PLC has consistently focused on maintaining quality and value despite the adverse externalities, The Company plays a pivotal role in the poultry industry and is recognised as a leader in the poultry industry who has garnered the trust and confidence of all stakeholders.

Over the years, we have played a pivotal role by delivering trusted nutrition, as we strongly believe that a healthy nation would pave the way towards greater progress and productivity.

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# COMMITTED TO DELIVER TRUSTED NUTRITION

The chicks and the parents infuse the nutritional value to eggs and chicken. Quality chicks and parents ensure that the nutrition density is maintained on a consistent manner. TAF holds the sole franchise for the 'Indian River' and 'Hy-line' brands of broiler parents and layer parents ensuring the best in quality. This validates our commitment to maintaining quality across our integrated supply chain.

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ABOUT US

## OUR CORE VALUES

### OUR VISION

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

### OUR MISSION

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

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



#### Healthy Organisation

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



#### Honourable Winner

Achieving success through fair competition.  
Striving towards excellence.



#### Honest Fortune

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

## OUR HISTORY

**THREE ACRE FARMS PLC (TAF) WAS ESTABLISHED IN 1963, PRIMARILY AS A COMMERCIAL LAYER FARM. THE COMPANY'S NAME WAS DERIVED FROM THE ORIGINAL THREE ACRES OF LAND ON WHICH THE FARM WAS SITUATED. ON 2 SEPTEMBER 1992, TAF WAS ACQUIRED BY CEYLON GRAIN ELEVATORS PLC (CGE) FOR THE PURPOSE OF EXPANDING THEIR OWN CHICK PRODUCTION FACILITY.**

Three Acre Farms PLC (TAF) was established in 1963, primarily as a commercial layer farm. The Company's name was derived from the original three acres of land on which the farm was situated. On 2 September 1992, TAF was acquired by Ceylon Grain Elevators PLC (CGE) for the purpose of expanding their own chick production facility.

The main business of the Company is the selective breeding, hatching and sale of commercial Day Old Chicks (DOCs), both Broiler (for chicken meat) and Layer (for the production of table eggs) and Commercial Broiler Farming.

The Company has two wholly-owned subsidiaries, viz., Ceylon Pioneer Poultry Breeders Limited (CPPBL), which undertakes the Grandparent farm operation and Millennium Multibreeder Farms (Private) Limited (MMF), which employs advanced hatchery techniques. The Grandparent poultry farm imports Grandparent DOCs and after careful high-technology breeding, vaccination, feeding and selection, will hatch fertilised eggs, which when hatched (after 6 months) will give rise to Parent Stock DOCs. TAF holds the valuable sole franchise for the "INDIAN RIVER" parent stock breed. TAF also holds the franchise in Sri Lanka for "HY-LINE" breeds of commercial layers.

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

Another significant achievement for the TAF Group is that as at the end of the calendar year, it owned a total land extent of 321 acres with a total cost in the books of Rs. 367 Million, on a freehold basis. The Directors have sanctioned the expansion of both breeder and commercial farms and the Management is vigorously functioning on this.

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

## OUR MILESTONES

### 1963

Incorporation of Three Acre Farms (TAF)

### 1992

Acquisition of Three Acre Farms by Ceylon Grain Elevators (CGE)

### 1995

Acquisition of Kosgama Farm and Ceylon Pioneer Poultry Breeders from CGE

### 1995

The Company was listed in the Colombo Stock Exchange in the Food and Beverage Sector

### 1994

Issued 6,000,000 Ordinary Shares of Rs.10 as a Bonus

### 1994

TAF IPO officially launched 8,500,000 shares offered to the general public at Rs.45 each. 3,000,000 shares reserved for CGE shareholders in a priority scheme. 500,000 shares offered to the employees and business associates / dealers also at the same price

### 1996

Acquisition of Bulathsinhala and Halwathura Farms by TAF

**2004**

The Company further allotted 445,000 Ordinary Shares of Rs.10 each

**2007**

Commencement of Environment Controlled House Projects at Commercial Farms

**2003**

Acquisition of Hijra Farms by TAF

**2009**

Implementation of the ERP system

**1999**

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

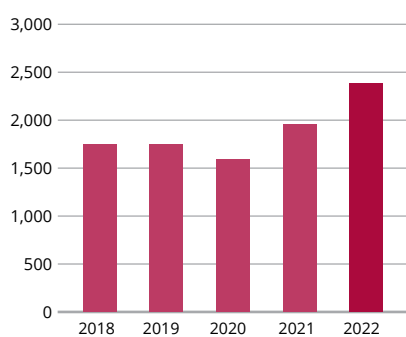
**2018**

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

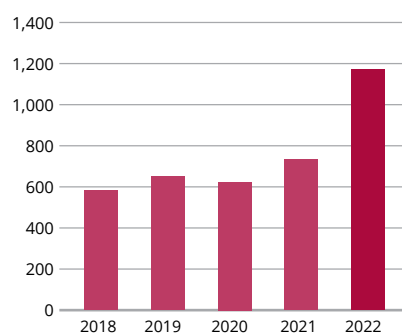
# FINANCIAL HIGHLIGHTS

Group		2022	2021	% Change
<b>Performance highlights</b>				
Revenue	Rs. Mn	<b>8,317.0</b>	4,870.0	71
Finance income	Rs. Mn	<b>293.9</b>	161.7	82
Profit for the year	Rs. Mn	<b>659.0</b>	958.1	(31)
Cash dividends paid during the year	Rs. Mn	<b>235.5</b>	388.5	(39)
Earnings per share	Rs.	<b>27.99</b>	40.69	(31)
Return on Shareholders' Equity (ROE)	%	<b>11%</b>	18%	(38)
<b>Financial strength</b>				
Shareholders' fund (Equity)	Rs. Mn	<b>5,809.2</b>	5,380.7	8
Total assets	Rs. Mn	<b>6,993.0</b>	6,277.4	11
Value added	Rs. Mn	<b>2,383.7</b>	1,959.4	22
Net asset per share	Rs.	<b>246.73</b>	228.53	8
Current ratio	No. of times	<b>6.30</b>	6.46	(2)

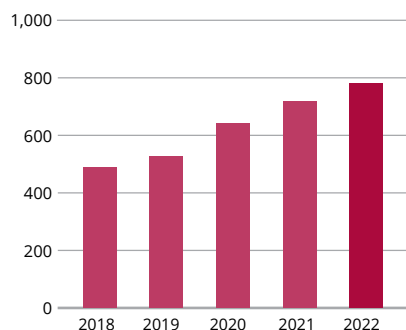
**GROUP VALUE ADDED** Rs. Mn



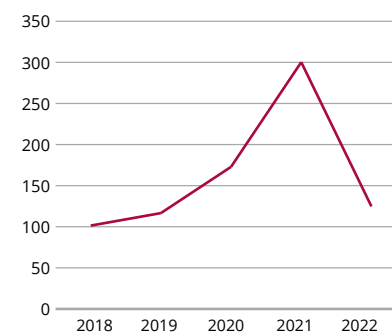
**GROUP - NET CASH USED IN INVESTING ACTIVITIES** Rs. Mn



**GROUP - EARNINGS PER EMPLOYEE PER ANNUM** Rs. 000



**MARKET PRICE PER SHARE** Rs.



## TAF AT A GLANCE



Revenue

**Rs. 8,317.0 Mn** ↑ 71%

Rs. 4,870.0 Mn in 2021



Sole franchise for the "INDIAN RIVER" (Broiler Grandparent) and "HY-LINE" (Layer Parent)



Operating Profit

**Rs. 620.0 Mn** ↓ 5%

Rs. 654.4 Mn in 2021



Best quality in Broiler and Layer Day-Old-Chicks



Earnings Per Share

**Rs. 27.99** ↓ 31%

Rs. 40.69 in 2021



Upgraded farm management



Net Assets Per Share

**Rs. 246.73** ↑ 8%

Rs. 228.53 in 2021



Best nutritional feed for birds

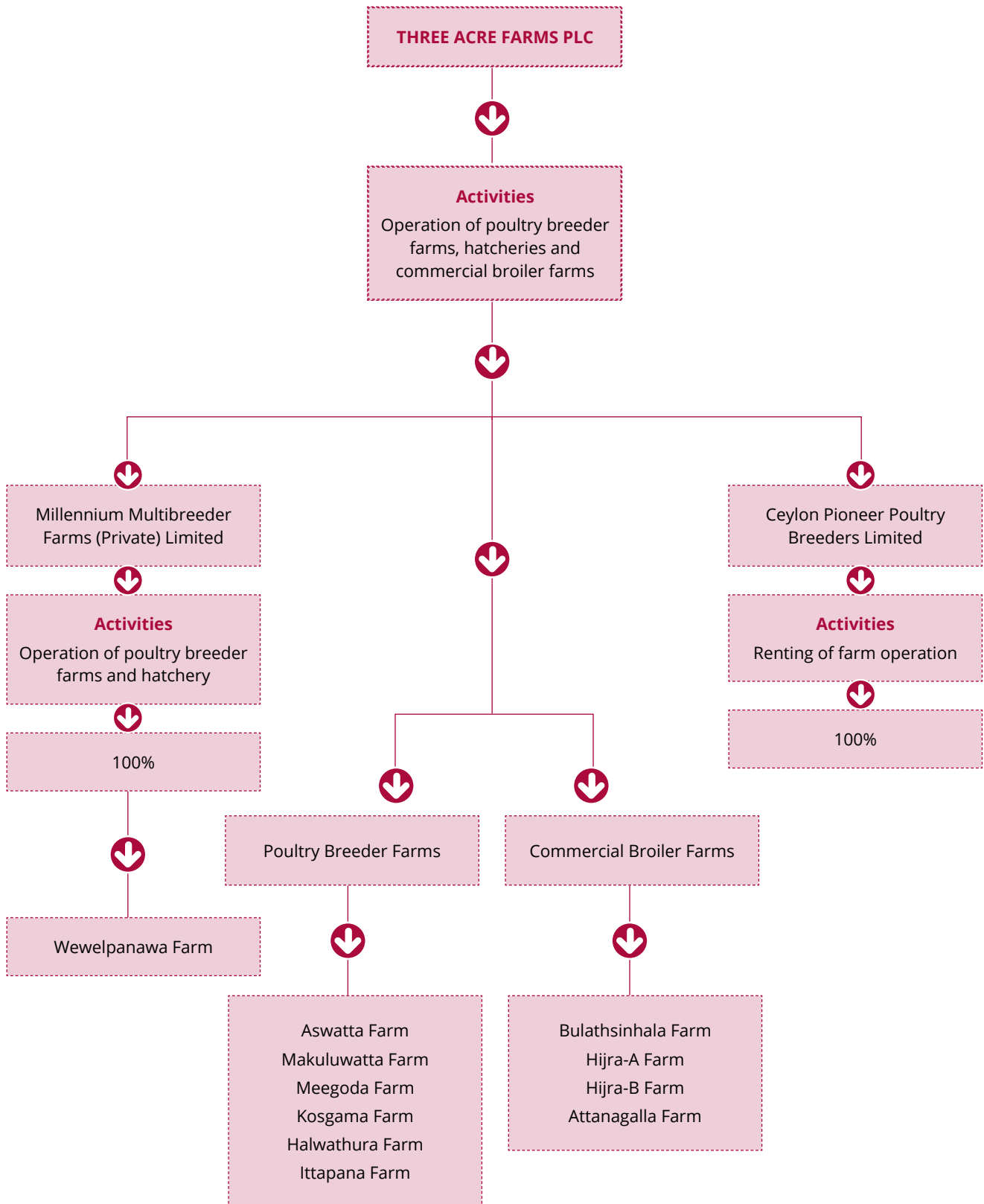


Total Assets

**Rs. 6,993.0 Mn** ↑ 11%

Rs. 6,277.4 Mn in 2021

# OUR GROUP STRUCTURE



# **FOCUS ON DELIVERING TRUSTED NUTRITION**

We continuously strive to transform our systems, processes and technology by proactively adapting to the dynamics of the business environment. We aim to create stakeholder value across multiple dimensions to ensure that we deliver healthy nutrition to our nation.

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**OUR LEADERSHIP**

## CHAIRMAN'S MESSAGE



**WE INTRODUCED TACTICAL CHANGES TO OUR STRATEGY IN RESPONSE TO THE EVOLVING CONDITIONS. THE STRENGTH OF OUR OPERATIONAL MODEL ENABLED US TO SECURE AN INCREASE IN OUR REVENUE.**



### Dear Shareholders

Welcome to the sixty first Annual General Meeting of Three Acre Farms PLC. I take pleasure in presenting to you the audited financial statements of the Company for the financial year ended 31 December 2022 together with a full account of our performance. Unforeseen challenges test the true mettle of companies and I am proud to note that your Company persevered and overcame these challenges by drawing on the strength of over sixty years of excellence as a leading poultry farming entity powering the country's value chain of healthy nutrition.

### Challenging times

Year 2022 dawned with the usual sense of positivity and growth aspirations for Sri Lanka as we gradually recovered in the aftermath of the pandemic. The narrative however reversed completely early in the first quarter forcing the country and its people to endure unprecedented challenges and hardships. Depletion of foreign currency reserves of the country, resultant sovereign default, and deterioration of all key macroeconomic indicators such as GDP growth, inflation, interest rates and exchange rate all exacerbated the nation's economic woes. Corrective measures introduced by the authorities to arrest the situation

were bitter just as much as they were necessary, deepening the severity of impact on business operations and day-to-day lives of individuals. Sri Lanka's economy which grew at 3.3% in 2021 following two years of consecutive contraction in 2019 and 2020 after the debilitating effects of the pandemic underwent a major setback during the year. The collapse of socio-political structures together with economic stresses undid the hard-earned progress made in 2021, with the country's GDP contracting every quarter of the year 2022, and the annual GDP rate heading for a record contraction of around 8%.

The effects of the economic crisis were felt by every business sector of the country, particularly the poultry and farming industry. The constraints on both the supply-side and demand-side had a significant impact on our operations. Scarcity of critical import inputs badly affected the breeding and hatching processes of our farms. Acute shortage of fuel caused disruptions in our supply chain. Similarly, soaring inflation together with higher taxes translated to narrowing purchasing power of customers and resultant drop in demand for poultry products.

### Navigating the hardships

We introduced tactical changes to our strategy in response to the evolving conditions. The strength of our operational model enabled us to secure an increase in our revenue, which was a 71% increase to Rs. 8.3 Bn. However, the exponential increase in cost factors across the board, most of which were beyond the control of the Company affected profitability. Notwithstanding the same, the Company recorded a total comprehensive income for the period of Rs. 664.0 Mn - a drop of 31% over the prior year.

Having assessed the Company's performance, the Board of Directors has prudently decided on refraining from declaring any dividends for the financial year. This decision is further based on the less than conducive macroeconomic situation prevalent at the time of publishing this Report and we expect this to continue in the near term. However, this decision will augur well for the Company as profits retained within will power-up business growth when the economy picks up, particularly with the finalization of the Extended Fund Facility from the International Monetary Fund. We remain committed to reward our shareholders as we progress into better times.

**Profit Before Tax  
Grew by**  
Rs. **62.8** Mn to  
Rs. **907.8** Mn

**7%**

**Net Assets Grew by**  
Rs. **18.20** per share to  
Rs. **246.73** per share Mn

**8%**

### Powered by a strong governance structure

Over the years, Three Acre Farms PLC has fully embraced the significance of a rigorous and exacting governance structure in ensuring business conduct of highest ethics, values and integrity. This deeply rooted ethos has continually enhanced our governance processes, across mandatory and voluntary best practices. The strength of our governance structure stood us in good stead in navigating the hardships during the year, affirming the resilience that good governance delivers to corporates. The optimum mix of leadership at the Board level comprising both executive and non-executive and independent and non-independent directors across multiple disciplines continued to drive the Company towards its ultimate vision whilst generating sustained value amidst the hardships.

### Corporate Social Responsibility

Our role as a responsible corporate citizen continued unabated during the year. Employee well-being was a key focus for us, particularly in light of the severe hardships they were facing, on both physical and psychological fronts. We continued on our mission of delivering healthy nutrition to the country through protein-rich products, which is essential for a healthy and active nation. We also rolled out an internship programme for qualified candidates in the fields of veterinary, agriculture and other related fields which immensely supported them in advancing their professional careers.

### Way forward

The immediate future for Sri Lanka remains steep in terms of challenges. However, we are hopeful of the economic recovery of the country, with the expedited support from the International Monetary Fund, envisaged commitment of the country's political leadership towards corrective policy reforms and Sri Lanka's characteristic resilience in emerging from hardships as demonstrated in the past. In such a backdrop Three Acre Farms PLC remains deeply committed in its mission to encourage national progress by powering the country's supply chain

of protein-rich food to its citizenry, particularly at a time when food security has emerged as a national challenge.

### Appreciation

As I look back on what was the most challenging year in Sri Lanka's recent history, it is evident that navigating its hardships would not have been possible if not for the contribution of many. I wish to express my utmost gratitude to my fellow members of Three Acre Farm PLC's Board for their counsel, and efforts in guiding the Company with stability and strength. My appreciation also goes out to all our committed and loyal employees who are the drivers of our progress. I also wish to thank our valued shareholders for placing their trust in us, and all other stakeholders for joining hands with us in delivering our vision and attaining mutual progress.

**THE STRENGTH OF  
OUR GOVERNANCE  
STRUCTURE STOOD  
US IN GOOD STEAD  
IN NAVIGATING THE  
HARDSHIPS DURING  
THE YEAR, AFFIRMING  
THE EXTENT OF  
RESILIENCE THAT  
GOOD GOVERNANCE  
CAN DRIVE IN  
CORPORATES.**

**Wickrema Senaka Weerasooria**

*Non-Executive Independent Chairman*

## CHIEF EXECUTIVE OFFICER'S REVIEW



**THE REVENUE FROM LAYER DOCS IMPROVED DURING THE SECOND HALF OF THE YEAR WITH BETTER PRICES FOR TABLE EGGS AS THERE WERE FEWER LAYER BIRDS DUE TO THE EARLY CULLING OF BIRDS BY THE LAYER FARMERS. FURTHER, THERE WAS SUSTAINED REVENUE FROM PARENT STOCK DOCS THROUGHOUT THE YEAR AS THERE WAS A BETTER DEMAND FROM LOCAL AND EXPORT MARKETS.**



### Dear Shareholders

It is my pleasure to present the Annual Report and audited financial statements for the financial year ended 31 December 2022 of Three Acre Farms PLC. Amidst the multiple challenges that prevailed through the year, we continued our mission of delivering healthy nutrition to our nation, whilst generating sustained value for all our stakeholders.

### Operating environment

During the course of the financial year 2022, we witnessed one of the most turbulent years in recent history. In April 2022, Sri Lanka suspended its payment of foreign debt for the first time resulting in the country to be rated in the Restricted Default category by rating agencies. The severe shortage of foreign currency liquidity experienced by the country compelled the introduction of import restrictions encompassing a wide range of imported items causing shortages of food, fuel, medicines and other essential items. The Sri Lankan Rupee depreciated sharply by

approximately 80% in a span of about 12 months, triggering unprecedented inflation levels. Headline inflation as measured by the Colombo Consumer Price Index reached 69.8% and National Consumer Price Index 73.7% in September 2022. The effect of import restrictions and an overall slowdown in economic activity, together with inflation all conflated to cause extreme demand side pressures. These adverse externalities pervaded every sector of the economy, including the poultry and farming sector where farmers were compelled to discontinue their farms due to the increase in prices of feed, other commodities and utility costs. Further, the upward revision of Value Added Tax (VAT) and the cascading effects of the newly introduced Social Security Contribution Levy (SSCL) adversely affected the purchasing power of consumers.

### Financial performance

Our financial performance during the year under review was impacted by the significant macroeconomic challenges.

Revenue generation was healthy with a 71% increase in the top line over the prior year to Rs. 8.3 Bn in 2022. Revenue from Broiler Day Old Chicks (DOCs) increased due to the improved prices during the first half of the year. However, the demand was affected during the latter part of the year due to extreme weather conditions and delays in input by Broiler farmers. On the other hand, the revenue from Layer DOCs improved during the second half of the year with better prices for table eggs as there were fewer layer birds due to the early culling of birds by the layer farmers. Further, there was sustained revenue from Parent Stock DOCs throughout the year as there was a better demand from local and export markets. Substantial increases in costs due to increases in feed prices, packing materials, freight costs, fuel prices and increase in other utility costs such as electricity and gas adversely affected profitability. Cost of sales increased by 83%, whilst other operating expenses, selling & distribution expenses and administration expenses increased by 79%, 19% and 13%, respectively.

**Total Assets Grew by**  
Rs. **715.7** Mn to  
Rs. **6,993.0** Mn

**11%**

**EPS decrease by**  
Rs. **12.70** per share to  
Rs. **27.99** per share

**-31%**

A tax expense of Rs. 248.8 Mn was incurred during the year under review due to the deferred tax provision and the upward revision of corporate tax rates. Accordingly, post-tax profitability closed at Rs. 659.0 Mn, a 31% drop compared to 2021. We navigated the challenging year, drawing strength from our robust balance sheet and strong liquidity position. Total assets of the company grew by 11% to Rs. 7.0 Bn and Net Asset Value per Share improved to Rs. 246.73 from Rs. 228.53 in 2021.

#### Enhancements to our business processes

During the year, we completed the construction of three Environmentally Controlled houses in the Bulathsinhala farm as part of our strategic plans set out in the prior year. Furthermore, due to various business process enhancements, we were able to manage fuel and gas shortages mainly by reducing consumption and introducing innovative alternative solutions. In light of the challenging context, we strategically prioritized our capital expenditure and deferred non-critical projects.

Moreover, notwithstanding the challenges, the Company rolled out a number of environmentally friendly initiatives in the processes during the year, staying in close congruence to the Company's pledge to continually improve its impact on the environment.

#### Way forward

Expedited economic revival will be essential for Sri Lanka to come out of the current economic crisis. We anticipate the key economic indicators such as inflation, exchange rate and interest rates to stabilize over time, with the

finalization of the Extended Fund Facility from the International Monetary Fund and the implementation of policy reforms to rectify chronic anomalies in the Sri Lankan economy. We are cognizant of the evolving macroeconomic externalities when charting our strategic path ahead, and will continue to monitor and be flexible in adapting to the challenges.

**Moreover, notwithstanding the challenges, the Company rolled out a number of environmentally friendly initiatives in the processes during the year, staying in close congruence to the Company's pledge to continually improve its impact on the environment.**

#### Appreciation

I wish to express my gratitude to the Chairman and the Board of Directors of Three Acre Farms PLC for their continued support and counsel in smoothly steering the Company through these challenging times. I would also like to thank all our employees for their continued commitment, passion and perseverance throughout the year. On behalf of the Board of Directors, I would like to thank all our customers, dealers, suppliers, and financial partners for their trust in us and partnering us in mutual growth, whilst contributing towards the worthy cause of delivering healthy nutrition to fellow Sri Lankans as an integral part of the value chain of the poultry industry.

**Cheng Chih Kwong, Primus**  
*Executive Director and Chief Executive Officer*

## BOARD OF DIRECTORS

### MR. WICKREMA SENAKA WEERASOORIA

*Non-Executive Independent Chairman*

Mr. Wickrema Senaka Weerasooria was appointed as a Non-Executive Independent Director with effect from 15 January 2015 and he was appointed as the Non-Executive Independent Chairman of the Board with effect from 25 February 2015.

Mr. Wickrema Senaka Weerasooria holds a Masters in Information Technology (University of Canberra, Australia), a Graduate Diploma in Commercial Law (Australian National University) (ANU), and a Bachelor of Science (ANU).

Currently, he is a Vice President of the FINCO Group of companies as the Chief Executive of Genesiis Software (Private) Limited, and FINCO Technologies (Private) Limited, and a Director of Wealth Trust Securities Limited.

He has served as a Manager / Consultant at several Australian public sector agencies including the Department of Primary Industry, Department of Education and Department of Foreign Affairs and Trade.

### MR. CHENG CHIH KWONG, PRIMUS

*Executive Director and Chief Executive Officer*

Mr. Cheng Chih Kwong, Primus was the Chairman and Chief Executive Officer of the Prima Group and its subsidiary companies since 1998. He stepped down as Chairman of the Board and continued as an Executive Director and Chief Executive Officer of the Company with effect from 25 February 2015. He is a Certified Practising Accountant (CPA) – Australia and also holds a Diploma in Business Studies.

### MR. CHAN KONG MENG, LAWRENCE

*Executive Director and Group General Manager*

Mr. Lawrence Chan was appointed as the Group General Manager of the Prima Group of Companies, Sri Lanka on 1 November 2020, and was concurrently appointed as a Director of the Company and its subsidiaries. He is also a Director of Ceylon Grain Elevators PLC and its subsidiaries, Ceylon Agro Industries Limited and Prima Ceylon Machinery (Private) Limited.

He holds an MBA from Nanyang Technological University, an MBA from BI Norwegian School of Business, and a Bachelors Degree in Law from the University of Keele, United Kingdom.

Mr. Lawrence Chan is also an Advocate & Solicitor of the Supreme Court of Singapore and a Barrister-at-Law, Middle Temple, United Kingdom.

### MR. CHENG KOH CHUEN, BERNARD

*Non-Executive Director*

Mr. Cheng Koh Chuen, Bernard has been a Director of the Company with effect from 1 August 2012. He also serves as an Executive Director of Prima Limited.

He holds a Bachelor of Science in Business Administration and also an MBA from the University of Southern California.

### MR. SUNIL LEENIYAGODA

*Non-Executive Director and Group Treasurer*

Mr. Sunil Leeniyagoda joined the Prima Group in October 2001 as the Group

Treasurer and was appointed as a Director of Three Acre Farms PLC in July 2004. Mr. Sunil Leeniyagoda is a professional banker and counts more than 25 years' experience in commercial banking out of which 14 years was in the area of Treasury Management.

He started his career at the Bank of Ceylon and later moved to ABN Amro Bank and at the time of joining Prima, he was the Vice President, Treasury.

He holds a Postgraduate Diploma in Bank Management and is also a Board member of Prima Ceylon (Private) Limited, Prima Land (Private) Limited, Prima Management Services (Private) Limited and Prima Ceylon Machinery (Private) Limited.

### DR. PRATHAP RAMANUJAM

*Non-Executive Independent Director*

Dr. Prathap Ramanujam was appointed as a Non-Executive Independent Director of the Company with effect from 7 August 2018.

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

Dr. Ramanujam has previously served on the Boards of several financial services institutions including the National Savings Bank, the State Mortgage and Investment Bank and Senkadagala Finance PLC during his career. He currently serves as a Director of Ceylon Grain Elevators PLC

and Iconic Development (Private) Limited. He also served as a Director in Panasian Power PLC, Manelwela Hydro Power (Private) Limited, Panasian Investment (Private) Limited, Paddiyapallela Hydropower (Private) Limited and associated companies. Dr. Ramanujam is currently Chairman of Senfin Asset Management (Private) Limited. He is also Senior Advisor to the Director General of the International Water Management Institute (IWMI).

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

**MR. R. N. ASIRWATHAM**

*Non-Executive Independent  
Director*

Mr. Rajan Asirwatham was appointed as a Non-Executive Independent Director of the Company with effect from 8 May 2019.

Mr. Rajan Asirwatham, who is a renowned accounting professional, was a Senior Partner and Country Head of KPMG from 2001 to 2008. Mr. Asirwatham is a fellow Member of the Institute of Chartered Accountants of Sri Lanka. He was also the Chairman of the Steering Committee for the Sustainable Tourism Project funded by the World Bank for the Ministry of Tourism and was also a Member of the Presidential Commission on Taxation, appointed by His Excellency the President.

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



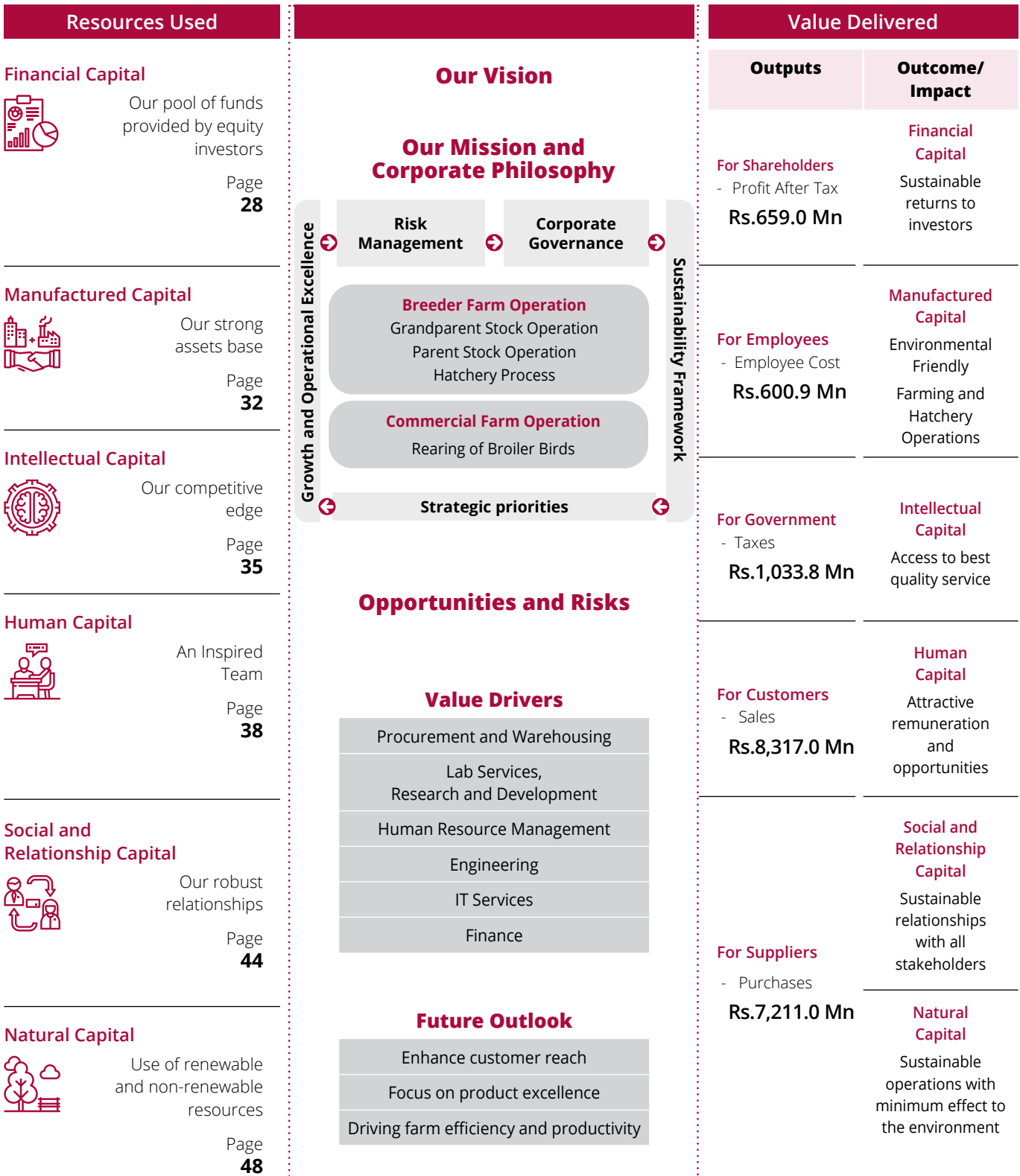
# **EXCELLENCE IN DELIVERING TRUSTED NUTRITION**

The expertise knowledge and experience in breeding, hatching and farming operation ensures that we maintain our stringent quality standards despite the external challenges which engulfed us in the year 2022.

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**MANAGEMENT DISCUSSION  
AND ANALYSIS**

# OUR VALUE CREATION MODEL



# MATERIAL ASPECTS AND BOUNDARIES

Three Acre Farms PLC (TAF) has in place a well-defined process to identify the impact of business operations and activities on the sustainability of the economy, environment and society. This helps to identify aspects within these three areas which are classified broadly as material or non-material from the point of view of both the Company and our key stakeholders in the short, medium and long terms. The Company focuses on these material aspects which have the highest impact on the sustainability of business operations, thereby helping to improve sustainable business performance. Accordingly, we have devised a materiality matrix that segregates the material aspects identified as impacting our business and stakeholders from the highest to medium to lowest levels of significance.

### Materiality Process

We strive to uphold the highest standards of sustainability. Therefore, the Management pays due attention on the issues of critical importance to both our stakeholders as well as to business operations. Therefore, we have developed a sustainability matrix aligned with our business strategy designed to reflect emerging dynamics of the operating environment as well consider the risks and opportunities that could affect business performance in the short, medium and long terms.

The Company follows a circular method of assessing materiality annually in order to identify and keep up-to-date of changes and trends within the dynamic environment within which TAF operates. Material issues are identified in conjunction with stakeholders and evaluated and prioritised according to their impact on stakeholder and business concerns in the short, medium and long terms.

### Materiality Matrix

Our material aspect enable us to track and manage the needs of our stakeholders and the responses of the Company to these needs. Through a materiality assessment conducted periodically, we prioritise the issues that arise in our strategies and programmes and report on them in our Annual Report. This ensure that we stay in touch with and respond to the information needs and expectations of our stakeholders while addressing the issues of most importance to our business.

Impact on Stakeholders	High	<ul style="list-style-type: none"> <li>Marketing Communication</li> <li>Human Rights</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Citizenship and Community Engagement</li> <li>Employee Engagement and Career Development</li> <li>Occupational Health and Safety</li> </ul>	<ul style="list-style-type: none"> <li>Product Responsibility</li> <li>Financial Performance</li> <li>Labour Grievances</li> <li>National Economic Contribution</li> </ul>
	Medium		<ul style="list-style-type: none"> <li>Gender Diversity and Inclusion</li> </ul>	<ul style="list-style-type: none"> <li>Customer Satisfaction</li> <li>Operational Excellence and Efficiency</li> <li>Energy Efficiency</li> </ul>
	Low	<ul style="list-style-type: none"> <li>Indigenous Rights</li> </ul>		<ul style="list-style-type: none"> <li>Supply Chain and Commitments</li> </ul>
		Low	Medium	High
Impact to the Company				

# STAKEHOLDER ENGAGEMENT

We consider our stakeholders as important partners in our long-term value-creation journey. Our stakeholder engagement process helps to foster and nurture enduring relationships, that enhance our corporate positioning. We engage on issues that are important to us as a business as well as to the stakeholders, with the objective of addressing their concerns and identifying new opportunities to create value.

We focus on ensuring our stakeholders are given an opportunity to engage with and provide input towards business operations.



## Our Approach to Stakeholder Engagement

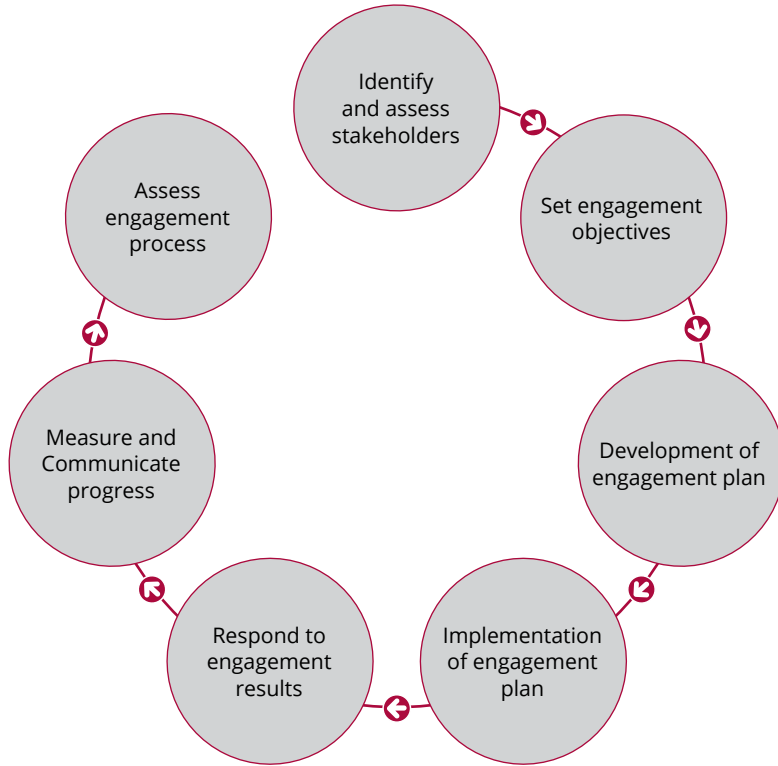
TAF continuously engages with its key stakeholder groups, by sharing material information which helps them to make informed decisions about the Company while enabling them to better understand the Company's processes, policies and business operations. While some information is mandatory to comply with regulatory and statutory requirements, TAF also communicates with stakeholders on topics which are of concern to them.

The Company uses several direct and indirect communication methods to engage with stakeholders at different levels. Information dissemination is specific and relevant to meet the needs of different stakeholder groups and disclosed in a timely manner.

The Company's stakeholder engagement process is focused on receiving productive feedback to ensure that the Company is well-positioned to develop honest and trustworthy long-term relationships which create value to all stakeholders through our business operations. As part of this process, the Company also keeps updated records which helps, focus management efforts in fostering sustainable growth by improving policies and practices to maintain and enhance sustainable long-term business results. The stakeholder engagement process also allows for the management of organisational risks while endeavouring to meet sustainable business growth.

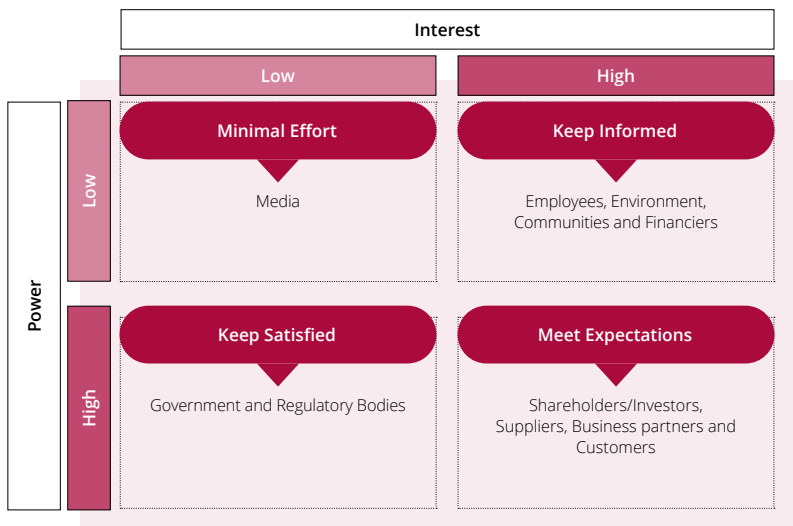
## STAKEHOLDER ENGAGEMENT (CONTD.)

### Stakeholder Engagement Process



The Company has a very clear and straightforward approach to stakeholder communication by honestly and openly managing the expectations of all stakeholder groups while meeting the Company’s economic and social agendas. Stakeholders are prioritised according to the impact they have on business operations and their levels of power and influence.

### TAF’s Stakeholder Prioritisation Matrix



Stakeholders who possess the highest power and influence create the highest impact on our business. Therefore the Company’s strategy is to continuously address and ensure that the expectations of this segment is met. Stakeholders who have a high interest in the Company but have less power are kept well-informed of business decisions and engaged on a more frequent basis. They are also involved as required when topics of their individual concerns are discussed. Stakeholders with high levels of power but less interest in the Company are kept satisfied by meeting their basic needs and expectations such as timely payments and adequate lead time for supplying goods and services. Media which falls within the minimal effort category is provided with information which pertains to the Company’s sustainability and new developments which take place.

### Creating Value for Stakeholders

The Company uses a range of communication channels to reach its stakeholders and engage on topics of interests whilst obtaining valuable feedback on business activities. The engagement process is customised to suit individual stakeholder groups and provide them with quality and relevant information which helps to build long-term trust with the Company. During the year under review TAF endeavoured to satisfy the needs and objectives of the Company’s key stakeholder groups by engaging with them as illustrated in the below table.

Shareholders			
Concerns	Responses	Engagement	
		Methodology	Frequency
<ul style="list-style-type: none"> <li>• Dividend growth</li> <li>• Growth in profits</li> <li>• Future prospects and sustainability</li> <li>• Governance and transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholder centric business strategy, productivity improvements</li> <li>• Cost optimisation initiatives</li> <li>• Timely disclosure of information</li> </ul>	Regular one-on-one engagements	As necessary
		AGM	Annually
		Annual Report	Annually
		Interim Financial Statements	Quarterly
		Immediate market disclosures	Ad-hoc As necessary
		Extraordinary General Meetings	Ad-hoc As necessary
		Press conferences and press release	As necessary
		Corporate website	Online
CSE website	Online		

Customers			
Concerns	Responses	Engagement	
		Methodology	Frequency
<ul style="list-style-type: none"> <li>• Product quality and availability</li> <li>• Convenience</li> <li>• Customer satisfaction</li> <li>• Credit facilities</li> <li>• Trade discounts</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous improvement in product quality</li> <li>• Access and reach</li> <li>• Food safety</li> <li>• Trade discounts based on customer loyalty</li> <li>• Provide credit facilities based on credit worthiness</li> </ul>	Customer surveys across the country	Quarterly
		Regular one-on-one engagements	As necessary
		Corporate Website	Online
		Technical support and site visits	Regular
		Dealer Convention	Annual
		Regular dealer meetings	Periodically

Business Partners, Supplier and Financiers			
Concerns	Responses	Engagement	
		Methodology	Frequency
<ul style="list-style-type: none"> <li>• Long term business relations</li> <li>• On time payment</li> </ul>	<ul style="list-style-type: none"> <li>• Maintaining trust and confidence of suppliers</li> <li>• Timely payments</li> </ul>	Supplier surveys across the country	Quarterly
		Regular one-on-one engagements	As necessary
		Corporate Website	Online
		Telephone discussion and emails	On a regular basis
		Procurement based interactions	On a regular basis
		Training	As necessary

## STAKEHOLDER ENGAGEMENT (CONTD.)

Employees			
Concerns	Responses	Engagement	
		Methodology	Frequency
<ul style="list-style-type: none"> <li>• Increments on salaries and wages</li> <li>• Employee Motivation</li> <li>• Health and safety</li> <li>• Job satisfaction</li> <li>• Training and continuous development</li> <li>• Welfare facilities</li> <li>• Job security</li> <li>• Work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>• Annual performance evaluation</li> <li>• Inbound and outbound training sessions</li> <li>• Industry specialized training and development</li> <li>• On-the-job training</li> <li>• Succession planning</li> <li>• Friendly corporate environment</li> </ul>	Performance appraisals and individual review meetings	Annually
		Open door policy	As necessary
		Training sessions	As necessary
		Corporate communication through email, telephones, memo and notice board	On a regular basis
		Career progression	Ad-hoc As necessary
		Corporate events such as sports day, get-togethers, other events and activities	Annually
		Regular one-on-one engagements	As necessary
		Employee council	Quarterly
		Employee rewards and recognition	Annually

Government and Regulatory Bodies			
Concerns	Responses	Engagement	
		Methodology	Frequency
<ul style="list-style-type: none"> <li>• Adaptation with business best practices</li> <li>• Compliance with the regulatory framework</li> <li>• Contribution to the economic growth</li> </ul>	<ul style="list-style-type: none"> <li>• Good governance</li> <li>• Adherence to all applicable rules and regulations</li> <li>• Sustainability growth and business expansions</li> </ul>	Communication through press releases	As necessary
		Periodic Returns	As specified
		Meetings and consultation	As necessary

Community & Environment			
Concerns	Responses	Engagement	
		Methodology	Frequency
<ul style="list-style-type: none"> <li>• Employment opportunities</li> <li>• Community work and hours</li> <li>• Responsible business practices</li> <li>• Fair competition</li> <li>• Social wellbeing</li> <li>• Externalities</li> </ul>	<ul style="list-style-type: none"> <li>• Creating employment opportunities</li> <li>• Corporate Social Responsibility (CSR)</li> <li>• Responsible Corporate Citizenship</li> <li>• Always try to win the market through quality output and service, avoids market dilutive action, Optimise positive environmental impact from the company</li> </ul>	One-on-one meeting	As necessary
		Public events and sponsorship	As necessary
		Corporate Website	Online
		CSE Website	Online
		Maintaining environmental licenses	As specified

# OPERATING ENVIRONMENT

## Navigating unprecedented global & local economic turmoil

### Overview of the global economy

The global economy which was largely coming off from nearly two years of the pandemic met with fresh challenges by way of prolonged supply chain disruptions and stronger demand conditions, causing red-hot inflation.

These high inflationary conditions were further exacerbated by Russia's offensive against Ukraine in late February which pushed global commodities prices to levels not seen in many decades, sparking an inflationary spiral across both the world's major economies and emerging and developing markets including Sri Lanka.

This prompted the Central Banks to dial back their record stimulus which was unleashed since early stages of the pandemic which sloshed markets and households with record liquidity.

For instance the US Federal Reserve raised their federal funds rate by seven times within a short span of ten months bringing up their federal funds rate by 425 basis points, the highest pace the Fed raised rates since 1980. The other two most important Central Banks in the world, the European Central Bank and the Bank of England followed suit with their rate hikes.

Their actions prompted a gradual pull-back in consumer spending and some cracks in the employment market due to layoffs by some companies as the economies are slowing down due to the higher borrowing cost and the tightening liquidity in the financial markets in response to their sharp rise in the interest rates.

However as this report is being published most Central Banks led by the US Fed are slowing their pace of rate hikes as the prices in the economies are broadly cooling in response to their previous actions on tightening the policy.

As the higher interest rates filter through the markets, the global equities fell out of investors' favour as they reassessed the value of their holdings as their cash flows got discounted at higher cost of capital resulting in lower value of their investments and thereby investors sold them off and trimmed their exposure to stocks.

On the other hand fixed income yields rose to multi-year highs on the back of the Fed's tightening campaign while the US dollar rallied the most since 2008 against most other currencies of the world.

Meanwhile the commodities also saw a super cycle with prices of oil, gas, corn, wheat and metal rising the most, at least during the first half of the year before easing towards the year's end as the supply chains were getting unclogged while demand from China remaining mostly muted due to prolonged restrictions on their economy which only came off in December 2022.

Overall the global economy had a rollercoaster ride with the first half marred mostly by the red-hot inflation, hike in rates to combat the inflation and tightening liquidity conditions and geo-political tensions brought about by Russia's invasion of Ukraine which together slowed down the global economy, before slightly easing financial conditions towards the latter part of the year with easing inflation.

However this brought enormous challenges into the world's emerging and developing economies as the dollar strength, booming commodities prices and the rising US yields together caused deep economic stress, while the others who remained on the edge such as Sri Lanka fell into debt distress.

### Global economic outlook

Contrary to earlier expectations for the global economy led by the US and Europe to fall into recessions, it is now expected that these economies to

narrowly avoid a recession as they see their inflations turning around without significantly causing distress in the employment markets and the overall economy.

Despite there being some pockets of weakness such as in the case of the technology sector which is announcing tens of thousands of layoffs due to moderation in their businesses after two years of pandemic fuelled demand boom, the rest of the economy appears still holding up.

Meanwhile the evidence from the corporate results shows that the pandemic era supply chain troubles are easing and energy and commodities markets have found some balance from the upheaval seen in the first half of 2022 with the conflict in Eastern Europe which cut off oil and gas flows to Europe and most of the rest of the world.

Further China's reopening last December is also adding a tailwind for the global economic growth which appeared to have been faltering but the inflationary risks could mount as China, the world's second-largest economy and the largest consumer of commodities could put enormous pressure on the global commodities.

The International Monetary Fund in January raised its world economic outlook for the first time in a year and forecasted the global economy to rise by 2.9% in 2023, an upgrade from their earlier forecast of 2.7% for 2023 made in October 2022 on hopes of declining inflation, China's rebound, resiliency in Euro-area, the US avoiding a recession and the emerging and developing economies which are expected to have already bottomed out.

### Overview of the Sri Lankan economy

Sri Lanka went through its worst year in its post independence history in 2022 after the economy ran out of foreign currency reserves by early March

## OPERATING ENVIRONMENT (CONTD.)

causing the authorities to float the rupee overnight followed by a decision to suspend most foreign currency debt.

The currency float sparked runaway inflation immediately which peaked at slightly less than 70% in September which forced the authorities to take a package of corrective measures to tame the prices, including the bumper policy rate hike followed by several rounds of tax hikes alongside the revision in power, energy and utilities prices to reflect their cost.

For instance the Central Bank in April announced a 700 basis points policy rate hike, the highest delivered by them in a single meeting followed by another 100 basis points hike in July, bringing the total increase in the key policy rates to a cumulative 950 basis points within a short span of 7 months.

This sent shockwaves across the financial markets with both borrowing and lending rates rising more than twice the rise in key policy rates and causing a prolonged shortage in liquidity in the interbank market.

As a result of these measures, the government securities yields rose sharply above 30% before easing slightly towards the year end. For instance the benchmark 1 year treasury bill rate which started the year at 8.24% ended the year at 29.27%.

These measures, although required to tamp down the prices by way of containing aggregate demand, had a significant impact on the household and corporate balance sheets as they were compelled to cut down sharply on their spending causing the economy to give up an estimated 9% output in 2022, the most since the independence.

During the nine months through September, the economy contracted by 7.1% and the drag is expected to persist through 2023 with a further decline in the economy, albeit at a much more modest level as the economy appears to be making some progress.

### Sri Lankan economic outlook

By January 2023, the headline inflation has eased for the fourth consecutive month to 54.2% staying on the current disinflation path set off in October 2022.

The Central Bank projections showed that the prices are gradually returning to their desired band of 4 to 6% by the end of the year supported by the subdued aggregated demand conditions, expected improvements in the local and international supply conditions and the favorable statistical base effect.

This disinflationary path has already begun to turnaround the government securities yields and the market interest rates from the sharply elevated levels they stood for the most part of 2022.

The Central Bank has already turned dovish in their tone and messaging and thus they could follow through with a cut in policy rates at some point in 2023 to speed up the decline in rates and also to support the economic recovery.

They have already intervened in the interbank market via overnight injection made through reverse repurchases and the limits imposed in the access of its standing facility windows by the commercial banks.

They have already begun to make an impact as the overnight liquidity has returned to surpluses or at least the shortages have narrowed while the rates are on a slight descent in response.

The much anticipated balance of payment support from the International Monetary Fund (IMF) followed by the restructuring of foreign currency debt is largely expected to improve the foreign currency liquidity situation in the country and thereby provide a tailwind for the recovery.

The gradual improvement in remittance inflows and recovery seen in tourism should complement with the strong exports to provide much needed cushion to the balance of payment and thereby to rebuild the foreign currency reserves.

While the multiple projections show that the Sri Lankan economy to continue to decline in 2023 by between 1% to 4%, these developments are expected to help it to make a gradual recovery, supported by the expected improvements in domestic supply conditions, underpinned by the timely implementation of corrective policy measures.

Further the anticipated improvements in foreign exchange flows and the resultant enhancement in business and investor sentiments are expected to reinforce the recovery in the period ahead.

## OPERATIONAL REVIEW

Three Acre Farms PLC's (TAF) business operations are segregated into two primary operations – Breeder and Commercial Farms. The Company's breeder farm operations focus on selective breeding and hatching of commercial Day-Old-Chicks (DOCs). TAF holds the sole franchise for Hy-Line breeds for commercial Layers and the Indian River Grandparent stock breed for commercial broilers. Our breeder farms produce Broiler DOC and Layer DOC whereas rearing of live Broiler chicken for chicken meat is managed by our commercial farms. The Group grows Broilers on behalf of its immediate parent, Ceylon Grain Elevators PLC, and ensures the supply of healthy and nutritious Broiler birds.

The Company's facilities are designed to leverage on technological advancements such as Environmentally Controlled (EC) houses and bio-security measures which ensure effective and efficient production processes.

The year ended 31 December 2022 was a challenging year for TAF. The unprecedented challenges in the external operating environment together with the socio economic upheaval experienced by the nation together with developments in the global macroeconomic environment had a direct impact on performance of the Company.

The overall business performance was sustained mainly due to the focus on managing processes and procedures, and strategically deploying resources to create value for all stakeholders and business activities. Resultantly, TAF was able to post a resilient performance despite the volatile business environment.

TAF successfully surpassed another milestone in history, attaining Rs. 8.32 Bn in revenue through outstanding performance in the breeder farm and commercial farm operations.

During the period in review, the demand for commercial DOCs increased as a result of increased demand for table eggs. However, the restrictions on the import of goods in the last quarter of 2021 and the financial year under review along with the stringent import procedures created disruptions in our supply chain having an adverse impact on our production. The depreciation of the Sri Lankan Rupee together with the increase in raw materials created a significant increase in cost of production. Adverse externalities experienced during the year such as power outages and scarcity of fuel also created disruptions in our production process.

The commercial farming of the segment provides grower farming facilities to the Group, which has been upgraded to the latest technology of environmentally controlled housing concept which also highly preserves the bio-security inside the farming facilities. Revenue from commercial farms has gone up with the high market demand for chicken and noted a 200% increase in the sale of live birds.

The Poultry breeding and commercial segment generated strong performance during the year, with the revenue increasing from Rs. 4.87 Bn in 2021, to Rs 8.32 Bn during the period in review. Profitability within the segment also posted a significant increase during the period in review. Total profits in the segment at the end of 2022 stood at Rs. 907.8 Mn as compared with Rs. 845.0 Mn in the previous year.

### Figure-Key Indicators and condition

(Rs. Mn)	2022	2021	Change
Revenue	<b>8,317.0</b>	4,870.0	3,447.0
EBIT	<b>620.0</b>	654.4	(34.5)
PBT	<b>907.8</b>	845.0	62.9
PAT	<b>659.0</b>	958.1	(299.1)
TA	<b>6,993.0</b>	6,277.4	715.7
TL	<b>1,183.8</b>	896.7	287.1



## FINANCIAL CAPITAL

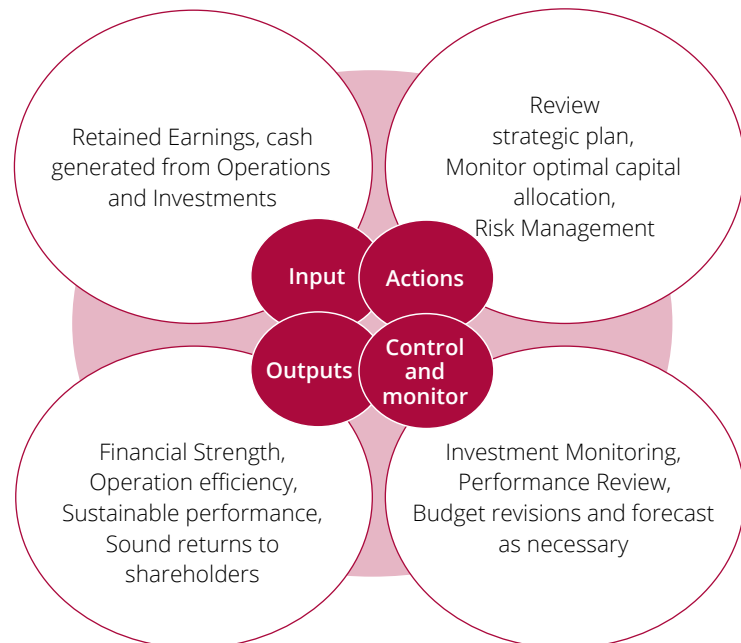
**FINANCIAL CAPITAL COMPRISES THE POOL OF FUNDS CONSISTING OF SHAREHOLDERS' FUNDS AND BORROWINGS WHICH ARE DEPLOYED TO FINANCE THE TAF GROUP'S STRATEGIC PLAN AND GROWTH ASPIRATIONS. DRAWING STRENGTH FROM TAF'S LEGACY OF SIXTY YEARS THE COMPANY NAVIGATED ITS WAY THROUGH THE CHALLENGES OF 2022 WITH PRUDENT FINANCIAL MANAGEMENT WHILST PRESERVING SHAREHOLDER WEALTH.**

Financial capital plays a pivotal role in TAF's overall value creation process and the contribution it makes to Sri Lanka's poultry industry. Although the country is facing with a severe financial crisis, TAF was able to strengthen its position with prudent financial management techniques, strategic deployment of funds in keeping business operations alive and efficient investment plans ensured that TAF's financial capital was enhanced whilst business continued undisrupted.

### TAF adopts the following in effectively managing its financial capital

- Cash flow management to ensure sufficient liquidity for continuation of business operations and diversification
- Cash resources management for maximising returns
- Capital expenditure management for maximum efficiency and profitability enhancement
- Healthy financial position management
- Cost rationalisation and process efficiency enhancements to enhance profitability
- Driving business strategies towards preserving profitability margins

### TAF's financial capital value creation process



### Financial performance 2022

As was elaborated under the Operating Environment Review on page 25, 2022 brought unprecedented challenges across the industry with a severe impact on the poultry business. Understandably financial performance of TAF was affected. However, prudent management of business operations, swift tactical changes to the strategy in response to evolving market conditions and agility of the team enabled post-tax profitability of Rs. 664.0 Mn for the year.

A succinct discussion of how TAF performed throughout the year.

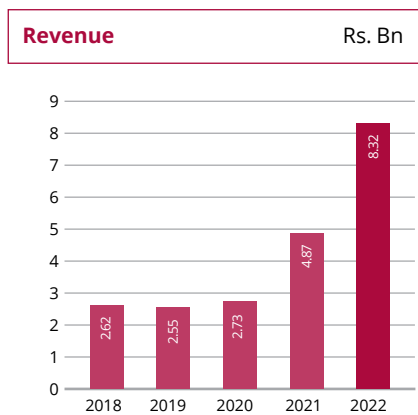
## Snapshot of performance

	2022	2021	YoY growth/ (decline)
Revenue (Rs. Mn)	<b>8,317.0</b>	4,870.0	71%
Operating profit (Rs. Mn)	<b>620.0</b>	654.4	(5%)
Profit after taxation (Rs. Mn)	<b>659.0</b>	958.1	(31%)
Earnings per share (Rs.)	<b>27.99</b>	40.69	(31%)
Total assets (Rs. Mn)	<b>6,993.0</b>	6,277.4	11%
Shareholders' funds (Rs. Mn)	<b>5,809.2</b>	5,380.7	8%
Share price as at 31 December (Rs.)	<b>124.75</b>	300.25	(58%)
Market capitalisation as at 31 December (Rs. Mn)	<b>2,937.2</b>	7,069.4	(58%)

## Revenue and profitability analysis

### Revenue

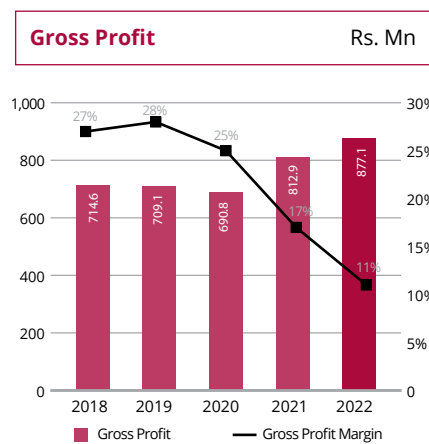
Notwithstanding the challenges of 2022, the TAF group reported a solid revenue of Rs. 8.32 Bn, an impressive growth of 71% over 2021. The farming operation is the largest operation of TAF which was predominant contributor of revenue growth accounting for over 75%. Revenue from Broiler Day-Old Chicks (DOCs) also grew over 2021 and contributed to about 10% of the overall revenue growth.



### Gross Profit

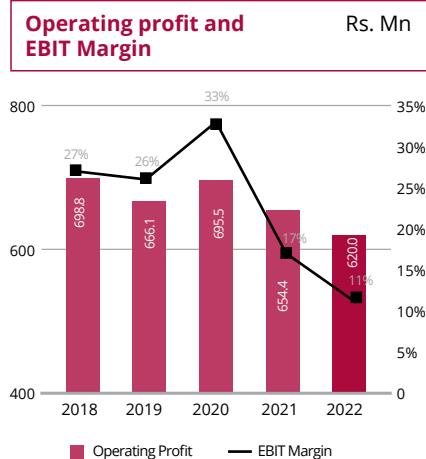
Gross profit for 2022 was Rs. 877.1 Mn and 8% increase over 2021. Gross profit margin however reduced to 11%, compared to 17% of 2021 due to the considerable increase of cost of production. Severe inflationary pressure, steep depreciation of the Sri Lankan

Rupee making imports expensive and increase in tax rates together with the newly introduced Social Security Contribution Levy (SSCL) coflated to drive costs up.



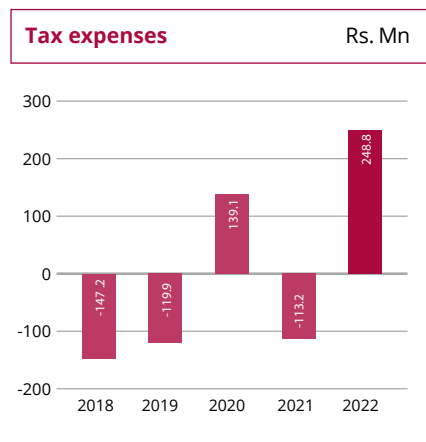
### Operating Profit and EBIT Margin

Operating profit moderated during 2022, absorbing the effects of the macroeconomic hardships to Rs. 620.0 Mn. This is a 5% reduction over the operating profits reported in 2021. The EBIT margin was 11% for 2022, again a moderation compared to 17% of the same ratio in 2021. Operating profit and EBIT margin remained in positive territories albeit with a dip versus 2021, on account of prudent financial management and interest income enhancements seen during the year.



### Taxation

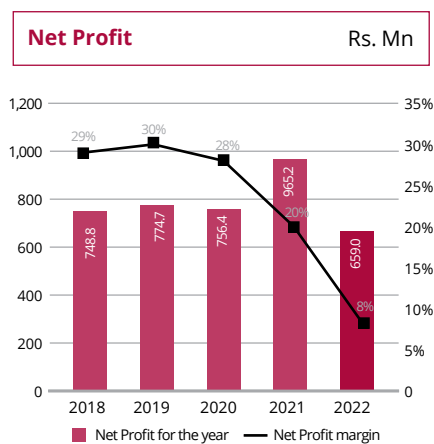
The total tax charge for 2022 was Rs. 248.8 Mn. The year saw upward revisions to taxation by the Government of Sri Lanka with a bid to enhance fiscal revenue by driving up tax charges across the board. Accordingly during 2022 Value Added Tax increased from 8% to 15% and corporate income tax increased from 24% to 30%. Although the TAF operation is tax exempt, other operating income together with interest income was liable to income tax. The change in corporate tax also resulted in an increase in a deferred tax charge on profit and loss account.



## FINANCIAL CAPITAL (CONTD.)

### Net Profit

The TAF Group closed the year with a net profit of Rs. 659.0 Mn. This was again a negative growth of 31% compared to 2021, partly attributable to higher taxes as previously explained. Net profit margin moderated to 8% in 2022 from 20% in 2021.

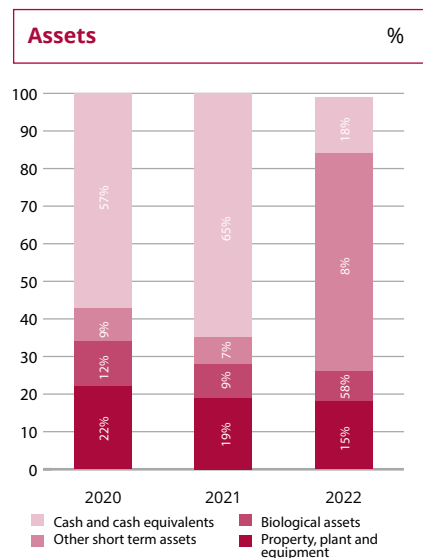


### Balance sheet analysis

#### Fixed and Current Assets Position

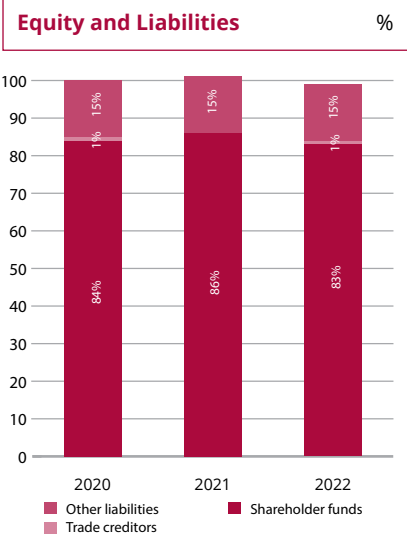
The stability and strength of the TAF Group is reflected in its resilient and dynamic balance sheet. The total assets base of the Group has been on a continuous growth trend and closed in at Rs. 6.99 Bn by end 2022. This translated to a YoY growth of 11%, commendable within the severe stresses which the Group operated. Total assets included property, plant and equipment, biological assets, inventories, cash and cash equivalents and other short-term assets, essential in the effective running of the business. Short term assets comprised the predominant asset class in 2022, representing 58% of the assets, whilst cash and cash equivalents accounted for 15% of the total assets. This is a deviation from the usual asset composition of the Group, where cash and cash equivalents

comprise the greater portion of assets. The deviation is attributable to the advances to secure the raw material supply for the smooth operation.



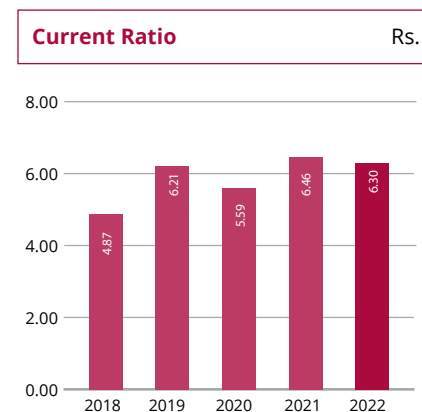
### Funding Structure and Gearing

The Group continued to predominantly fund its balance sheet through its shareholder funds, enhanced over the years through retained earnings, thereby remaining geared at near zero level. Shareholder funds accounted for 83% of total equity and liabilities, whilst trade creditors and other liabilities were 1% and 15% respectively. Within the mix, shareholder funds increased by 8% to Rs. 5.19 Bn. Other liabilities also increased by 18% to Rs.1.8 Bn. The TAF Group enjoys the stability of funding its balance sheet and operations through its own shareholder funds, which has stood the Group in good stead in the economic crisis.



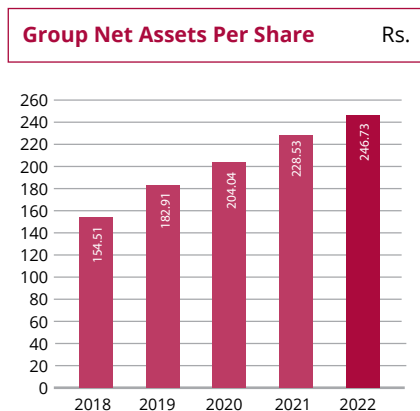
### Current Ratio

The Current ratio of the Group marginally dipped in 2022 to 6.30% from 6.46% in 2021. The Group's current liabilities base grew at a pace (18%) faster than that of current assets (15%) denoting the longer cycles taken to settle short term obligations within the economic crisis that prevailed through the year.



### Net Assets Per Share

Net asset value per share enhanced to Rs. 246.73 in 2022 from Rs. 228.53 of 2021. This was predominantly attributable to the enhancement in the Company's total shareholder equity on account of profitability of the Group for 2022, against a static share base.



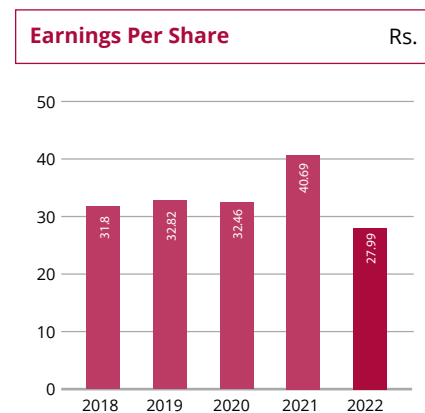
### Market Capitalisation and Market Price

Market capitalisation as determined by the closing share price for the year and number of shares for end 2022 was Rs. 2.94 Bn. Although the share base remained static over 2021 at 23,545,000 shares, the share price moved from Rs. 300.25 in end 2021 to Rs. 124.75 by end 2022, in close tandem with the overall movement of the Colombo Stock Exchange. We envisage the stock market performance and resultant share price performance of TAF to improve with the reviving economic conditions on account of the Extended Fund Facility from the International Finance Corporation. Depicted below is how the share price of TAF performed in 2022 and 2021.

TAF share - TAFL.N0000	2022	2021
Highest market price (Rs.)	170.00	305.00
Lowest market price (Rs.)	120.00	200.00
Last traded price (Rs.)	124.75	300.25

### Key investor rations performance

#### Earnings Per Share (EPS)



Earnings Per Share (EPS) for the year 2022 was Rs. 27.99, compared with Rs. 40.69 in 2021. This was due to reduced profitability of 2022 as was previously discussed, and translated to a reduction of 31% over the prior year. With the shareholder base being static the positive earnings generated per share in one of the most challenging years, demonstrate TAF's commitment to deliver shareholder returns.

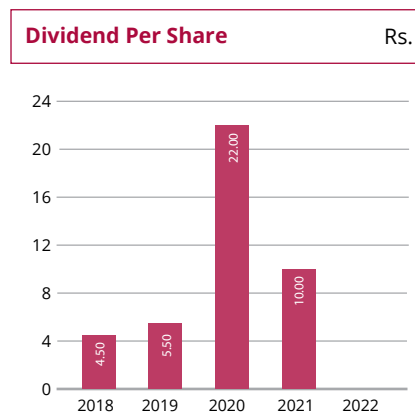
#### Return On Equity (ROE)

ROE for 2022 clocked in at 12%, and compared with 19% ROE of 2021. Similar to EPS, ROE was affected by reduced profitability but continued to be in the positive territories.

#### Price Earnings Ratio (PE Ratio)

PE ratio moved to 4.46 (times) by end of 2022, based on the closing share price of Rs. 124.75 and a EPS as discussed above of Rs. 27.99. This compared with the 2021 PE ratio of 2021 7.38 (times), resultant from a closing share price of Rs. 300.25 and EPS of Rs. 40.69. The share price was subject to a drastic dip in 2022, a phenomena seen across the Colombo Stock Exchange attributable to the stressed economic conditions that prevailed during the year.

### Dividend



TAF has been rewarding shareholders with dividends throughout the year. In the recent past, the Company declared dividends of Rs. 22 and Rs. 10 per share in 2020 and 2021 respectively. In light of the severe macroeconomic stresses that affected during the year, and perceived further challenges in the future, the Board of Directors of the Company has decided not to declare a dividend for 2022. This move will augur well for the Company as it would support retaining profitability, enhance capital and improve liquidity of TAF, thereby propelling growth in the future. The Company remains committed to generate best possible returns to our shareholders and they will be rewarded with improving economic conditions and enhancing financial performance of the Company.



## MANUFACTURED CAPITAL

**THE MANUFACTURED CAPITAL OF THREE ACRE FARMS PLC (TAF) CONSISTS OF THE PHYSICAL INFRASTRUCTURE SUCH AS BUILDINGS, FACILITIES AND EQUIPMENT WHICH CREATE VALUE TO STAKEHOLDERS. AS THE BUSINESS OPERATIONS EVOLVE THE COMPANY CONTINUES TO INVEST IN FIXED ASSETS SUCH AS OFFICE PREMISES, FARM FACILITIES AND EQUIPMENT.**

Manufactured Capital is a critical element of TAF's business model as these assets are the basis on which the Company achieves its business goals and sustains long-term business growth.

TAF's manufactured capital consists of three key elements as illustrated below.

### Operations

Breeder Farming  
Commercial Farming



### Manufacturing Capital

Land, Building & EC  
Houses, Farm Equipment  
and Machineries, Motor  
Vehicles, Technology



### Conformance Practice

Maintenance  
Quality Assurance  
Safety Controlling and  
monitoring



### Our Approach to Managing Manufactured Resources

TAF has in place a planned strategy to build, maintain and optimise the use of manufactured capital consisting of buildings and other infrastructure facilities. The Company's strategy creation process accounts for the capital expenditure required for the purchase, enhancement and maintenance of such manufactured resources annually. Being in the poultry industry, the Company's focus is to capitalise on technological and other industry specific equipment upgrades to retain its competitive advantage and retain the position as a leader in the industry.

TAF annually reviews the conditions of all manufactured resources/assets and develops a plan for maintenance, upgrades and capacity enhancements in the short to medium terms to comply with industry standards and meet the high-quality expectation of Company standards. Requirements for new and state-of-the-art manufactured resources to enable business growth and take advantage of emerging opportunities in the long term are also carefully planned and implemented. To optimise production costs and ensure no lost time in business operations, TAF has prioritized the use of machinery and equipment which can be maintained in-house.

The Company complies with a well – defined procurement processes when commencing medium to large scale new construction and maintenance work. A tender process is followed and reputed and reliable contractors are selected by considering cost and quality. The Company has in-house maintenance staff to carry-out day-to-day and minor maintenance of premises, farms and equipment in order to maintain an uninterrupted business operation.

Regular maintenance work done on a consistent and methodical manner by the Company's in-house competent engineering department ensures that the machinery performance is maintained at peak performance. As most machinery and equipment utilized by TAF are imported, all maintenance is undertaken by implementing best practices as advised by these equipment manufacturers. All engineering and technical staff ensure that the machinery is operated and maintained as per the manufacturer's specification manuals and guidelines. Periodically, the Company also employs the technical expertise of external consultants, both local and international, to inspect and check this machinery to ensure all machinery operates at optimum efficiency.

The process for maintaining equipment and machinery by the Company is detailed below.



### TAF's Quality and Safety Programs

An integral part of the manufactured capital maintenance process is the quality and safety programs in place to ensure employee health and safety, and business continuity during emergencies and other unforeseen situations. The details are given below.

As a measure to safeguard the Company's manufactured capital resources, TAF has comprehensive insurance cover to protect assets and resources to ensure business continuity.



#### Employee Safety Program

- Implemented at the departmental level.
- Regular training to ensure employees are aware and up-to-date on safety measures and how to respond in an emergency situations.
- Benchmarked with international standards.



#### Emergency Preparedness / Disaster Management Plan

- Clearly defined disaster management plan for any emergency situation.
- Annually reviewed and updated.



#### Fire Safety Program

- Ensures the safety of human capital, business property and facilities in the event of fire.
- Once every six months, all employees must undergo compulsory training on fire prevention and safety.
- Designated employees as Emergency Response Team is always on standby.



#### Material Management Program

- Provides information, guidelines and procedures for the purchasing, storage, consumption instead of use and disposal of materials.



#### Infection Control Program

- Structured mechanism whereby the infection prevention and control activities are streamlined, governed, improved and monitored in order to reduce the risks on healthcare.

### Activities to Create Value to Stakeholders

During the year under review, the Company's manufactured capital was Rs. 2,665.0 Mn. This investment is expected to create long term value to stakeholders. The Company invested Rs. 153.4 Mn for the purchase/ replacement of machinery and equipment during the year under review. The key contributors were the three Environmental Controlled houses which were constructed in the Bulathsinhala farm. The table below provides details of total capital expenditure for manufactured capital by TAF for three financial years.

## MANUFACTURED CAPITAL (CONTD.)

For the Year Ended 31st December (Group)	2022	2021	2020
	Rs. Mn	Rs. Mn	Rs. Mn
Buildings	5.8	-	33.3
Plant and machinery, electrical and farm equipment	8.1	6.2	8.6
Furniture, fittings and office equipment	0.6	0.3	0.1
Capital work-in-progress	138.9	30.3	(8.4)

TABLE 1: CAPEX EXPENDITURE

For the Year Ended 31st December (Group)	2022	2021	2020
	Rs. Mn	Rs. Mn	Rs. Mn
Land	366.9	366.9	366.9
Buildings	682.1	737.4	802.4
Motor Vehicle	6.6	10.2	13.8
Plant and machinery, electrical and farm equipment	53.9	65.8	85.4
Furniture, fittings and office equipment	1.9	1.6	1.5
Capital work-in-progress	174.5	35.6	5.2

TABLE 2: CARRYING VALUE OF MANUFACTURING CAPITAL

Additional details for property, plant and equipment can be found in Note 10 on page 107.

### Farm Facilities

TAF uses Environmental Controlled (EC) houses and open houses in its Commercial Farms which are located in Hijra, Bulathsinghala, Attanagalla and Breeder Farms which are located in Meegoda, Kosgama, Halwathura, Aswatta, Makuluawatta and Wewalpanawa for growing of broiler and parent birds. During the year under review, three EC houses were constructed to comply with industry standards and enable the Company to remain competitive while optimising operational efficiencies. All EC houses are automated through an advanced climate control system which preserves quality and welfare of poultry stock.

TAF also has in place state-of-the-art hatcheries to produce DOCs with exceptional quality. Using such state-of-the-art equipment and machinery enables a smooth, safe and high-quality operation which is simultaneously. Healthy and hygienic for poultry stock and those who consume poultry meat.

### Compliance

The Company places emphasis on ensuring that it complies with all national and international standards of compliance for all farm and production facilities. Regular in-house audits ensure that all processes of the production process meet these regulations and take corrective action.

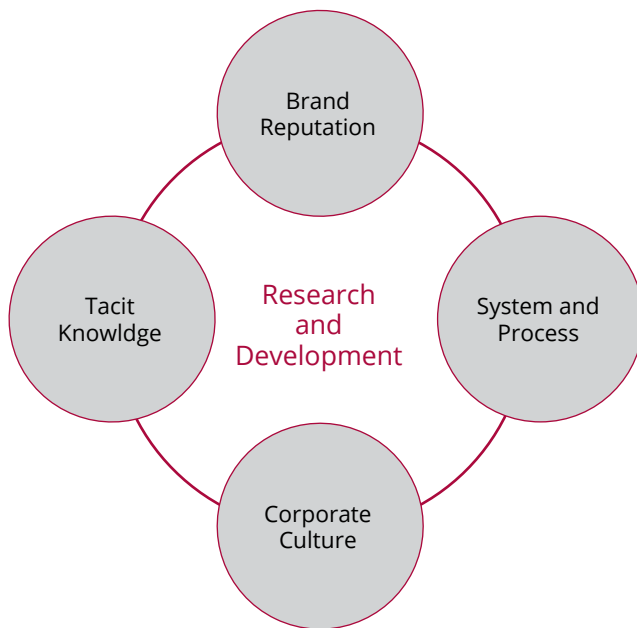
### Insurance

We have comprehensive insurance covers that protect all areas of our business. Fire and other insurance to protect the assets of the Company from risk.



# INTELLECTUAL CAPITAL

THE INTELLECTUAL CAPITAL OF THREE ACRE FARMS PLC (TAF) CONSISTS OF ALL KEY ELEMENTS THAT COMBINE TO PROVIDE TAF A SUSTAINABLE COMPETITIVE ADVANTAGE WHICH POSITIONS THE COMPANY AS THE MARKET LEADER IN THE INDUSTRY. THESE INTANGIBLE ELEMENTS CREATE VALUE TO STAKEHOLDERS WHILE ENABLING THE COMPANY TO ACHIEVE ITS FINANCIAL AND NON-FINANCIAL OBJECTIVES.



## Our Approach to Managing Intellectual Capital

We maintain a holistic approach to managing and leveraging our intellectual capital. The Company's Research and Development (R&D) capabilities create value for the intellectual capital factors while Tacit Knowledge, Corporate Culture (vision, mission, philosophy & values), Brand and Reputation, and Systems and Processes to assist in business growth and success. Through continuous training and development, the Company is able to refine its skills and knowledge of employees, and marketing and stakeholder relationship management activities further to create greater value to intellectual capital elements.

## Activities to Create Value for Stakeholders

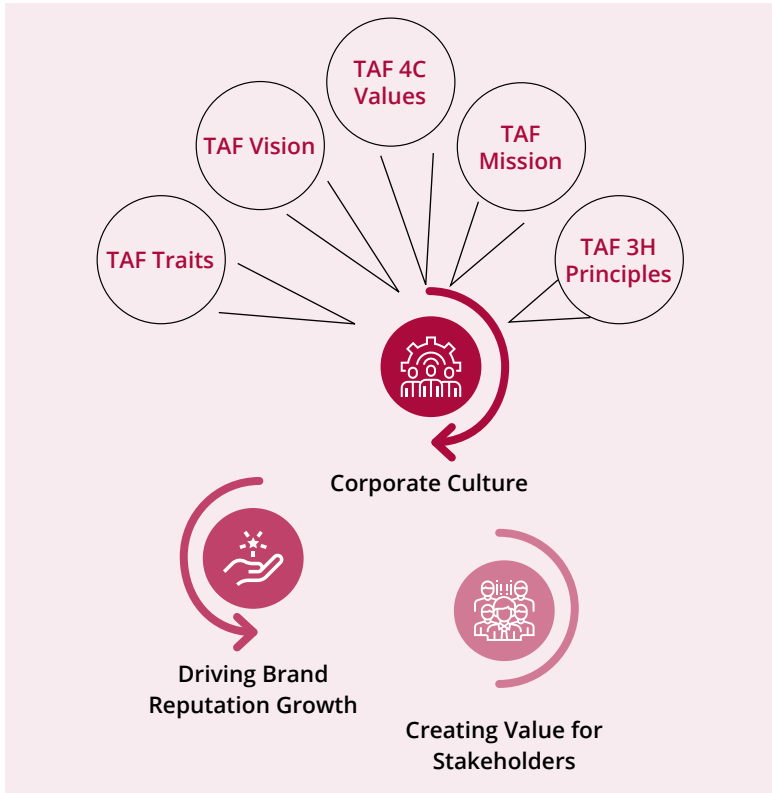
Through the implementation of research and development, marketing, relationship building and training and development initiatives TAF continues to harness value for all its stakeholders.

## Brand Reputation

The Company's brand reputation reflects its personality, culture and values attributed to TAF by both internal and external stakeholders. Every business operation impacts the brand reputation of the Company and hence, we strive to ensure that the Company is perceived as a responsible and sustainable corporate citizen with a purpose to deliver value to all stakeholders without causing negative impacts to the overarching business operating environment. Our brand reputation also helps to further the Company's knowledge gathering activities, drives technology-driven and innovative production operations and empowers our leadership to think bigger and better to create greater and more value for stakeholders in the long term.

## INTELLECTUAL CAPITAL (CONTD.)

As TAF is a part of the larger Prima Singapore Group, the Company enjoys an inherent reputation for being ethical, quality conscious and environmentally friendly in our business operations by our stakeholders. This has enabled the Company to deliver a resilient performance despite the volatility in the operating environment in the financial year 2022.



### Corporate Culture

TAF's corporate culture derived from the Company's vision, mission, philosophy, values and traits and plays a critical part in enhancing the value of intellectual capital by inculcating within business operations the basic premise by which business operations must be carried out. The Company's stakeholder relationships are also dependent and based on the corporate culture advocated for adoption by TAF.



#### 3H Principles

- Healthy Organisation
- Honourable Winner
- Honest Fortune



#### 4C Corporate Values

- Capability
- Character
- Commitment
- Compassion



#### 4 Traits

- Common sense
- Logic
- Analytical skills
- Fairness and respect

The Company employs research, training and development as a means to cascade corporate cultural expectations and values to all stakeholders.

### Tacit Knowledge

TAF takes a two-pronged approach to developing and retaining tacit knowledge within business operations. Primarily the existing knowledge and skills of the Company's employees, and secondly the capabilities, insights and specialised know-how cascaded from our parent and ultimate parent companies, as well as retained in the business through years of successful supply of Layer and Broiler DOCs in Sri Lanka. As knowledge is a key component of the Company's intellectual capital we continuously invest in training and development and R&D activities to build on existing skills and experience of employees and bring in new skills and know-how to business processes and systems. As part of normal business process, the Company's recruitment policy ensures that best-in-class professionals are recruited. The Company believes that a strong educational background is the basis for any development initiatives. Utilizing a knowledge-based approach the Company has been able to successfully retain knowledge, capabilities and competencies acquired through 54 years of business operations.

The nature of the Company's business operations requires a skilled and competent workforce with extensive technical and industry-specific skills and capabilities to manage and operate our poultry breeder farms. As many employees of the Company are long standing, they have cascaded their gathered knowledge and experience to new recruits and help to further the Company's efforts to build a learning organisation. The senior management team of the Company also brings to the table their extensive industry and business experience which is utilized to drive business goals and objectives. In combination, TAF's senior management team has collective hands on experience

in the fields of manufacturing, finance, human resource management, veterinary and horticulture.

The advanced technology-oriented farming and breeding operations of TAF are proof of the Company's ability to consolidate tacit knowledge to innovate and implement effective and efficient operations to further strengthen our intellectual capital resource. Further, as part of the Prima Singapore Group, the Company also enjoys the superior expertise, management services and production know-how provided by our parent company.

### **Systems and Processes**

The organizational systems and process knowledge of the Company have also been developed over five decades of innovation, research and development. This has enabled the Company to gain a sustainable competitive edge which consistently helps the Company move ahead with resilient performance. Our effectively designed systems, processes and procedures are key components of business success, and are therefore regularly monitored and enhanced to ensure they remain relevant in the dynamically changing operating environment. These business systems, processes and procedures also enable the Company to obtain exceptional product quality levels, effective and efficient operations. Well defined systems and processes accounting systems with financial controls in place have ensured compliance with statutory and regulatory compliance.

### **Product Research and Development**

Research and development related to product quality enhancements, experiments on feeds, drugs and vaccine usage is another aspect of the Company's organizational systems and processes. Most of the Company's research and development capabilities are carried out by our immediate parent, Ceylon Grain Elevators PLC (CGE) and cascaded down to TAF to be used to maintain superior quality products.



## HUMAN CAPITAL

**HUMAN CAPITAL CONSISTS OF THE COMPANY'S MOST INVALUABLE RESOURCES; ITS EMPLOYEES, WHO ENSURE THAT THE COMPANY'S STRATEGIES ARE IMPLEMENT AND GOALS ACHIEVED. EMPLOYEES OF THE COMPANY PLAY A CRITICAL ROLE IN THE DAY-TO-DAY OPERATIONS AS THEY DEAL WITH ACHIEVING THEIR OBJECTIVES AND REQUIRE SPECIFIC WORK EXPERIENCE TO SMOOTHLY RUN THE BUSINESS. THEREFORE, EMPLOYEE SATISFACTION AND MORALE ARE PARAMOUNT TO ENSURING PRODUCTIVITY, LOYALTY AND COMMITMENT, WHICH IN TURN, ENSURES THE EFFICIENCY OF THE COMPANY.**

### Our Approach to Human Resource Management

The Company has in place well defined Human Resource Management (HRM) strategies which ensure the Company's recruitment, retention, development and rewards of employees are integrated as part of the overarching corporate strategies of TAF. In consideration of the complexities of the macro environment, the challenges and emerging opportunities, the Company develops an annual human resources strategy. As part of the Ceylon Grain Elevators PLC group, we also are guided by our parent company's policies and procedures in formulating our own strategic plans.

The following process is followed by the Company to manage human capital in order to create long term value for all employees.

Develop an annual manpower plan to ensure adequate employees with the right values and skills are available to meet TAF's current and future business growth needs.

Cultivate an effective internal communication and involvement mechanism to encourage employees to integrate with the corporate value system.

Adopt and institute a planned and systematic approach to training and development to prepare employees to take on emerging challenges and opportunities in the macroeconomic environment.

Set up appropriate and adequate reward systems and mechanism to demonstrate to employees that the Company values them and believes them to be an important part of business success.

A top-down approach to organisational management is in place with an open-door policy which encourages employees to freely engage in open communication with the Management to enable the effective management of labour relations. Our HRM policies and processes are guided by and conform to all applicable labour laws and regulations, including the Shop and Office Employees Act, Human Rights and the Board of Investment (BOI) guidelines and standards. The Management ensures that all employees are advised of their legal, social and ethical rights and responsibilities.

Child labour is strictly prohibited in all business operations and the minimum age of recruitment is maintained at 18 years.



### TAF's Approach to the Value Creation Process

- Attractive remuneration
- Continuous training and development
- Collective engagements
- Rewards mechanisms
- Grievances handling procedure
- Team building activities
- Welfare activities



### Measuring and Monitoring

- Skills development grid
- Competency matrix
- Employee motivation



### HR Governance

- Structured policies and procedures
- Post-training evaluation
- Performance evaluation
- HR administration



### Expected Achievements

- Talented and skilled pool of employees
- Motivated employees
- Target driven workforce
- Succession plan
- Business success



### Identified Development Areas for 2023

- Strengthen employee relationships
- Develop employees to encourage employee empowerment
- Increase skill levels of employees

## Employee Value Proposition

The Company's HRM systems are developed to ensure that all employees are treated in a fair, non-discriminatory and equal manner. During the year under review the Company employed 238 staff members directly involved in TAF's business operations. The majority of the Company's employees are non-executive due to the nature of our business operations. Furthermore, the Company only uses outsourced employees for routine and general work only.

Employees by Category	2022	2021	2020
Senior Managers and above	-	2	1
Managers and Assistant Managers	3	2	3
Senior Executives and Executives	11	11	10
Non-Executives	224	223	234

Employee Data	GROUP		COMPANY	
	2022	2021	2022	2021
<b>Gender-wise Employees</b>				
Male	118	121	117	120
Female	120	117	116	113
<b>Total Workforce</b>				
Permanent Employees	214	215	209	210
Contract Employees	24	23	24	23
Outsourced Employees	531	436	441	364
<b>Total</b>				
*Group refers to employees of TAF and its subsidiaries				

The Company's HRM practices create value for our employees through personal development, rewards and recognition and by giving them an environment which fosters relationship development, employee empowerment, creativity and innovation. TAF is an equal opportunity employer and does not discriminate on grounds of religion, ethnicity or gender.

	2022	2021	2020
Ratio of Male to Female	1:1	1:1	1:1

## HUMAN CAPITAL (CONTD.)

A Code of Conduct is in place which sets out the procedures, values and policies that employees are required to follow. The fundamentals of the Code of Conduct are communicated to employees during the induction programme. However, to ensure all employees recall the fundamentals of the Code of Conduct, an annual programme to re-iterate these are conducted. All employees are also compulsorily required to sign the Code of Conduct and Standing Orders on first joining TAF, as well as expected to abide by its rules and regulations on trust and faith.

### Promoting Gender Diversity and Empowering Women

An area which the Company keenly focuses on is the promotion of gender diversity in employment. Through an established framework of employee recruitment, development and rewards and establishing norms for equality among men and women, TAF ensures that women are treated equally to men. This also ensures the Company's support of human rights and non-discrimination in the workplace. In fact, TAF takes this one step further by encouraging business partners, suppliers and other industry players to ensure the health, safety and well-being of all women and men, promote equality of education, training and professional development for both and implement enterprise development, supply chain and marketing practices that empower women.

### Recruitment

The Company's recruitment processes are aligned with the overall HRM system and intended to attract best-in-class talent and successful professionals to enter the ranks of TAF's employee cadre. Our reputation and track record of excellence spanning over half a century enables us to attract and retain the industry's best talent by giving them ample opportunities for growth, development and recognition.

TAF's recruitment practices and procedures are adopted from our parent company, Ceylon Grain Elevators PLC. Through a selection process by applying the criteria required to fulfil the job role, the most suitable candidates are shortlisted for interviews. The selection process is based solely on the suitability of the candidate for the job, and no recruitment is considered on influence and canvassing is strictly forbidden.

We give priority to recruitments within the community when recruiting to our Farm operations. We believe that uplifting the livelihoods of our communities by providing them with employment is key to sustaining our responsibility to society as a reputed corporate. Therefore, non-executive farm workers are whenever possible employed from the communities which surround our business operations.

An important part of the recruitment process is the employee induction programme which provides an opportunity for new recruits to obtain an overview of company history and highlights, gain an understanding of business operations, learn the vision, mission and corporate values, understand the rewards and other benefits they are entitled to, review the performance management and grievance handling systems, learn about their individual job roles and responsibilities and be introduced to their colleagues in their respective departments.

During the year under review the Company recruited 15 employees, while 13 employees resigned during the same period.

	GROUP		COMPANY	
	2022	2021	2022	2021
<b>New Hires</b>				
Male	8	8	8	8
Female	7	9	7	9
<b>Employee Turnover (%)</b>				
Male	2.5	9.4	2.5	9.7
Female	7.6	5.7	7.6	5.8

### Performance Evaluation

All employees annually undergo a performance evaluation by their line managers, in collaboration with the department head. Performance evaluation is a critical element in the overall career development and training and development initiatives planned for each individual employee and based on Prima Group standards. This process enables the company to identify competencies, strengths and skills as well as weaknesses of employees. The performance evaluation process adds value to employees as it enables them to understand where improvements are needed and areas in which they are performing well, thereby contributing positively to value creation by the Company. This also helps to improve productivity and employee motivation while simultaneously communicating expectations, establishing future goals and recording past achievements of employees.

The Company advocated supervisors and employees to conduct performance evaluation in a participative and collaborative manner to realise the highest benefit from this activity. The performance appraisal is also a tool that provides input for the annual training and development plan of TAF.

**Training and Development**

Training and development is an integral part of the process of creating value for employees. Accordingly, the Company has in place a training plan for individual employees which is created based on two main criteria; competency and skill inventory. The Competency criteria recognises the skills, educational and professional qualifications, experience, and other competencies required by the specific job description when an employee is recruited, promoted or transferred. Skill Inventory refers to a set of skills required to perform a specific job by individual employees in every service departments of the Company. The skill inventory is checked during the annual performance appraisal process and is then aligned with the training and development needs of individual employees.

The Company employs a comprehensive training needs identification process to ensure that all employees of the Company are given an equal opportunity to benefit from these training programmes. Furthermore, TAF provides employees with local and international training, short and long-term training as well as the opportunity to attend seminars, conferences and workshops.

During the year under review, the Company did not conduct any training programs for the staff due to the adverse externalities and economic conditions. However, TAF has in place a post-training evaluation process which helps to identify the progress made by individual employees thereby enabling the Company to understand the value created.

**Succession Planning**

Potential successors and leaders are annually identified and undergo comprehensive training to prepare them to take on more challenging positions within the Company in the future. These employees are groomed to take on leadership positions. No employee is discriminated based on sex, religion, caste, creed or even age or seniority.

**Rewards and Remuneration**

All employees are remunerated and rewarded based on their category, grade and level of employment. This process for rewards and remuneration is strictly pre-determined by HRM policies and systems. All recruitments are conducted based on a pre-determined salary matrix and annual remuneration adjustments are implemented based on individual performance and any changes / fluctuations in cost of living and industry standard pay rates.

**The category-wise ratio of basic salary and remuneration of women to men is equal.**

**Employee Value Proposition**

Creating value to employees, the Company has a range of rewards that all employees are equally entitled to.

Employee Benefits	
<ul style="list-style-type: none"> <li>● Group health insurance for the employee and their family members</li> <li>● Profit and performance bonus</li> <li>● Free Lunch / Tea</li> <li>● Welfare Shop to buy company products at special rates</li> <li>● Free accommodation facilities and uniforms</li> <li>● Death donation fund</li> </ul>	<ul style="list-style-type: none"> <li>● Festival advance</li> <li>● Food hamper in April and December</li> <li>● Service Awards</li> <li>● Increments</li> <li>● Assistance for children’s education endeavours</li> <li>● Scholarships for higher education</li> <li>● Company sponsored events</li> <li>● Opportunities for local and foreign training</li> <li>● Career development opportunities</li> </ul>

**Employee Recognition**

Employees who perform above and beyond during the course of work receive performance-oriented appreciations. In addition, long serving employees are also recognised for their loyalty and dedication by the Company annually. During the year under review 39 employees received awards for their untiring contribution to the Company’s success over the years. Further, permanent employees who retire after serving more than 10 years with the Company receive a special plaque to honour them.

## HUMAN CAPITAL (CONTD.)

### Long Service Awards

No. of Years with the Company	Recipient Employees		Total – 2022	Total – 2021
	Executives	Non-Executives		
Over 5 years	-	25	25	18
6 to 10 years	3	2	5	10
11 to 15 years	-	1	1	6
16 to 20 years	1	1	2	-
24 to 25 years	-	6	6	2
30+ years	-	-	-	3

Promotions are another form of recognising employees' loyalty, hard work and dedication. However, the Company's strict adherence to a performance oriented approach to recognising employees ensures that promotions are based on the performance merits obtained from the performance evaluation process described above.

### Occupational Health and Safety

The health and safety of our employees is of paramount importance. We have in place systems and procedures to ensure all employees are safe from harm when carrying out their work-related duties. The Company ensures that the work environment is safe and clean, especially in our farms and production facilities. Over the years we have introduced several preventive and protective safety measures to ensure employee health and safety.

TAF ensures that all safety measures as mandated by regulatory and legal authorities are in place and comprehensively adhered to by all employees. Periodic safety audits are also undertaken and we conduct regular health and safety risk assessments aimed at monitoring and enhancing the Company's safety policies and systems.

To ensure that employees are aware of these safety measures, regular mandatory training is provided, with line managers tasked with the job of ensuring attendance. All employees also receive an annual training of mock fire emergency evacuation procedures. In addition, signage is used as warnings and reminders for employees to follow safety protocols as and when appropriate. Some basic rules and regulations which all employees, especially those working in the farm and production facilities must adhere to include;

Following safety rules at all times and encouraging co-workers to do the same,

- Adhering to safety protocols set out by COVID-19 guidelines,
- Using personal protective and safety equipment and uniforms on-site,
- Reporting all injuries and incidents, and
- Being always prepared to act in case of an emergency.

As a part of the Company's safety culture, we have formed an Emergency Response Team (ERT) of volunteer employees who are regularly trained to ensure they are prepared to help fellow employees in the event of fires or other emergency situations. First-aid training is also provided to at least one representative from each department

so that he/she may help-out in case of minor injuries and in emergency situations. Basic first-aid facilities are available within the Company's premises and are free for use by employees.

A unique aspect of occupational health and safety in the livestock industry is the health and safety of our products, i.e., the birds. To ensure that birds are healthy and secure and do not inadvertently spread diseases or sickness not only amongst employees but also to the larger supply chain and ultimately to consumers, we have installed high-tech state-of-the-art bio-security systems in our farms.

During the year under review the Company experienced no major injuries to employees and no emergencies.

### Grievance Mechanism

The Company has in place a grievance handling mechanism to resolve any conflicts and ensure harmonious labour relations throughout our business operations. The Management maintains an open, proactive and healthy dialogue with employees, especially non-executive workers to help address any grievance or concern at the onset. Any concerns and issues employees have regarding their work or even co-workers can be brought to the attention of their immediate supervisor for resolution before escalating to higher level managers.

An Employee Council has been formed to oversee any grievances brought forward by employees. The Senior Management meets quarterly with the Employee Council to discuss any issues that may have arisen and to provide advice on how to resolve matters if required and requested. Employees who bring grievances to the notice of the Employee Council are treated with respect whilst maintaining confidentiality levels.

During the year under review the Company did not face any formal grievances related to labour practices, human rights violations or any other business or work process matter.

**Employee Welfare**

Maintaining a healthy work-life balance is considered an important factor that has been embedded into the corporate culture of TAF. We believe that a healthy work-life balance also enables employees creates a conducive environment. The Company sponsors annual events such as trips, employee gatherings, birthday celebrations and religious observations to build rapport and camaraderie among employees and families.

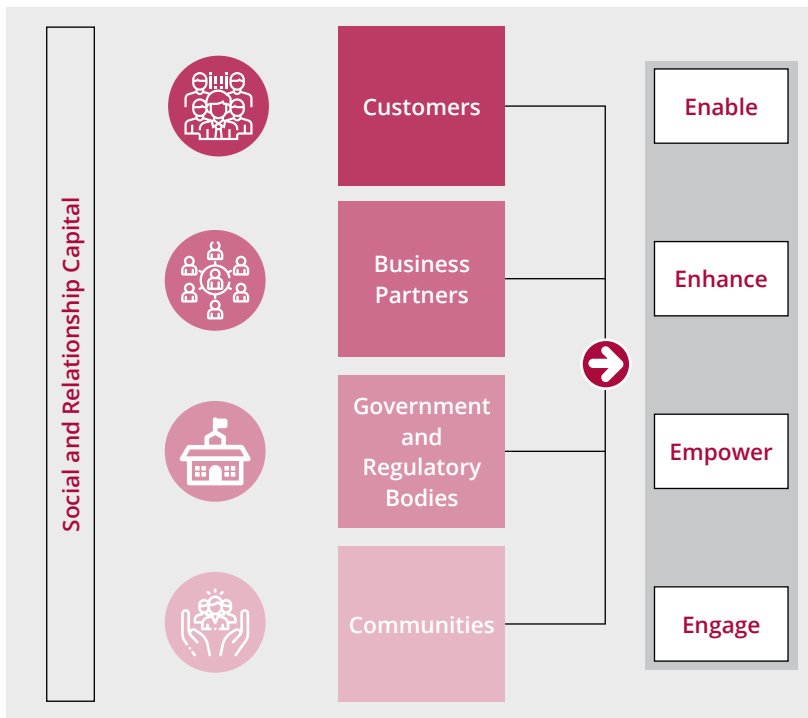
**Employee Communication**

Communication with employees is an important part of TAF's HRM processes. A wide variety of communication methods are used such as emails, memos, notice boards and meetings, to share information with employees pertaining to our business operations and industry-based news. Matters such as new procedures and systems planned to be implemented by the Company, new employees recruited to the Company and awards and recognitions received by employees or by the Company regularly communicated to ensure building a cohesive and united TAF team.



# SOCIAL AND RELATIONSHIP CAPITAL

**THREE ACRE FARMS PLC (TAF) STRONGLY BELIEVES THAT FINANCIAL PERFORMANCE AND BUSINESS GROWTH ARE DEPENDENT ON OUR ABILITY TO SUSTAIN STRONG RELATIONSHIPS WITH EXTERNAL STAKEHOLDERS, PARTICULARLY CUSTOMERS, BUSINESS PARTNERS AND THE WIDER COMMUNITY. AS A RESPONSIBLE BUSINESS WE STRIVE TO GIVE BACK TO THE COMMUNITY THROUGH A WIDE RANGE OF CSR ACTIVITIES WHICH ADDRESS CURRENT CHALLENGES FACED BY THE COMMUNITY.**



Further, the Company embraces and upholds the highest standards of governance thereby building a strong reputation as a company which is well regulated and compliant. Our agreements and policies use non-complex, simple wording enabling stakeholders ease of understanding and comprehension.

### Activities to Create Value for Stakeholders


The Company creates value by aligning stakeholder expectations with Company strategies and goals. To ensure that stakeholders' expectations are being met, we have in place mechanisms which continuously monitor these expectations against our delivery. A key element in building and fostering long-term relationships with our stakeholders is the focus on the excellence of our products and services. The Company's strong brand presence together with its reputation has helped to further our efforts in creating value in this regard.

### Our Approach to Managing Social and Relationship Capital

The Company has in place a range of systems and procedures to manage social and relationship capital. Using a structured approach, the Company endeavours to integrate within our corporate strategy the elements of relationship management. An integral part of managing social and relationship capital is our stakeholder engagement process through which we are able to identify areas of importance to our stakeholders and implement initiatives towards meeting stakeholder expectations.

The Company has in place numerous initiatives to enhance stakeholder value which translates into stakeholder satisfaction as illustrated below.

Stakeholder relationship management is paramount in successfully growing and creating business value. The Company safeguards this by conducting training and developing employees to enhance their abilities to manage these relationships.

Key Stakeholder	Stakeholder View of the Company	Initiatives Adopted by TAF to achieve Stakeholder Satisfaction
Customers	 A trusted brand that keeps its promise	 Product responsibility, Service Quality, Honest and Transparent Communications
Business partners	 An ethical brand that creates social value and meets its obligations	 Supplier evaluation, Relationship building, Conflict resolution
Government and Regulatory Bodies	 A trusted brand that upholds the highest standards of credibility, integrity and behaves responsibly towards people and the planet.	 Compliance, Monitoring and Regular Reviews of business processes and operations
Communities	 An ethical brand recognised as being socially responsible and environmentally friendly.	 Corporate Social Responsibility Programs, Incorporating responsible and sustainable business practices within business operations

### Building Customer Relationships

The Company's sales team engages with customers on a regular basis to accept orders and ensure a high quality and satisfactory service delivery. They also regularly communicate with customers to understand their concerns and to satisfy their expectations. The Company also conducts regular customer satisfaction surveys to assess product quality.

The Company's customer complaints handling process ensures our customers get adequate and correct response to any issues they may have raised. TAF has had no pending customer complaints which have been carried forward unresolved from previous years.

### TAF's Customer Complaints Handling Process

By building mutually beneficial customer relationships, the Company has also been able to add value to our intellectual capital elements in addition to the social and relationship capital value. TAF's key mechanisms to reach customers are through product responsibility, service quality and honest and transparent communication.



#### Product Responsibility

Our brand value and loyalty have always been based on high product quality and product responsibility. We assure our stakeholders of the quality of our processes, systems and products.



#### Service Quality

An important element of our sustainable competitive advantage is the quality of the service we offer our customers which has enabled the Company to nurture and sustain mutually beneficial, long-term relationships with them.



#### Honest and Transparent Communication

The 'PRIMA' brand is the epitome of a quality product. We build trust and protect brand value through our communications and draw guidance from best practices observed by our principals. Customer rights and privacy are ensured through the legitimate use of customer-centric data and secure data storage.

#### Our KPI - Maintenance of Customer Satisfaction Index over 80%

Feedback from customers is facilitated by a structured mechanism. Our satisfaction surveys track multiple aspects of the customer experience to gain insights in customer views on product responsibility, quality and communication activities.

## SOCIAL AND RELATIONSHIP CAPITAL (CONTD.)

During the year under review, there were no fines / penalties imposed on the Company for the breach of any product/ service responsibility related regulations. TAF also had no breaks in policy or any instances of statutory non-compliance in the year under review.

### Building Relationships with Business Partners

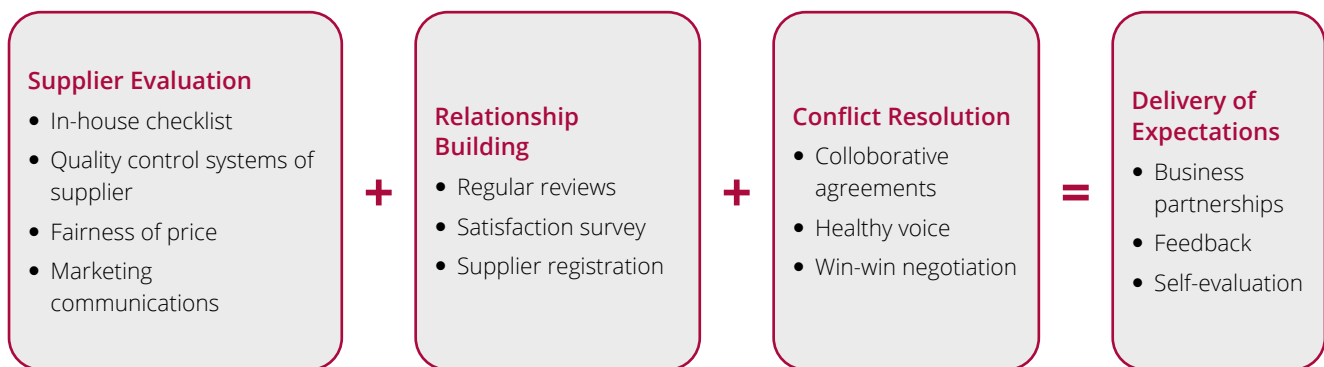
TAF believes in fair and transparent business relationships with its suppliers, franchise partners and other business partners. The procurement processes of the Company create sustainable value to these stakeholders, while simultaneously

increasing the value proposition of the Company's business model.

These procurement processes help the Company to identify and select suitable suppliers who meet the highest standards of quality, reliability and cost. Business partnerships are entered with a view to building long-standing relationships. Hence, all business partners are valued based on their market reputation, credibility of business practices, and quality of their products and services offered at the right price and with the right attitude and values. As TAF's business involves a sizeable volume of livestock, every precaution is taken

to ensure that the quality of the birds is adhered to. We also ensure that we obtain all local and international licenses and permits from respective authorities for procurement.

During the year under review, TAF entered into partnerships with several local and international suppliers and contractors with established reputations in their field of speciality for the construction of Breeder and Commercial Farm facilities, for the regular maintenance of plant and machinery, and for the purchase of spare parts and other day-to-day business requirements.



All business partners are regularly evaluated to ensure they continue to provide quality products and service levels to maintain an optimal supplier portfolio. The Company's general practice is to grade our suppliers from 1 to 5 based on their price, product / service quality and delivery time. Any supplier who receives a grading below 4.5 on three consecutive occasions is removed from our supplier base. In addition, the overall procurement process of TAF is reviewed once every two years to ensure they are aligned to current market trends and other regulations and laws.

The process adopted to deliver expectations includes the evaluation of suppliers, relationship building and conflict resolution with business partners as illustrated below.

During the year under review the Company has had no negative impacts on suppliers and nor have any negative practices or activities been reported about our suppliers. Our suppliers or contractors have also not taken any legal action against the Company during the year under review. The Company has also not received any complaints from our business partners about any delayed payments or inadequate lead time to supply goods which were the most common complaints received in the past.

### Building Relationships with Government and Regulatory Bodies

Governments and regulatory bodies are another important stakeholders of the Company. We work within a pre-defined framework of all relevant institutions and regulatory bodies including the Sri Lanka Customs Department,

Department of Animal Production and Health (DAPH), the Ministry of Agriculture, the Ministry of Livestock, Central Environmental Authority (CEA), and the Board of Investment (BOI) to ensure that all necessary licenses and approvals are obtained for legal and transparent business operations. The Company also required licences from the Import Control Department and import permits from the Department of Animal Production and Health for every shipment of Grandparent/Parent Stock Day-Old-Chicks (DOCs).

During the year under review TAF has complied with all mandatory regulatory requirements both from a local and international perspective. The Company has also reported to the relevant government and regulatory bodies as mandated.

## For Goodness sake



### Raised Cage-Free

Our DOCs are raised in large, climate-controlled and ventilated barns, where they are free to move and interact with other chicken and have 24-hour access to fresh food and water.

### Free of Added Hormones and Steroids

Our DOCs are grown without using hormones and steroids in poultry since inception.



### Monitored by Licensed Veterinarians

We have professionals who are responsible for protecting poultry health and welfare and provide comprehensive healthcare programs to each flock.

### Raised by Farmers Trained in Poultry Welfare

Farmers and staff are trained and obliged to handle and care for DOCs to provide a safe, healthy and low-stress environment.





# NATURAL CAPITAL

**THREE ACRE FARMS PLC (TAF) RELIES ON NATURAL RESOURCES IN ITS BUSINESS OPERATIONS. AS A COMPANY DRIVEN BY AN ETHOS OF SUSTAINABILITY IT STRONGLY BELIEVES IN SUSTAINABLE CONSUMPTION OF NATURAL RESOURCES. THE COMPANY FOCUSES ON EFFECTIVE MANAGEMENT OF ITS NATURAL CAPITAL BY PROMOTING SUSTAINABLE PRACTICES IN BUSINESS OPERATIONS, THEREBY MINIMIZING ITS ENVIRONMENTAL FOOTPRINT.**

Climate change has a direct impact on Breeder and Commercial Farm operations. Natural disasters such as floods and droughts are key environmental concerns also have a direct bearing on the operations. Our efforts during the year continued to focus on nurturing our natural resources.

### Our Approach to Managing Natural Resources

Nurturing our natural resources through an environmentally friendly path to our business operations helps us manage risks, enhance corporate reputation creating a positive impact on our business operations. By embedding sustainable practices within the business operations and strategic planning process we focus on energy efficiency, reducing water usage and reducing waste generating processes to create a minimal impact on the environment.

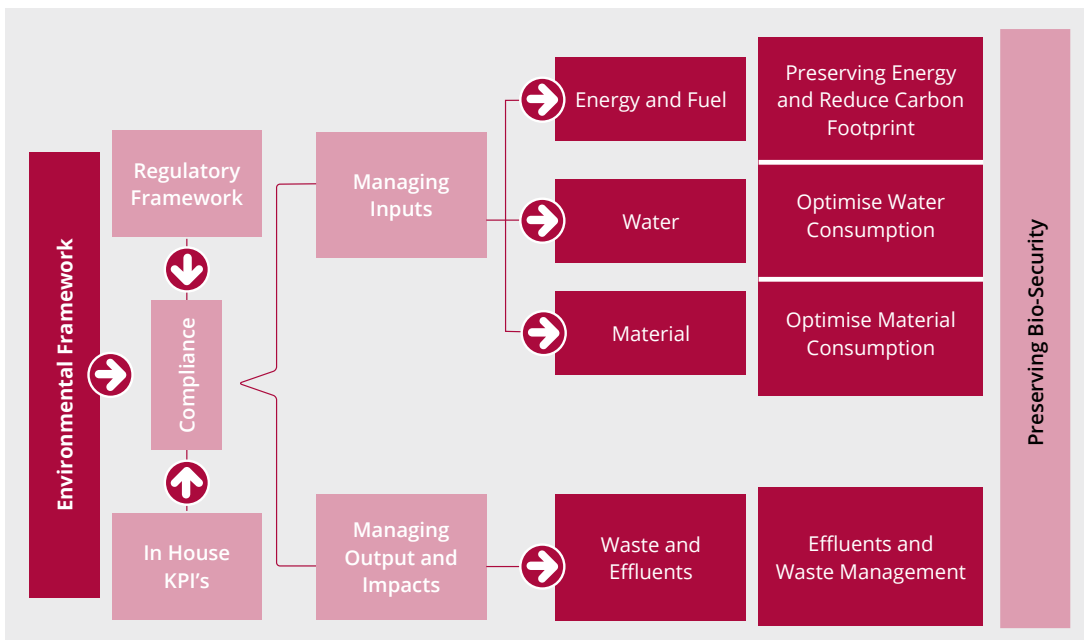
TAF integrates environmental concerns and impact into our business strategy setting process. Regular engagements with key stakeholders help us understand their concerns and incorporate their feedback into business decision making activities. We regularly communicate with stakeholders on the effectiveness of our efforts and make annual commitments which we strive to meet to the best of our abilities.

The Company ensures that Environment Impact Assessments (EIAs) are referred to in consultation with the Department of Agriculture and the Central Environmental Authority prior to taking strategic decision of investing in new facilities and introducing any upgrades to existing facilities. This ensures interested stakeholders are consulted to ensure alignment with environmental objectives.

This increased focus on environmentally viable production and processes, increases the costs of production due to additional specialised skills and knowledge which need to be used, as well as the investment on environmentally friendly equipment and technology. Despite this challenge faced the Company continues to adopt environmentally friendly practices, while maintaining operating costs and contributing to business growth and financial sustainability in the long term.

### Environmental Management System

TAF's environment management system is aligned to these focus areas and the Company continues its journey of more efficient and effective alignment of resources to safeguard the environment and employ sustainable business operations for long term returns to stakeholders.



### Activities Implemented to Create Value to Stakeholders

During the year under review the Company achieved its environmental management goals by ensuring regulatory compliance, improve efficiency in using natural resources and reduction of waste. The integration of such goals as part of the Company's normal business operations by incorporating them as business and individual Key Performance Indicators (KPIs) ensures that achievement is not separate and can be measured on a continuous basis.

The Company promotes sustainable business practices including using emails for communications with stakeholders, strictly limiting printing of documents, using an environmentally friendly waste disposal system, pollution prevention practices, using environmentally friendly office equipment, using energy efficient LCD monitors, encouraging placing computers and laptops on 'sleep' mode when not in use, and switching off lights and energy-using equipment when not in use. We have inculcated these sustainability practices amongst our staff members as well.

The Company is committed to conserve and protect the three main natural resources of energy, materials and water in its farm management operations without effecting product quality and operational efficiency.

### Energy Efficiency

The Company's hatching, breeding and rearing operations are the most energy-intensive activities of the business. Use of energy fluctuates with the increase/decrease in production. Resultantly, the Company has introduced several initiatives over the years to optimise production processes to become more energy efficient. Some of these initiatives include, avoiding gas brooders and the use of energy saving bulbs in all buildings and office premises.

To enable the Company to monitor the effectiveness of our initiatives, we have in place monitoring systems to scrutinize and control these energy intensive processes to ensure effectiveness.

### Water Management

Poultry farming is a water intensive operation which uses water extensively in maintaining the poultry stock. Optimising water use and zero water wastage in business operations is a critical area to maintain a water efficient farm operation.

### Material Consumption

The main materials consumed by the Company during the course of business activities include poultry feeds, Day-Old-Chick (DOCs), drugs and vaccines, wood shavings and paddy husk as well as sanitary materials such as chlorine, disinfectants for washing and cleaning purposes.

Where possible the Company practices reusing, recycling and reprocessing materials to ensure these are not discarded as waste.

### Effluents and Waste Water

Poultry farming generates waste-water and effluents as part of the normal course of business operations. The waste-water and effluents are generated during production processes is filtered in accordance with Central Environmental Authority (CEA) and are non-toxic. These effluents and waste water are managed within acceptable levels and comply with environment management regulations and laws of Sri Lanka.

### Waste Management

Solid waste generated by TAF during the normal course of business operations is segregated and disposed of in an environmentally friendly manner. This waste is non-toxic and does not contain any hazardous substances. Such waste is segregated according to recyclable and non-recyclable materials and disposed of using the municipal council waste

disposal services. Some solid waste that cannot be recycled is disposed of using licensed waste disposal facilities in accordance with environmental and legislative requirements of the country.

Waste material from farm operations is analysed and assessed for options for possible re-use before disposal. Most of the non-hazardous material waste is re-sold as a valuable input for the agriculture industry to be used as compost. The materials used by the farms are environmentally friendly and therefore have no detrimental effects on the environment.

Hazardous waste from the farms is collected separately and sold to licenced waste disposal organisations.

### Ensuring Compliance

The Company ensures compliance with regulatory compliances on natural resource usage and environmentally friendly practices. The Company has not had instances of non-compliances in the last few years. We strive to go beyond the standard compliance requirements.

The Company endeavours to follow best practices in complying with environmental conservation activities using latest processes, equipment and technological advances to eliminate the environmental impact of our business operations while supporting the effective consumption of material scarce resources. The Company has in place compliance indicators, which are regularly monitored and measured to ensure conformity with best practices in environmental conservation.

## NATURAL CAPITAL

### Environment and Sustainability

Sustainability Aspect	Our Approach	In Practice
<b>Green Products</b>	<ul style="list-style-type: none"> <li>● Reduced material consumption</li> <li>● Endeavour to use materials /components/parts which are reused, recycled, and recovered</li> <li>● Design the product to minimise resource consumption during the production process</li> <li>● Design our production process to minimise waste generation and environmental impact on product usage and product disposal</li> </ul>	<ul style="list-style-type: none"> <li>● Focus on green farm operations to achieve year-on-year reduced material consumption</li> <li>● Re-use and recycle most of the materials used in the production process.</li> <li>● We have a pipeline of our poultry systems and plan production so that we can reduce our resource consumption</li> <li>● We sell our poultry manure (litter bags) for use as organic fertiliser so that it will not be disposed of as waste</li> </ul>
<b>Environmentally friendly processes</b>	<ul style="list-style-type: none"> <li>● Using energy efficient equipment</li> <li>● Install pollution control technology.</li> <li>● Process enhancements to reduce waste.</li> <li>● Recycling and reusing waste and scrap internally</li> </ul>	<ul style="list-style-type: none"> <li>● The EC houses ensure energy efficacy and planned production throughout the year helps to save energy</li> <li>● We are in the processes of converting our open houses to EC houses</li> <li>● We have situated our disposal areas far from office premises.</li> </ul>
<b>Green Supply Chain Management</b>	<ul style="list-style-type: none"> <li>● Using environmental friendly materials</li> <li>● Create a market for waste by making waste an input material for other products</li> <li>● Use green packaging</li> <li>● Educate customers. Adopt green distribution and transportation systems</li> </ul>	<ul style="list-style-type: none"> <li>● Ensure raw materials do not create negative environmental impact.</li> <li>● Usage of environmentally friendly packing materials</li> <li>● Creating customer awareness programmes</li> <li>● Sale of poultry manure for use as organic fertilizer</li> </ul>

## FUTURE OUTLOOK

Over the six decades in poultry breeding and growing, Three Acre Farms PLC (TAF) has generated unique and sustained value to all its stakeholders through its operations. The trust gained and reputation earned as a responsible and premier corporate citizen has made this value immeasurable in monetary terms.

Our future initiatives will enhance stakeholder value despite challenging market conditions. The decades of expertise to our credit has prompted us to bring together a range of initiatives geared to generate greater efficiencies in the future.

We will continue to operate with integrity, enhance the values of good governance and risk management practices in strengthening our solid foundation on which we function. Further streamlining of our processes and systems to be shock-proof and future-ready will ensure that our value creation process to all stakeholders remain unabated amidst future uncertainties. This will include the early adoption of IFRS initiatives on "Environment, Social & Human Rights and Governance" in not just our reporting, but also in our operations. We are committed to reinforce our responsibility towards the environment through sharpening environment friendly practices in our farms. These will include, among others waste management, responsible consumption of natural resources and energy and avoidance of bio-hazards.

Simultaneously we will further strengthen our product responsibility substantially through enhancing product safety and quality.

The financial acumen we have gathered over the decades will strengthen our readiness and adaptability to the vagaries of the volatile business climate we are functioning in. The existing tax exemption for the poultry operations will cease after the current year and we will take necessary initiatives to manage the effects of same.

Strategies to strengthen loyalty and awareness of our renowned brands amongst both our internal and external stakeholders including overseas customers include the introduction of the brand across our business processes and activities of TAF.

Our key success factor is our employees with whose passion and commitment, excellence in performance would not have been possible. As such, a significant portion of the Company's annual budget will continue to be allocated to develop their skills and knowledge in the form of local and overseas training. Employee welfare and well-being will also top the priorities in our care towards them.

We will build on and further improve relationships with all our stakeholders across our operations. This is envisaged to be achieved via expanding the touch points at which we engage them and exploring ways in which we could meet their expectations more effectively. A core aspect of such relationship building will be strengthening our relationships with suppliers by establishing partnerships that result in mutual wins.

As we move into a future of many challenges and responsibilities, we will continue to leverage on our extensive industry expertise, superior technological capabilities and business acumen that has enabled us to set industry benchmarks over the decades.



# **TRANSPARENCY** **IN DELIVERING** **TRUSTED** **NUTRITION**

As a responsible leader in the industry, we ensure that we comply with best practices. Our governance structure is strongly anchored on our core principles of integrity, accountability and transparency that continue to drive the evolution of our value creation process.

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# ENTERPRISE RISK MANAGEMENT REVIEW

At Three Acre Farms PLC (TAF), the principles of Enterprise Risk Management (ERM) play a vital role in tailoring the Company's corporate needs. The Company is cognizant of the importance of principles of ERM to its business operations and sustainable growth thereby fervently encouraging the Board of Directors, management, and other employees to recognize the same. This has enabled proactive risk management that protects the business and creates value for all our stakeholders. With this objective, TAF's ERM systems are developed and enhanced considering the aspects of prevention, detection, correction, and mitigation through the adoption of alternative actions and risk transfers or sharing.

## Risk Awareness Culture in TAF

The Risk Management Framework is inculcated into the organisational culture where our risk management philosophy and expectations from our people are being communicated at all levels of business operations. Accordingly, the risk management process is driven through a combination of 'top-down' (driven by the Board) and 'bottom-up' (originating from the business unit levels i.e. employees at farms and head office premises) initiatives. Given below are a few of the several initiatives carried out to educate the people;

- Conducting discussions with employees on risks and risk responses;
- Increasing awareness of new recruits through Induction sessions;
- Motivate and drive employees to reach the Senior Management as needed when new risks are discovered;
- Consistent communication of ERM policies, procedures and standards across the Company; and

- Enhance workforce understanding of risk management through awareness workshops and training forming an avenue for the employees to contribute to the risk management of the Company.

## Risk Governance



The Board is entrusted with the primary responsibility of risk management of the Company and hence identifies the Company's risks thereby managing them appropriately to meet TAF's risk appetite. The Audit Committee is liable for managing the ERM procedures adopted by TAF. In this regard, they regularly evaluate the effectiveness of the risk management process, and the systems established to identify, assess, manage, monitor, reduce and mitigate risks.

The Senior Management Team pioneer in identifying risks which involves examining processes, events, uncertainties, and other changes in the operating environment of the business that could expose the Company to unexpected risks and circumstances which may reduce future earnings potential, impair asset values, negatively impact brand or company reputation, or even create a new form of future risk not encountered previously. Furthermore, the Senior Management is also responsible for monitoring and reporting potential risks and their impact on the business to the Board.

Employees also play an essential role in risk management. The Company keep them informed in a timely manner through formal document and training set by the Management, to be on the alert and detect conditions and events that may result in adverse implications to the organisation. Employees are vested with the responsibility of reporting on the failure of existing risk controls and inefficient work conditions and collaborating with the Management in achieving risk management objectives.

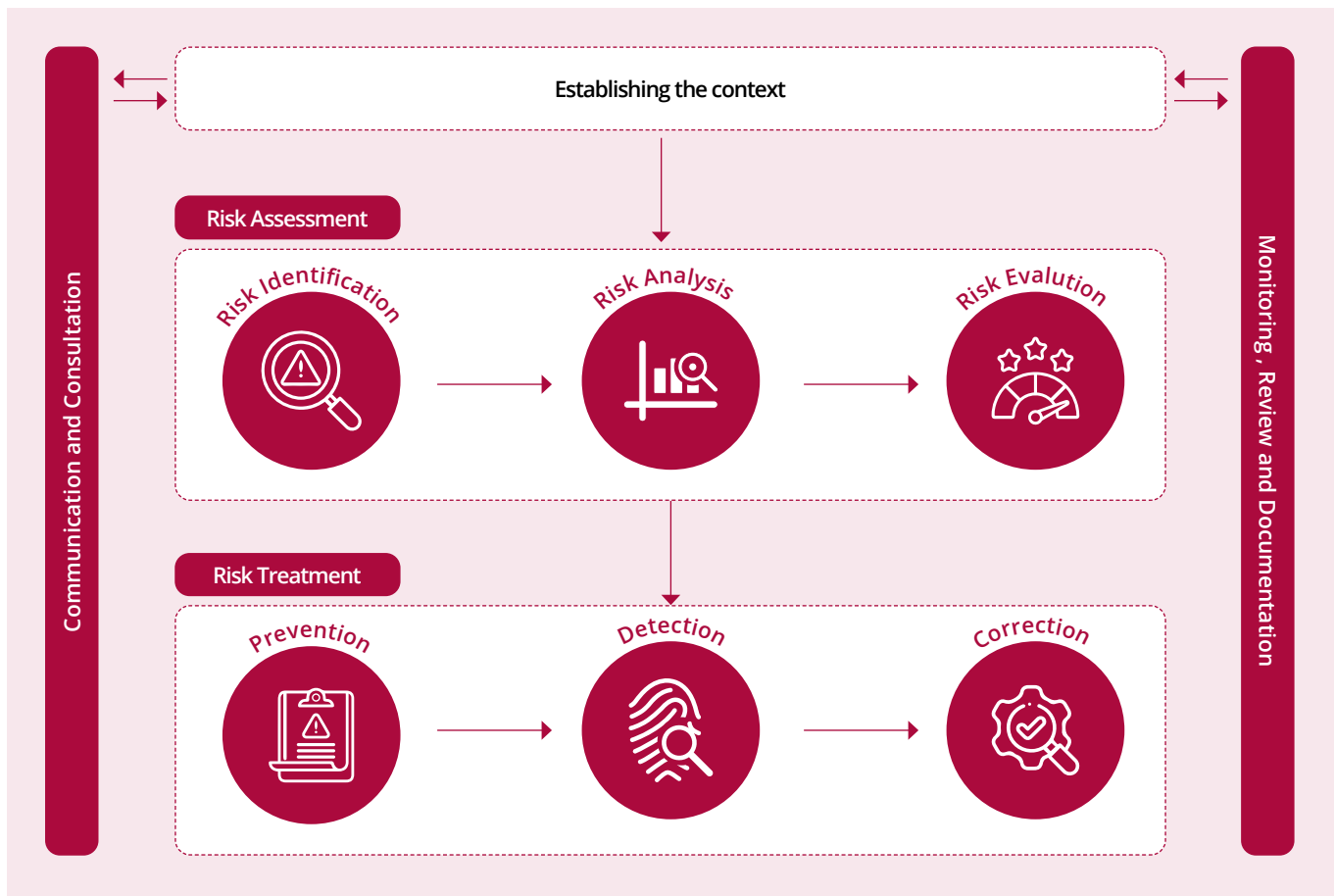
## Enterprise Risk Management (ERM) Process

TAF's ERM process embraces a complete approach to the application of management policies, procedures and practices for the identification, analysis, evaluation, prevention, detection, correction, mitigation, monitoring and communication of all possible types of risks. The Company's ERM framework is successfully integrated into the corporate strategic planning process allowing the efficient accomplishment

## ENTERPRISE RISK MANAGEMENT REVIEW (CONTD.)

of business goals and objectives by identification, evaluation, and mitigation of relevant and related risks within different business activities. This ERM process is managed in a way that considers all types of risks on a pre-determined and regular basis, thereby ensuring appropriate risk management activities within the Company's dynamic operating environment.

The effective implementation of risk assessment, treatment, monitoring, and review systems rooted in TAF's ERM process also ensures timely recognition and effective handling of all types and levels of risks recognised as operational threats to value creation for stakeholders and sustainable business growth.



**Risk Appetite**

Risk Appetite is the aggregate amount and type of risks the entity is willing to accept in different aspects of the business in attaining its strategic objectives.

The Company has set clear guidance on the identification of risks and they are embedded within the processes and activities including prioritising them based on the level of impact on the business.

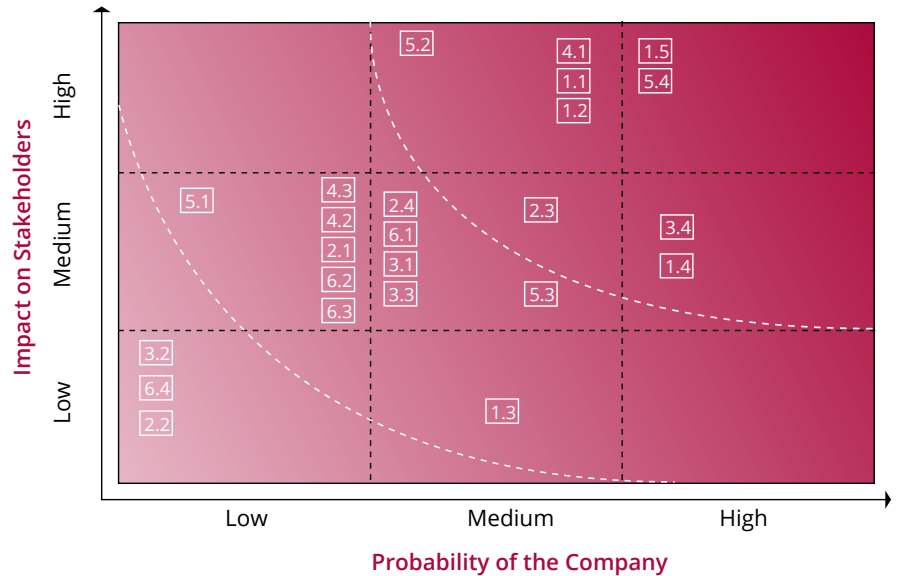
Accordingly, the Company is planning to attain the following benefits:

- Build up a shared understanding regarding risks within the Company for effective risk management;
- Maintain the competitive edge through increased awareness thereby managing risks effectively;
- Reducing costs through effective management of internal resources;
- Provide insights to the Board to assist them in decision making; and
- Nurture an atmosphere that fosters sustainable, long-term growth in the Company.

**Risk Evaluation**

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

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



*Extensive monitoring and action | Moderate monitoring and action | Reasonable monitoring and action*

**TAF's Identified Risks**

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

**Forex crisis and high forex volatility**

Shortage of foreign exchange and the depreciation of the Sri Lankan Rupee adversely impacted the Group's operations, as the cost of raw materials and spare parts and exchange loss increased considerably.

**Energy crisis and power disruptions**

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

**Inflation**

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

## ENTERPRISE RISK MANAGEMENT REVIEW (CONTD.)

Impacted Capital	No.	Identified Risk	Risk Mitigation Method	Risk Factor
1. Financial Capital	1.1	Sourcing of Grand Parent Stock DOC at the right time	Having multiple supply sources both locally and internationally	High
	1.2	Frequent changes in regulations and policies	Periodic evaluation and upgrade of regulations and policies	High
			Seek independent professional advice as necessary.	
	1.3	Interest rate fluctuations	Maintaining an appropriate combination of investments	Medium
			Continuous monitoring emerging macro economic development	
			Cash flow management	
	1.4	Exchange rate fluctuations	Timely monitoring of international transactions and effective treasury functions	High
			Sourcing of local substitute materials	
Strengthening relationships with banks & suppliers				
Forex exposure cover up with maintaining positive cash & cash equivalent balances.				
1.5	Pricing volatilities	Continuous monitoring emerging macro economic development	High	
		Continuous market surveillance		
2. Human Capital	2.1	Recruiting and retaining employees	Maintain & update of competencies and skills pool	Medium
			Maintaining a succession plan	
			Adoption of HR best practices	
			Continuous training and development	
	2.2	Losses from low productivity and low employee engagement	Open door policy to discuss any grievances	Low
			Livelihood development programmes	
			Conduct employee council meetings	
	2.3	Sourcing of skilled labour	Engaging with many labour suppliers and entering with agreements	Medium
2.4	Employee health and safety	Health and safety guidelines were issued in adherence to government regulations.	Medium	
		Required Personal Protection Equipment (PPE) and disinfectants are made available to employees and visitors to the premises		
		Following Good Hygiene practices including extensive cleaning regimes and hand-sanitising stations.		
		Establish Health & Safety Committee and identify continuous effort to improve Health & Safety practices.		
3. Natural Capital	3.1	Natural catastrophes adversely affect the Company's operations	Building Environmentally Controlled houses	Medium
			Protection from insurance cover	
	3.2	Negative Impact on the environment from operations	Promoting the importance of being environmentally friendly, reducing carbon footprint, and implementing energy-saving and other environmentally friendly initiatives	Low
3.3	Waste and disposal management	Adoption of a central drainage system, incineration mechanisms, and disposal of liquid waste through dilutive and cleansed process	Medium	
		Quality checking on waste water in frequent basis.		

Impacted Capital	No.	Identified Risk	Risk Mitigation Method	Risk Factor
<b>3. Natural Capital (Contd.)</b>	3.4	Threat of diseases	Veterinary aid ensures the general health of the animals.	<b>High</b>
			Regular reviews of the Bio Security practices and policies.	
			Ensuring environmental safety standards, bio-security measures and sustainability practices adhere	
			Use the most updated vaccines and medicines that are most effective in disease control.	
<b>4. Social And Relationship Capital</b>	4.1	Loss of customers	Conducting customer satisfaction surveys	<b>High</b>
			Conducting awareness programmes for customers	
			Effective brand marketing initiatives	
	4.2	Loss of suppliers & supply chain management	Conducting supplier grading systems	<b>Medium</b>
			Periodic evaluation of Principal's satisfaction levels	
			Maintaining long-term relationships	
4.3	Regulatory risk	Complying with all mandatory regulations and periodically reviewing and identifying changes as necessary	<b>Medium</b>	
<b>5. Manufactured Capital</b>	5.1	Machine breakdown and system failures	Continuous check-ups and upgrades	<b>Medium</b>
			Adherence to a maintenance plan	
			Evaluation of man and machine hours	
			Downtime analysis and monitor	
	5.2	Non-availability of spareparts for continuous operation	Effective utilization of available spareparts and maintain adequate inventory.	<b>High</b>
	5.3	Damage to physical assets due to acts of strike, riot and civil commotion	Obtaining insurance coverage	<b>Medium</b>
	5.4	Energy risk	Maintaining sufficient fuel stock with enhanced capacity covering all locations.	<b>High</b>
Investing in alternative energy sources.				
<b>6. Intellectual Capital</b>	6.1	Reputation risk	Adhering to corporate governance principles	<b>Medium</b>
			Adoption of ethical practices in supply chain and manufacturing processes	
			Undertaking CSR activities	
	6.2	Loss of data through system breaches. Cyber-security risk, system breakdowns in the IT systems and disruption to operations	Controls over IT infrastructure (Access control, Firewall, User IDs)and data. Regular back-up of data.	<b>Low</b>
			Regular data backup.	
			Continuous training for employees on information security.	
			Availability of a disaster recovery plan	
	6.3	Risk of technological obsolescence	Upgrading of preventive software on a timely basis.	<b>Medium</b>
Regular investment in new technology				
6.4	Product quality risk	Regular process monitoring and updates	<b>Low</b>	
		Continuous quality checks		
		Conduct continuous training programme on improving staff knowledge		

# CORPORATE GOVERNANCE REVIEW

## 1. Our Approach

At, Three Acre Farms PLC (TAF), we consider our Corporate Governance as an important element as it guarantees efficient value creation to all our stakeholders ensuring sustainable business continuity. Therefore, our Company has adopted Corporate Governance rules, processes and practices that are ethical, transparent, and effective as per the guidelines laid out by the Institute of Chartered Accountants of Sri Lanka, the Securities and Exchange Commission of Sri Lanka, the Companies Act No.7 of 2007, and the Listing Rules of the Colombo Stock Exchange. This system has enabled the solid operations of the day-to-day business activities further consolidating our sustainable business model through adherence to the core fundamentals of Corporate Governance principles.

The Company's Corporate Governance policies are carried out with integrity, fairness, transparency, and in an ethical manner. Our commitment to adequate, accurate and timely disclosures have further enhanced our business reputation while the stakeholder relationships built on the principle of trust, reliability, and respect ensures long-term value creation to all our stakeholders.

The responsibility towards Corporate Governance lies on the shoulders of the Board of Directors of the Company. Hence, these practices are distributed and encouraged from the top-most level of leadership. The Company's Corporate Governance framework incorporates developments in the external environment including the regulatory requirements and assurance mechanisms that ensure transparency, stewardship, and accountability which are further strengthened by the internal Corporate Governance framework that enables the Board of Directors to efficiently execute its policies and monitor effectiveness.

TAF regularly seeks to enhance Corporate Governance practices

and processes by positioning our governance framework with best-in-class international and industry-based Corporate Governance practices.

## 2. Code of Business Conduct

The Company's Code of Business Conduct lays out the standard for sustainability, accountability, integrity and transparency across all our business operations and all the employees including Directors and Key Management Personnel are expected to comply with the Code in its entirety. All employees sign a declaration to the effect that they will comply with the Code of Business Conduct of the Company (Declaration at the point of recruitment). Hence, the Code of Conduct incorporates the following crucial aspects:

- Always act in the best interests of the Company, ensuring transparency in all matters;
- Ensuring that the standards for ethical conduct are built in line with the Company's vision, mission, goals and objectives;
- Conduct business ethically in keeping with industry standards;
- Continuous professional development along with the Company and individual compliance with all rules and regulations;
- Trust, professionalism and integrity in all partnerships and transactions undertaken by TAF.

The Chairman and the Company emphasise and endorse that there have been no violations of TAF's Code of Business Conduct in the year under review.

## 3. Policy into Practice

The Board of Directors takes the overall responsibility towards good governance, transparency, stewardship, and accountability. In this capacity, the Board has established a governance framework consisting of a governance structure and a process to execute its policies and

monitor effectiveness. This framework comprises regulatory benchmarks, the structure of the key stakeholder groups, aided by an assurance mechanism that ensure good governance practices.

### 3.1. Internal Governance Structure

TAF's governance structure describes how the Board of Directors has planned and implemented the governance process across the Group. The Company's internal governance structure incorporates both short term and long-term aspects of corporate governance which is based on the committee structure. The oversight of Corporate Governance practices is entrusted to the Board of Directors and further indicates that the Chief Executive Officer (CEO) and individual functional managers are accountable and responsible for the day-to-day business operations and the functioning of the business units of the Group. Furthermore, the responsibilities and accountability for each function and the business units are agreed upon in advance which ensures a constant and consistent flow of operations.

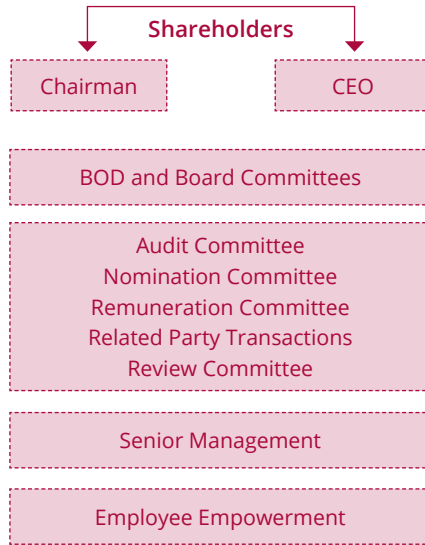
The internal governance structure is a vital part of the Company's management structure and is headed by the Board of Directors. The Board of Directors is empowered to act on behalf of the Company. As such, the internal governance structure consists of:

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

These positions and Committees are complemented by strong internal governance procedures and systems which are set in motion by the Group business plan. These mechanisms within the governance structure ensure that the Group's Corporate Governance framework is properly implemented and executed.

**Internal Governance Structure**

Mandatory Compliance
Companies Act No. 7 of 2007
Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
Other legislative enactments affecting the Company
Listing Rules of the Colombo Stock Exchange (CSE)
Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended)
External and Internal Audits
Articles of Association
Central Depository System Rules



Internal Policy Framework
The Code of Best Practice on Corporate Governance - CASL & SEC
Codes of regulatory authorities, professional institutions and trade associations
Risk Management Framework
The Code of Conduct
Quality Management Systems
Environment Management Systems
Internal Control System

**3.2. Governance Culture**

The Company strives to implement an effective governance culture by persuading employees and stakeholders to commit to good governance practices. To encourage such Company-wide adoption of good governance practices, TAF implements the right processes and cascades the Company's Corporate Governance policies to all relevant stakeholders to increase awareness at all levels. TAF's values also encourage employees to maintain ethical and transparent business practices which in turn are regulated by the Company's Code of Conduct to achieve business goals. The sustainability of the governance principles is aided by aligning TAF's performance-driven culture with business value creation.

**4. The Board of Directors**

**4.1. Board Responsibilities**

TAF's Board of Directors effectively leads the Company to meet strategic business goals and objectives. They are liable for ensuring the Group's compliance with laws, regulations, and other standards applicable to business operations. These laws include Sri Lankan laws on taxes, employment, Company operations,

human rights and specific laws and regulations advocated by industry and the Company regulators. The Company also ensures that it keeps up to date on compliance requirements through regular reviews of laws and regulations. In fulfilling the overall responsibility to shareholders in accomplishing the Company's goals, the Board of Directors also fulfils the responsibilities given below:

- Providing guidance on the formulation and implementation of a sustainable business strategy;
- Ensuring that the Executive Directors and key management team have the expertise, knowledge, and resources necessary to successfully implement the strategy, along with the appropriate succession plans;
- Conducting business functions efficiently and profitably to create shareholder value;
- Ensuring effective systems to secure the integrity of information, internal controls and risk management;
- Ensuring that the Group accomplishes its goals;

- Meeting regularly to establish and maintain the Company's direction and position;
- Providing guidance and direction to ensure the Group has adequate resources and that these are effectively utilised;
- Reviewing the Group's operating and financial performance and evaluating progress against plans and budgets;
- Ensuring that the Financial Statements are published quarterly and Annual Report is published at the end of the financial year;
- Ensuring compliance with laws, regulations, governance and ethical standards;
- Monitoring systems and company procedures to ensure that internal controls are effectively planned and implemented;
- Ensuring all stakeholder interests are considered in corporate decision making;
- Reviewing and approving budgets, investment decisions, Corporate Plans and major transactions including acquisitions, disposals and capital expenditures;

## CORPORATE GOVERNANCE REVIEW (CONTD.)

- Fulfilling any other function that is vital to the growth and success of the business;
- Recommending appointment/removal of external auditor; and
- Promoting corporate citizenship.

### The Chairman of the Board

The Chairman of the Board is Mr. Wickrema Senaka Weerasooria and his main responsibility is to maintain good Corporate Governance within the Company. He is also responsible for the effective running of the Board and maintaining the optimum balance between Executive and Non-Executive Directors. He is assigned the responsibility of maintaining the Board's composition which maintains the balance of power between Executive and Non-Executive Directors and facilitating the effective contribution of Non-Executive Directors to the achievement of the Company's goals. He also provides advice to the Board on the future direction of the Company. Further, Chairman ensures that all the directors are aware of their duties and responsibilities and all of them are encouraged to effectively contribute to the benefits of the Company.

### The Chief Executive Officer (CEO)

The CEO of the Company is delegated with the execution of the Company's business activities including implementation of business strategies approved by the Board. There is a clear division of responsibilities between the Chairman and the CEO, consistent with best practices that ensure no one individual has unfettered power over decision-making which confirms the balance of power and authority.

### 4.2. Board's Principal Roles and Functions

#### Providing Strategic Direction

The Board of Directors has the collective responsibility for the formation of the Group's general direction, corporate policies, overall strategic objectives, and corporate plans that are communicated

to the Senior Management. It also lays out a schedule of issues and directions which could only be approved by the Board as monitoring controls. Moreover, Board approval is required on all matters relevant to the overall strategy, annual budget, business plans, management information, reporting Financial Statements, dividend payments, investments, and business acquisitions. The Board also continually reviews and monitors the performance of the Group against the set objectives apart from directing the Senior Management on specific action points.

#### Communication with Shareholders

At TAF, communication with shareholders is considered an important element of Corporate Governance as it ensures transparency and adequate dissemination of information. The Board is entrusted with the responsibility of reporting statutory and other relevant information to shareholders in a regular, timely and accurate manner. Aligned with the Company's commitment to transparency, the Board has established a set of specific policies in relation to keeping accurate records of accounts and for the preparation of Financial Statements to represent a balanced view of the Group. In addition, the Board has also put in place measures to report statutory and other relevant information, including making full disclosures of all major transactions to shareholders in a timely and accurate manner.

Annual General Meetings and Extraordinary General Meetings are held as required to disseminate information regarding the company's activities and to discuss shareholders views to :

- Provide an opportunity for shareholders to raise concerns and matters.
- Assess the effectiveness of TAF's engagement levels with shareholders.
- All shareholders are invited and are encouraged to attend the AGM

- The AGM provides a platform for shareholders to seek and obtain clarifications on the company's activities.
- Participation of external auditors at the AGM.
- If anyone is unable to attend, he/she is entitled to have their voting rights exercised by a proxy.

The Group welcomes shareholders' independent advice on matters of investment and divestment while quarterly and annual results are prepared and presented in accordance with the Sri Lanka Financial Reporting Standards, the Companies Act No.7 of 2007, the Colombo Stock Exchange (CSE) and the Securities and Exchange Commission (SEC) regulations.

#### Overseeing Risk Management

Directing the risk management mechanism of the Group is another important duty vested with the Board. In this sense, the Board carries out frequent evaluation of the risk factors faced by the Group while preserving updated control systems by regularly making policy recommendations on risk factors and the improvement of controls. The risk management process is formulated to ensure an effective system is executed to identify, evaluate, and manage significant risks confronted by the Group thereby protecting its assets and processes. While the Board regularly reviews the risk management process based on the guidelines set by relevant regulatory bodies, it also holds the overall responsibility for the management of risks within the Group. The well-established control framework of the Company consists of clear structures and accountabilities, policies and procedures along with budgeting and review processes. This ensures that each business segment of the Group has a formal management structure with clear responsibilities operating within defined policies that incorporate key areas such as product safety, financial

matters, health, and safety, safeguarding the environment, human resource management, operational matters, purchasing and engineering.

### Compliance

The Board of Directors is responsible for ensuring that the Group constantly operates within the laws and stands by the regulations and standards as set down by various regulatory bodies in the country. They also keep themselves regularly updated on the information related to compliance with laws and regulations and direct the Senior Management on any action that is necessary to be taken.

### Appointments to Board Committees

The responsibility of the appointment of members to the various Board Committees lies within the Board and they ensure that the committees

act in conformity with the terms of reference of these Committees. Directors are appointed to the Audit, Remuneration, Nomination and Related Party Transactions Review Committees along with Directors and Key Senior Management personnel. Each Committee's functions are clearly defined by its terms of reference. An extended overview of the operations and functions of these Board Committees is available on pages 72 to 77.

### 4.3. Board Composition

AT TAF, the Board of Directors comprises seven (7) members. The Company is dedicated to maintaining a balanced Board structure with an appropriate mix of Executive, Non-Executive and Non-Executive Independent Directors that facilitates value creation to all stakeholders. These members bring in industry expertise, business and

financial acumen that allow the Company to make rational and sound decisions for a sustainable and profitable future. The Board comprises two (2) Executive Directors, two (2) Non-Executive Directors and three (3) Non-Executive Independent Directors. This composition complies with the Listing Rules of the Colombo Stock Exchange, which require that a minimum of two members or one-third of the Board, whichever is higher be Independent Directors. The names of the Directors and their detailed profiles are disclosed on Page 16 to 17 of the Annual Report.

Name of the Director	Capacity	No. of shares held	Board			Board Committees			
			Position	No. of Meetings held	No. of meetings attended	Audit Committee	Remuneration Committee	Nomination Committee	Related Party Transactions Review Committee
Mr. Wickrema Senaka Weerasooria	Non-Executive Independent Chairman	2,000	Chairman	4	4	Member	Chairman	Chairman	Chairman
Mr. Cheng Chih Kwong, Primus	Executive Director and Chief Executive Officer	19	Member	4	3	-	-	Member	-
Mr. Chan Kong Meng, Lawrence	Executive Director and Group General Manager	-	Member	4	4	-	-	-	Member
Mr. Cheng Koh Chuen, Bernard	Non-Executive Director	-	Member	4	4	-	-	-	-
Mr. Sunil Leeniyagoda	Non-Executive Director and Group Treasurer	-	Member	4	3	Member	Member	-	-
Dr. Prathap Ramanujam	Non-Executive Independent Director	-	Member	4	4	Member	Member	Member	Member
Mr. R. N. Asirwatham	Non-Executive Independent Director	-	Member	4	3	Chairman	Member	Member	Member

### Composition of Board and Board Committees and attendance at meetings for 2022

## CORPORATE GOVERNANCE REVIEW (CONTD.)

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

The Board regularly assesses its own and subcommittees' performance including the performance of the Chief Executive Officer to ensure that its responsibilities are properly carried out in fairness to the Company and its stakeholders. During the year under review, an appraisal was made relating to Board composition. The Board determined that the knowledge and expertise of current Board members match the strategic demands of the Group.

### Disclosure of Information in respect of directors

A brief profile of the individual members of the Board of Directors is on pages 16 to 17.

### 4.5. Board Skills

When formulating the balance between different members of the Board, a vital consideration is the maintenance of Board Diversity in enabling effective collective decision making. Currently, the Board is comprised of members who collectively offer a wide range of skills to the Company including finance, administration, management, law, economics, marketing, taxation, and human resources. Therefore, the directors possess a high level of integrity and judgment supported by these diverse skills and expertise. Besides, the Board also displays the required financial acumen and knowledge to offer guidance on these matters to the Company.

TAF is also cognizant of the necessity to maintain an appropriate mix of skills and expertise within the Board. Hence, frequent reviews of the Board are carried out in order to ensure the skills represented by the Board members match the current and future skills requirements of the Group.

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

#### 4.5.1. Procedure to Obtain Independent Professional Advice

The Board of Directors solicits independent professional advice that may be required in discharging its responsibilities during the business decision making at the Company's expense, which is generally coordinated through the General Manager of the Company.

#### 4.5.2. Continuous Training and Development

The Group is dedicated to empowering all employees including the Board of Directors by allowing them to enhance their skills, knowledge, and expertise. The Directors are given the opportunities to familiarise and obtain an in-depth understanding of the Company's business, its strategies, risks and processes at their discretion. Training is provided to Directors to equip themselves to discharge their responsibilities effectively. Further, this enables the directors to continuously refresh their knowledge and keep updated on the emerging trends in the industry. This includes training provided by principles, external and in-house training. Training and development needs are reviewed on a regular basis.

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

### 4.6. Changes to the Board

#### 4.6.1. Board Tenure

Directors are appointed and recommended for re-election until they reach the age of retirement prescribed by the Company. During the year under review, there were no such retirements by members of the Board of Directors.

#### 4.6.2. Re-election/ Re-appointment

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

Names of retiring Directors eligible for re-election at the upcoming Annual General Meeting are given in the Notice of the Annual General Meeting of the Company on page 137.

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

#### 4.7. Timely Supply of Information

All members of the Board are continually updated and supplied with timely, accurate and comprehensive information to enable them to successfully perform their duties. Quarterly performance reports are given to directors, along with any additional reports or documentation considered relevant. The Chairman makes sure that all Directors are well informed on matters that come up during meetings. This allows the Board

members to engage in a healthy debate establishing a process of improved decision making geared towards the progress of the Company.

Directors are provided access to the following information:

- Board minutes, reports and agendas are circulated before Board meetings, providing sufficient time period to review and call for any additional information and clarification;
- Clarification on any matter contained in the minutes;
- The advice of experts and professionals if required;
- Advice and services provided by the Company Secretary;
- Information wherever necessary to carry out duties and responsibilities more effectively and efficiently; and
- Information updates from management on topical matters, formulation of new regulations and best practices as relevant to the Group's business.

#### 4.8. Board Meetings

TAF ensures that a sufficient time period is allocated at every meeting and thereby Board's responsibilities are delivered adequately.

During the year, the Board met four (4) times to discuss and review the overall strategic developments of the Group in line with the Company's governance principles. The meetings were attended by all Board members who were able to discuss the strategic challenges facing the Company and decide on other relevant aspects to ensure business growth and sustainability.

The Chairman leads the Board and provides direction to the business, facilitating the effective contribution of all Board members, implementing strategies, and ensuring the Board operates effectively in keeping with the

interests of the shareholders. Board minutes are kept ensuring that concerns are recorded in case Directors have reservations about the matters of the Company which are not unanimously resolved. However, the Board did not have any unresolved matters or concerns during the year under review.

S S P Corporate Services (Private) Limited are the Company Secretaries to the Board, and on behalf of the Chairman are available to ensure the efficient conduct of Board meetings and provision of the necessary information to all Directors prior to meetings where Key Performance Indicators (KPI's) are reviewed. Within 14 days following the meeting, the corporate secretary drafts the minutes and distributes them to the Board of Directors. The Company Secretaries holds the responsibility of ensuring that good governance requirement is discussed and implemented by the Board of Directors. The Group General Manager and General Manager regularly update the Board on current business matters and reports on the latest financial position of the Company at Board Meetings. Matters Reserved for board :

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

#### Board Minutes

The Company Secretary prepares the Board minutes. In the event of a matter not being unanimously adopted at a Board meeting, the concerns expressed in such situations are recorded in the minutes of the meeting. Minutes of the Board meetings are circulated to all Directors and adopted at the subsequent Board meeting. Follow up actions are taken on outstanding matters.

#### 4.9. Board Committees

The Board has established four (4) Committees in order to monitor review and enhance the accountability in selected key areas of business operations. This allows the Board to further uphold the good governance practices within the Group. The four Board Committees are:

1. Audit Committee
2. Nomination Committee
3. Remuneration Committee
4. Related Party Transactions Review Committee

These Committees carry out their duties and responsibilities consistent with the terms of reference set out by the Board. The proceedings of their meetings are regularly communicated to the Board.

## CORPORATE GOVERNANCE REVIEW (CONTD.)

### Composition and responsibilities of board committees

Committee	Members	Responsibilities	Committee Report
Audit Committee	Four (4) members including one (1) Non-Executive Director and three (3) Non-Executive Independent Directors.	The Audit Committee is responsible for assisting the Board in accomplishing its oversight responsibilities in the financial reporting process.	Pages 72 to 73
Nomination Committee	Four (4) members including one (1) Executive Director/ CEO and three (3) Non-Executive Independent Directors.	The Nomination Committee makes recommendations to the Board on all new Board appointments and annually assesses Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company.	Page 75
Remuneration Committee	Four (4) members including one (1) Non-Executive Director and three (3) Non-Executive Independent Directors.	The Remuneration Committee is responsible to the Board for determining the remuneration policy for Directors and Senior Managers.	Page 74
Related Party Transactions Review Committee	Four (4) members including one (1) Executive Director and three (3) Non-Executive Independent Directors.	The Related Party Transactions Review Committee is responsible for the review of all the related party transactions complying with the Listing Rules of the Colombo Stock Exchange and with the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.	Pages 76 to 77

### 5. Shareholder / Investor Relationship

TAF's Corporate Governance System considers Stakeholder Management as an important element and thus the Company carries out communication with its stakeholders through the Annual Report, Quarterly Reports and the Annual General Meetings (AGM). The primary means of communication between the Company and its Stakeholders are the Annual and Quarterly Financial Reports and the Annual General Meeting (AGM).

#### 5.1. Release of Information to the Public and CSE

All material and price-sensitive information is communicated to the CSE in a timely and accurate manner to minimise the information gap between the shareholders / investors and the Company.

#### 5.2. Annual General Meetings

An effective relationship with shareholders is retained by conducting AGMs where every shareholder is given a chance to vote and raise specific queries regarding the Company's operations.

#### 5.3. Serious Loss of Capital

In the unlikely event of the net assets of the Company falling below one half of its stated capital, all shareholders would be notified through an Extraordinary General Meeting (EGM) in terms of Section 220 of the Company's Act No. 7 of 2007.

#### 5.4. Going Concern

The Group always maintains sufficient financial resources along with a diversified business model and a range of related businesses. The Board of Directors, on the recommendations of the Audit Committee, is satisfied that the Group has sufficient resources to continue its operation as a going concern

for the short-term. Thus, the Company will continue to adopt a going concern stance in the preparation of the final accounts.

### 6. Internal Control Mechanism

The effectiveness of the internal control system of TAF is ensured through frequent reviews and an appropriate monitoring mechanism. The Board of Directors, including the Audit Committee, is entrusted with the responsibility for the system of internal controls of the Company and for assessing its effectiveness. This system is designed to protect the assets of the Company against unauthorized use or disposal together with a well-structured documentation procedure. The internal control mechanism is in place to ensure the proper management of all financial, operational, risk management and compliance controls of the Company.

The Group's Internal Audit Division carry out the Internal Audit function to ensure the internal control function of the Company performs accurately according to the prescribed standards of the Company.

The Audit Committee reviews the processes and effectiveness of internal control mechanisms of the Company and reports to the Board so that the Board of Directors can take the final responsibility for the disclosures on internal controls to ensure the maintenance of a sound system within the Company.

### 6.1. Adoption of Best Practices

TAF's governance practices are based on the core values and beliefs of the Company which are founded on ethical, transparent, and sustainable business practices. Besides, to be fully compliant with all regulatory requirements relating to good governance, the Company also strongly believes that the adoption of voluntary best practices is the mainstay of the Group's transparent and ethical business philosophy which supports sustainable business growth and shareholder value creation and satisfaction.

### 6.2. Regulatory Framework

TAF's Corporate Governance practices are controlled and directed by a well-structured framework that consists of statutes, regulations, codes, internal and external governance systems and control and certification mechanisms.

### 6.3. Compliance and Adherence

Compliance with mandatory and voluntary regulatory governance requirements is established through an effective monitoring mechanism adopted by the Group as well as the timely review of governance structures. The Board of Directors and Board sub-committees monitors the levels of adherence to specific regulations.

## 7. Internet of Things and Cyber-security

### 7.1. Board's Responsibility

The Board frequently monitors the latest developments in the IT field and conducts discussions on how such developments can be utilised to enhance the efficiency and the effectiveness of the Group operations. The Group is equipped with Wi-Fi and network facilities including computing equipment that allows it to send and receive information. Moreover, the Board investigates cyber-security risks that may affect the business while designing and implementing IT General and Application controls to ensure the security of confidential information. The Board has assigned a General Manager / Country IT Head who oversees Cyber-security and Risk Management. The General Manager / Country IT head is a qualified IT professional and possesses the required expertise to ensure Cyber-security. He offers necessary information about Cyber-security and is accountable for the development of the IT Budget and IT Risk Management policies of the Group, which will consequently be evaluated and approved by the Board.

### 7.2. Effectiveness of the Cyber-security Risk Management System

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

## 8. Environment, Societal and Governance (ESG)

### 8.1. Provision of Information to Investors

The Company has included environmental, social and governance factors in its business models and provides sufficient information on the Annual Report. Refer to pages 53 to 57 for Enterprise Risk Management.

### 8.2. The Environment

The Company adopts an integrated approach that alleviates environmental threats and enhances best practices in the Company's engagements to fulfil its obligation towards the environment. Such best practices include pollution prevention, sustainable resource use, protection of the environment and biodiversity and restoration of natural resources.

### 8.3. Social Factors

The Company adopts an integrated approach to build a strong relationship with the community and endeavours towards sustainable development.

### 8.4. Governance

The Company established a governance structure to support its ability to create value and manage risks on all pertinent aspects of ESG. Refer to Corporate Governance on page 58 and Enterprise Risk Management on page 53 in this Annual Report.

## CORPORATE GOVERNANCE REVIEW (CONTD.)

### 9. Disclosures

The tables given below provide the relevant details and disclosures mandated by the Companies Act No.7 of 2007 and the Listing Rules of the CSE.

#### 9.1. Disclosures required by the Companies Act No.7 of 2007

Section Reference	Requirement	Annual Report Reference
168 (1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	Page 80
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	Pages 87 to 131
168 (1) (c)	Auditor's Report on Financial Statements of the Group and the Company	Page 84 to 86
168 (1) (d)	Accounting policies and any changes therein	Pages 91 to 103
168 (1) (e)	Particulars of the entries made in the interest register during the accounting period	Page 80
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Page 128
168 (1) (g)	Corporate donations made by the Company during the accounting period	Page 80
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Pages 16 to 17
168 (1) (i)	Amounts paid / payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Page 104
168 (1) (j)	Auditor's relationship or any interest in the Company and its Subsidiaries	Page 81
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board	Pages 82 to 83

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

Rule No.	Subject	Requirement	Compliance status	Remarks
<b>Disclosures Regarding Board of Directors</b>				
7.10.1 (a)	Non-Executive Directors	Two or one third (whichever is higher), of the total number of Directors, shall be Non-Executive Directors.	Compliant	Corporate Governance Review - Page 61
7.10.2 (a)	Independent Directors	Two or one third (whichever is higher), of Non-Executive Directors, shall be Independent.	Compliant	Corporate Governance Review - Page 61
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format.	Compliant	Non-Executive Directors have submitted declarations during the year 2022
7.10.3 (a)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report.	Compliant	Board of Directors - Pages 16 to 17
7.10.3 (b)	Disclosure relating to Directors	The basis for the Board to determine a Director is Independent if criteria specified for Independence is not met.	Compliant	The Board has determined the Independence / Non- Independence of each Non-Executive Director

Rule No.	Subject	Requirement	Compliance status	Remarks
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including his / her area of expertise.	Compliant	Board of Directors - Pages 16 to 17
7.10.3 (d)	New appointment of Directors	A brief resume of the newly appointed Directors should be provided to the Colombo Stock Exchange for dissemination to the public.	Compliant	Board of Directors - Pages 16 to 17
7.10.4 (a-h)	Determination of Independence	Requirements for meeting criteria of 'Independence'.	Compliant	The Board has determined the Independence of each Non-Executive Director during the year 2022
<b>Disclosures Regarding the Remuneration Committee</b>				
7.10.5	Remuneration Committee	A Listed Company shall have a Remuneration Committee.	Compliant	Remuneration Committee Report - Page 74
7.10.5 (a)	Composition of the Remuneration Committee	The Committee shall consist of Non-Executive Directors, a majority of whom shall be independent.	Compliant	Remuneration Committee Report - Page 74
7.10.5 (b)	Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Compliant	Remuneration Committee Report - Page 74
7.10.5 (c)	Disclosure in the Annual Report relating to the Remuneration Committee	The Annual Report should set out:		
		a. Names of Directors comprising the Remuneration Committee.	Compliant	Remuneration Committee Report - Page 74
		b. Statement of Remuneration Policy.	Compliant	Remuneration Committee Report - Page 74
		c. Aggregated remuneration paid to Executive and Non-Executive Directors.	Compliant	Note 25.2 - Key Management Personnel information - Page 128
<b>Disclosures Regarding the Audit Committee</b>				
7.10.6	Audit Committee	A Listed Company shall have an Audit Committee.	Compliant	Audit Committee Report - Pages 72 to 73
7.10.6 (a)	Composition of the Audit Committee	The Committee shall comprise Non-Executive Directors, the majority of whom shall be independent. The Chairman of the Committee should be a Member of a recognised professional accounting body.	Compliant	Audit Committee Report - Pages 72 to 73

## CORPORATE GOVERNANCE REVIEW (CONTD.)

Rule No.	Subject	Requirement	Compliance status	Remarks
7.10.6 (b)	Functions of the Audit Committee	a. Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements of a Listed Entity, in accordance with Sri Lanka Financial Reporting Standards.	Compliant	Audit Committee Report - Pages 72 to 73
		b. Overseeing the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Compliant	Audit Committee Report - Pages 72 to 73
		c. Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.	Compliant	Audit Committee Report - Pages 72 to 73
		d. Assessment of the independence and performance of the Entity's external auditor.	Compliant	Audit Committee Report - Pages 72 to 73
		e. To make recommendations to the Board pertaining to appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor.	Compliant	Audit Committee Report - Pages 72 to 73
7.10.6 (c)	Disclosure in the Annual Report relating to the Audit Committee	a. Names of Directors comprising the Audit Committee.	Compliant	Audit Committee Report - Pages 72 to 73
		b. The Audit Committee shall make a determination of the independence of the Auditor and disclose the basis for such determination.	Compliant	Audit Committee Report - Pages 72 to 73
		c. The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions.	Compliant	Audit Committee Report - Pages 72 to 73

### 9.3. Disclosures required by Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE)

Rule No.	Subject	Requirement	Compliance status	Remarks
<b>Disclosures Regarding Related Party Transactions Review Committee</b>				
9.2.1	Related Party Transactions Review Committee (RPTRC)	Reviewing of Related Party Transactions (RPT) except those mentioned under rule 9.5 should be carried out by the committee prior to entering into the transaction.	Compliant	Related Party Transactions Review Committee Report - Pages 76 to 77
9.2.2	Composition of the Related Party Transactions Review Committee (RPTRC)	Shall comprise of Non-Executive Directors and Non-Executive Independent Directors. The Committee may include Executive Directors at the option of the Company. The Chairman of the Related Party Transactions Review Committee shall be a Non-Executive Independent Director. (INED)	Compliant	Related Party Transactions Review Committee Report - Pages 76 to 77

Rule No.	Subject	Requirement	Compliance status	Remarks
9.2.4	Frequency of Meeting	The Committee shall meet at least once a calendar quarter. The Committee shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.	Compliant	Related Party Transactions Review Committee Report - Pages 76 to 77
9.2.5	RPTRC access to knowledge, expertise or professional advice	The committee should have access to knowledge or expertise to assess all aspects of the proposed related party transaction or obtain appropriate professional and expert advice.	Compliant	Related Party Transactions Review Committee Report - Pages 76 to 77
<b>Disclosures required by Section 9.3 of the Listing Rules of the Colombo Stock Exchange (CSE)</b>				
9.3.1	Immediate disclosure	Any non-recurrent Related Party Transaction with a value exceeding 10% of the Equity or 5% of the Total Assets whichever is lower, or if the aggregate value of all non-recurrent Related Party Transactions entered into with the same related party during the same financial year amounts to 10% of the Equity or 5% of the total assets whichever is lower as per the latest Audited Financial Statements.  Any subsequent non-recurrent transaction with a value exceeding 5% of equity entered into with the same related party.	Related Party Transactions Note in the Financial Statements	Page 130
9.3.2 (a)	Disclosure in the Annual Report	In the case of non-recurrent Related Party Transactions, if the aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the equity or 5% of the Total Assets whichever is lower, of the Listed Entity according to the latest Audited Financial Statements.	Related Party Transactions Note in the Financial Statements	Page 130
9.3.2 (b)	Disclosure in the Annual Report	In the case of recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the Gross revenue/ income as per the latest Audited Financial Statements	Related Party Transactions Note in the Financial Statements	Pages 129 to 130
9.3.2 (c)	Disclosure in the Annual Report	Annual Report shall contain a report compiled by the RPTR Committee including the following: <ul style="list-style-type: none"> <li>Names of the Directors who are in the Committee;</li> <li>Statement about related party transactions reviewed during the financial year;</li> <li>Number of times the Committee has met during the financial year; and</li> <li>Policies and procedures adopted by the RPTRC.</li> </ul>	Related Party Transactions Review Committee Report	Pages 76 to 77
9.3.2 (d)	Disclosure in the Annual Report	A declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transactions.	Report of the Board of Directors on the State of Affairs of the Company	Pages 80 to 83

## CORPORATE GOVERNANCE REVIEW (CONTD.)

### 9.4. Disclosures required by the Code of Best Practice on Corporate Governance jointly issued by SEC and CA Sri Lanka 2017

Rule	Subject	Compliance Status	Reference
<b>A. Directors</b>			
A.1	The Board	Yes	Corporate Governance Review - section 4
A.2	Chairman and Chief Executive Officer	Yes	No individual has unfettered powers of decision making.
A.3	Chairman's Role	Yes	Corporate Governance Review - section 4.1
A.4	Financial Acumen	Yes	Corporate Governance Review
A.5	Board Balance	Yes	Corporate Governance Review - section 4.3
A.6	Supply of Information	Yes	Corporate Governance Review - section 4.7
A.7	Appointments to the Board	Yes	Corporate Governance Review - section 4.9, Nomination Committee Report, Board of Directors - pages 16 to 17
A.8	Re-election	Yes	Corporate Governance Review - section 4.6.3
A.9	Appraisal of Board Performance	Yes	Corporate Governance Review - section 4.4
A.10	Disclosure of Information in respect of Directors	Yes	Board of Directors - pages 16 to 17
A.11	Appraisal of Chief Executive Officer	Yes	Corporate Governance Review - section 4.4
<b>B. Director's Remuneration</b>			
B.1	Remuneration Procedure	Yes	Corporate Governance Review - section 4.9, Remuneration Committee Report - page 74
B.2	The level and makeup of Remuneration	Yes	Corporate Governance Review - section 4.9, Remuneration Committee Report - page 74
B.3	Disclosure of Remuneration	Yes	Corporate Governance Review - section 4.9, Remuneration Committee Report - page 74
<b>C. Relations with Shareholders</b>			
C.1	Constructive use of the AGM and conduct of general meetings	Yes	Corporate Governance Review - section 5
C.2	Communication with shareholders	Yes	Corporate Governance Review - section 5
C.3	Major and material transactions	Yes	Notes to the Financial Statements
<b>D. Accountability and Audit</b>			
D.1	Financial and Business Reporting (The Annual Report)	Yes	Corporate Governance Review - section 4.1, Report of the Board of Directors on the State of Affairs of the Company, Statement of the Directors' Responsibility, Independent Auditor's Report, Management Discussion and Analysis, Notes to the Financial Statements relating to Related Party Transactions.
D.2	Risk Management and Internal Control	Yes	Risk Management Review, Corporate Governance Review - section 6
D.3	Audit Committee	Yes	Audit Committee Report - pages 72 to 73
D.4	Related Party Transaction Review Committee	Yes	Related Party Transaction Review Committee Report - pages 76 to 77
D.5	Code of Business Conduct and Ethics	Yes	Corporate Governance Review - section 2

Rule	Subject	Compliance Status	Reference
D.6	Corporate Governance Disclosures	Yes	Corporate Governance Review
<b>E. Institutional Investors</b>			
E.1	Shareholder Voting	Yes	Corporate Governance Review - section 5, Institutional Investors are encouraged to provide any feedback on the governance arrangements.
E.2	Evaluation of Governance Disclosures	Yes	Corporate Governance Review
<b>F. Other Investors</b>			
F.1	Investing/ Divesting Decisions	Yes	The extensive nature of the information given in the annual report assists the shareholders in carrying out adequate analysis when making their decisions.
F.2	Shareholder Voting	Yes	Proxy Form
<b>G</b>	<b>Internet of Things and Cyber-security</b>	Yes	Corporate Governance Review - section 7
<b>H</b>	<b>Environmental, Societal, and Governance (ESG)</b>	Yes	Corporate Governance Review - section 8
H.1	ESG Reporting	Yes	Corporate Governance Review - section 8

#### 9.5. Disclosures Specified by section 7.6 of the Listing Rules of the Colombo Stock Exchange

1. Disclosures specified by section 7.6 of Listing Rules of the Colombo Stock Exchange are contained in this Annual Report.
2. There is no evidence of the book value being substantially different from the market value of land and other fixed assets of the Company or its subsidiaries.

# AUDIT COMMITTEE REPORT

## Role of the Committee

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

## Composition of the Committee

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

## Committee Members

### Mr. R. N. Asirwatham Chairman

*Non-Executive Independent Director*

### Mr. Wickrema Senaka Weerasooria Member

*Non-Executive Independent Chairman*

### Dr. Prathap Ramanujam Member

*Non-Executive Independent Director*

### Mr. Sunil Leeniyagoda Member

*Non-Executive Director and Group Treasurer*

### Mr. Dharshana De Silva Secretary to the Committee (w.e.f. 08.03.2022)

*Assistant Group General Manager / Acting Group Internal Auditor*

### Mr. Majintha Illankone Secretary to the Committee (Former)

*(upto 07.03.2022)  
Group Internal Auditor*

## Regular attendance by Invitation

### Mr. Chan Kong Meng, Lawrence

*Executive Director and Group General Manager*

### Mr. Sanjeewa Perera General Manager

### Mr. Akram Ansar Financial Controller

## Financial Acumen of the Committee

The Audit Committee has the required financial acumen to review, understand and interpret financial and other related information to identify any deviation or non-compliance with the reporting requirements or misuse of the Company assets. The Chairman of the Committee, Mr. R. N. Asirwatham is a fellow member of the Institute of Chartered Accountants of Sri Lanka (CASL) and profiles of each committee member are given on pages 16 to 17.

## Functions of the Committee

The Audit Committee reports to the Board and its key functions are to assist the Board in the following:

1. Preparation, fair presentation and adequate disclosures in the Financial Statements of the Company and the Group, in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS);
2. Ensure compliance with financial reporting requirements and information requirements of the Companies Act and other relevant financial reporting requirements;
3. Review processes to ensure the adequacy of TAF's internal controls and risk management procedures to meet the requirements of the Sri Lanka Auditing Standards;
4. Assessing the Company's ability to continue as a going concern in the foreseeable future;
5. Evaluate the adequacy and performance of the Company's internal audit function;
6. Ensure independence and performance of the Company's external audit function;
7. Establish procedures to identify, monitor and manage significant business and financial risks; and
8. Assistance in performing special investigations and any other assignments.

## Meetings

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

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

## Activities in 2022

### 1. Financial reporting

The Committee reviewed and discussed the Group's quarterly Financial Statements with the Management and their explanatory notes for any deviation before presenting to the Board for publication. In this connection, the Committee partnered with the Board in ensuring that the financial and non-financial information that is reported to the stakeholders is a fair assessment of the position of the Company. Also, the Committee reviewed the Audited Financial Report for the year ended 31 December 2022 including Independent Auditors' report thereon and recommended it to the Board for circulation.

### Salient Features of the Review

- The evaluation of the appropriateness of Accounting Standards and the Policies adopted by the Company in the preparation and presentation of Financial Statements while considering completeness and consistency.

- Compliance with the relevant reporting standards, laws and regulations.
- Assessing the adequacy and validity of the estimates and judgments made by the Management on significant and complex accounting transactions and regulatory pronouncements and understanding their impact on the Financial Statements.
- Assessing the Company's ability to continue as a going concern in the foreseeable future.
- Discussion of Key Audit matters pertaining to the preparation of Financial Statements and evaluation of the extent of internal and external auditors' involvement.
- Assessing the follow-up actions taken by the Management to enhance the fair presentation of Financial Reports.

## 2. Internal Controls and Risk Management

The Committee is responsible for reviewing the adequacy and effectiveness of internal controls and risk management procedures adopted by the Company. Accordingly, risk-mitigating strategies are recommended and implemented by the Committee based on the related findings in order to overcome internal and external threats from the environment.

The Committee also reports on regulatory matters that may have a significant impact on the Financial Statements, non-compliance with the relevant ethical guidelines and misappropriation of assets. Furthermore, the Committee reviews the Group's Whistle Blowing Policy and discusses with the Management the changes and improvements where necessary. Accordingly, the Company is able to safeguard the investment of the Shareholders and meet the expectations of other stakeholders.

## 3. Internal Audit

The Committee is responsible for evaluating the effectiveness of the internal audit function and provides appropriate recommendations for improvement. Therefore, internal auditors have direct access to the Audit Committee and submit their reports to the Committee on a quarterly basis. Accordingly, the Committee discusses the audits carried out by the internal audit department and the audit findings together with management action plans. The adequacy of the scope and appropriateness of the judgements made by the internal auditors are also discussed.

## 4. External Audit

The Committee reviews the independence, performance and objectivity of the external auditors and is further responsible for:

- Making recommendations to the Board regarding the appointment, re-appointment and removal of the external auditors at the Annual General Meeting;
- Approving the remuneration and terms of the external auditor's engagement;
- Discussion and review of the external audit's scope and plan including the coordination with internal audit prior to the commencement of external audit;
- Discussion with the external auditors and management on the key audit findings and their recommendations and ensure that the Management has taken appropriate actions to satisfactorily resolve highlighted issues;
- Discussion of the Company's Annual Financial Statements, the current developments in respect of reporting and compliance in view of the changes in the Accounting Standards, Auditing Standards, and Inland Revenue Act etc; and

- Review of the non-audit services provided by the external auditors, evaluate the impact on objectivity and independence and disclose the basis for such determinations.

## Compliance and Other Responsibilities

The Committee is held responsible for compliance with applicable laws and regulations and reports to the Board regarding committee activities on a regular basis.

Accordingly, the Committee:

- Reviews the effectiveness of the system of monitoring and compliance with the applicable laws and regulations by the Group;
- Obtains regular updates regarding compliances from the Management;
- Address any non-compliance identified by the Management, internal and external auditors and actions taken to rectify those matters; and
- Monitors and evaluates letters received from regulatory institutions and follow-up actions taken by the Management.

## Evaluation of the Functions of the Committee

The Board evaluates the functions of the Audit Committee throughout the year. The Board has concluded that the Committee has satisfied its responsibilities to the complete satisfaction of the Board and seeks the continued support of the Committee in future in achieving the expectations of the stakeholders.

### R. N. Asirwatham

*Chairman, Audit Committee*

# REMUNERATION COMMITTEE REPORT

## Purpose of the Committee

The Remuneration Committee is a sub-committee of the Board and provides formal and transparent policy on the remuneration for individual Directors of the Board. The Committee has acted within the parameters set out in its Terms of Reference to avoid potential conflicts of interest and the members are free from any business, personal or other relationships that may interfere with the exercise of independent and unbiased judgement. Hence no Director is involved in deciding his own remuneration.

## Composition of the Committee

The Committee comprises four (4) members including three (3) Non-Executive Independent Directors and one (1) Non-Executive Director as required by rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange whose profiles are given on pages 16 to 17. The Non-Executive Independent Chairman is the Chairman of the Committee.

## Committee Members

### Mr. Wickrema Senaka Weerasooria Chairman

*Non-Executive Independent Chairman*

### Mr. Sunil Leeniyagoda Member

*Non-Executive Director and  
Group Treasurer*

### Dr. Prathap Ramanujam Member

*Non-Executive Independent Director*

### Mr. R. N. Asirwatham Member

*Non-Executive Independent Director*

### S S P Corporate Services (Private) Limited

*Secretary to the Committee  
(w.e.f. 27.08.2022)*

### Mr. Waruna B. Jayathilaka Secretary to the Committee

*(upto 26.08.2022)  
Assistant General Manager - Human  
Resources Administration (Former)*

## Regular attendance by Invitation

### Mr. Chan Kong Meng, Lawrence

*Executive Director and Group  
General Manager*

### Mr. Sanjeewa Perera

*General Manager*

## Meetings

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

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

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

## The Remuneration Policy

The remuneration policy is devised to attract and retain highly qualified, innovative, and experienced personnel to the Board and reward them in line with industry norms. These compensation packages provide compensation suitable for the Group and are commensurate with the level of expertise and contribution of each Director in relation to business performance and stakeholder returns.

## Disclosure

The total sum that was paid as Directors Remunerations in the year under review is set out in Note 25.2 to the Financial Statements.

### Wickrema Senaka Weerasooria

*Chairman, Remuneration Committee*

# NOMINATION COMMITTEE REPORT

The Nomination Committee is assigned the responsibility of keeping the Board composition under review while facilitating a formal and transparent procedure for all new appointments to the Board.

## Composition of the Committee

The Committee, as of the end of 2022, consisted of four (4) members including three (3) Non-Executive Independent Directors and one (1) Executive Director of the Company whose profiles are given on pages 16 to 17. The Non-Executive Independent Chairman is the Chairman of the Committee.

## Committee Members

### Mr. Wickrema Senaka Weerasooria Chairman

*Non-Executive Independent Chairman*

### Mr. Cheng Chih Kwong, Primus Member

*Executive Director and Chief Executive Officer*

### Dr. Prathap Ramanujam Member

*Non-Executive Independent Director*

### Mr. R. N. Asirwatham Member

*Non-Executive Independent Director*

### S S P Corporate Services (Private) Limited

*Secretary to the Committee  
(w.e.f. 27.08.2022)*

### Mr. Waruna B. Jayathilaka Secretary to the Committee

*(upto 26.08.2022)  
Assistant General Manager - Human  
Resources Administration (Former)*

## Regular attendance by Invitation

### Mr. Chan Kong Meng, Lawrence

*Executive Director and Group  
General Manager*

### Mr. Sunil Leeniyagoda

*Non-Executive Director and  
Group Treasurer*

### Mr. Sanjeewa Perera

*General Manager*

## Meetings

The Nomination Committee met three (3) times during the year. Members and attendance at meetings held during the year ended 31 December 2022 are given below;

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

## Terms of Reference

The Committee has Terms of Reference, dealing with its authority and duties, which is carefully designed to discharge the Committee's purpose, duties, and responsibilities.

The Committee has acted within the parameters set by its terms of reference including the following;

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

**Wickrema Senaka Weerasooria**  
Chairman, Nomination Committee

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee (RPTRC) was established by the Board to oversee the Group's Related Party Transactions (RPTs) on behalf of the Board. The Committee also functions on behalf of the Board in complying with the Listing Rules of the Colombo Stock Exchange and with the Code of Best Practices on Related Party Transactions ("the Code") issued by the Securities and Exchange Commission of Sri Lanka. The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka.

## Composition of the Committee

The Committee comprises of three (3) Non-Executive Independent Directors and one (1) Executive Director complying with Listing Rule No. 9.2.2 of the Colombo Stock Exchange whose profiles are given on pages 16 to 17.

## Committee Members

### Mr. Wickrema Senaka Weerasooria Chairman

*Non-Executive Independent Chairman*

### Dr. Prathap Ramanujam Member

*Non-Executive Independent Director*

### Mr. R. N. Asirwatham Member

*Non-Executive Independent Director*

### Mr. Chan Kong Meng, Lawrence Member

*Executive Director and Group General Manager*

### Mr. Dharshana De Silva Secretary to the Committee

*(w.e.f. 08.03.2022)*

*Assistant Group General Manager  
/ Acting Group Internal Auditor*

### Mr. Majintha Illankone Secretary to the Committee (Former)

*(upto 07.03.2022)*

*Group Internal Auditor*

## Regular attendance by Invitation

### Mr. Sunil Leeniyagoda

*Non-Executive Director and Group Treasurer*

### Mr. Sanjeewa Perera

*General Manager*

### Mr. Akram Ansar

*Financial Controller*

## Meetings

The RPTRC met four (4) times during the year.

Members' attendance to the meetings held during the year ended 31 December 2022 are given below:

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

## Policies and Procedures

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

## Responsibilities

The Committee's key focus is to review all proposed Related Party Transactions (RPTs) prior to entering into or completion of the transaction according to the procedures laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange. The responsibilities of the Committee remained unchanged.

## Functions of the Committee

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

This includes the following functions:

- Adopting policies and procedures to ensure that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders;
- Reviewing and overseeing existing policies and procedures for RPTs;
- Reviewing in advance all proposed RPTs of the Company except those explicitly exempted in the Code;
- Determining whether RPTs to be entered into by the Company require the approval of the Board or shareholders of the Company;
- Establishing procedures to identify and report recurrent and non-recurrent RPTs and obtain required approvals from the Board or Shareholders of the Company;
- Ensuring that no Director of the Company participates in any discussion of a proposed related party transaction for which he or she is a related party unless such Director is requested to do so by the Committee for the expressed purpose of providing information concerning the related party transaction to the Committee;

- If there is any potential conflict in any related party transaction, the Committee may recommend the creation of a special committee (including an independent consultant, if necessary) to review and approve the proposed related party transaction;
  - Meeting with the Management, Internal Auditors / External Auditors as necessary to carry out the assigned duties;
  - Reviewing the transfer of resources, services or obligations between related parties regardless of whether a price is charged;
  - Reviewing the economic and commercial substance of both recurrent / non-recurrent related party transactions;
  - Share information with the Audit Committee as necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions;
  - Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the Code are made in a timely and detailed manner; and
  - Updating the Board on Related Party Transactions of the Company on quarterly basis.
- The threshold for related party transactions which require either shareholders' approval or immediate market disclosures as well as the criteria for determining Key Management Personnel are reviewed;
  - The Committee also ensured that its members did not have any conflicts of interest with regard to the proposed related party transactions.

The RPTRC convenes quarterly. The minutes of all meetings are properly documented and communicated to the Board of Directors.

#### **Declaration**

A declaration by the Board of Directors as an affirmative statement of compliance with the rules set out in the CSE Listing Rules 9.3.2 (d) pertaining to RPTs is given on page 82 of this Annual Report.

**Wickrema Senaka Weerasooria**  
*Chairman, Related Party Transactions Review Committee*

#### **Activities in 2022**

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



# RESILIENCE

# WHILST DELIVERING TRUSTED NUTRITION

The nutrition density of products has been guaranteed despite the challenges in the operating environment.

We delivered a resilient financial performance whilst navigating through adversities. This has positioned with a stable platform to deliver strong growth in the years ahead.

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## FINANCIAL CALENDAR

Financial year ended	31 December 2022
<b>Announcements of results to the Colombo Stock Exchange</b>	
<b>1st Quarter End</b>	31 March 2022
Publication of Interim Financial Statements	11 May 2022
<b>2nd Quarter End</b>	30 June 2022
Publication of Interim Financial Statements	10 August 2022
<b>3rd Quarter End</b>	30 September 2022
Publication of Interim Financial Statements	10 November 2022
<b>4th Quarter End</b>	31 December 2022
Publication of Interim Financial Statements	22 February 2023
<b>Annual Report</b>	
Publication of Annual Report for 2021	25 April 2022
Publication of Annual Report for 2022	28 April 2023
<b>Meetings</b>	
60th Annual General Meeting	18 May 2022
61st Annual General Meeting	24 May 2023

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

The Board of Directors is pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31 December 2022. The details set out herein provide pertinent information required by the Companies Act No.7 of 2007, Listing rules issued by the Colombo Stock Exchange and are guided by recommended best accounting practices.

## 1. Principle Activities

The principle activities of the Company are:

- The hatching and sale of Day-Old chicks;
- The operation of poultry breeder farms, raising grandparent and parent stock and hatcheries; and
- Commercial broiler farming.

## 2. Review of Performance for the year ended 31 December 2022 and Future Developments

A review of the Company's performance during the year, with comments on financial results for the year ended 31 December 2022 and future developments is contained in the Chairman's Message (page 12 to 13), Chief Executive Officer's Review (page 14 to 15) and financial highlights (page 8). These reports, together with the Financial Statements, reflect the state of affairs of the Company.

## 3. Financial Statements

The Financial Statements of the Company are given in pages 87 to 131.

## 4. Independent Auditor's Report

The Independent Auditor's Report on the Financial Statements is given on pages 84 to 86.

## 5. Accounting Policies

The accounting policies adopted in preparation of Financial Statements are given on pages 91 to 103.

There were no material changes in the Accounting Policies adopted by the entity during the year under review.

## 6. Interest Register

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

## 7. Directors' Interest

None of the Directors had a direct or indirect interest in any contracts or proposed contracts with the Company other than as disclosed in the Note 25 - Related Party Transactions, to the Financial Statements.

## 8. Directors' Remuneration and Other Benefits

Directors' remuneration in respect of the Company for the financial year ended 31 December 2022 is given in Note 25 - Related Party Transactions to the Financial Statements.

## 9. Corporate Donations

Donations made by the Company amounted is Nil (2021-Nil). No donations were made for political purpose.

## 10. Directorate

The names of the Directors who held office as at 31 December 2022 are given below.

**Mr. Wickrema Senaka Weerasooria**  
*Non-Executive Independent Chairman*

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

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

**Mr. Cheng Koh Chuen, Bernard**  
*Non-Executive Director*

**Mr. Sunil Leeniyagoda**  
*Non-Executive Director*

**Dr. Prathap Ramanujam**  
*Non-Executive Independent Director*

**Mr. R. N. Asirwatham**  
*Non-Executive Independent Director*

In accordance with the provisions of Articles 87 of the Articles of Association of the Company, Mr. Cheng Koh Chuen, Bernard retires by rotation and being eligible, offers himself for re-election.

A resolution for the re-appointment of Mr. Cheng Chih Kwong, Primus who is 74 years of age, will be proposed at the Annual General Meeting in term of section 211 of the Companies Act No. 7 of 2007. Mr. Cheng Chih Kwong, Primus's re-appointment is recommended by the Directors.

A resolution for the re-appointment of Mr. R. N. Asirwatham who is 80 years of age, will be proposed at the Annual General Meeting in term of section 211 of the Companies Act No. 7 of 2007. Mr. R. N. Asirwatham's re-appointment is recommended by the Directors.

A resolution for the re-appointment of Dr. Prathap Ramanujam who is 74 years of age, will be proposed at the Annual General Meeting in term of section 211 of the Companies Act No.7 of 2007. Dr. Prathap Ramanujam's re-appointment is recommended by the Directors.

## 11. Directors' Shareholdings

	As at 31/12/2022	As at 31/12/2021
Mr. Wickrema Senaka Weerasooria	2,000	2,000
Mr. Cheng Chih Kwong, Primus	19	19
Mr. Chan Kong Meng, Lawrence	Nil	Nil
Mr. Cheng Koh Chuen, Bernard	Nil	Nil
Mr. Sunil Leeniyagoda	Nil	Nil
Dr. Prathap Ramanujam	Nil	Nil
Mr. R. N. Asirwatham	Nil	Nil

## 12. Auditors

The Financial Statements for the year ended 31 December 2022 have been audited by Messrs. KPMG, Chartered Accountants, who express their willingness to continue in office. In accordance with the Companies Act No.7 of 2007, a resolution relating to their re-appointment and authorising the Directors to determine their remuneration, will be proposed at the forthcoming Annual General Meeting.

Details of Audit fees are set out in Note 6 - Operating Profit of the Financial Statements. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company, other than those disclosed above. The Auditors also do not have any interest in the Company.

## 13. Group Turnover

Group Turnover amounted to Rs. 8,317.0 Mn (2021 - Rs. 4,870.0 Mn) and the Company Turnover amounted to Rs.7,573.6 Mn (2021 - Rs. 4,207.7 Mn)

## 14. Dividends

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

## 15. Investment

Details of investments held by the Company are disclosed in Note 12 - Investment in subsidiary companies, to the Financial Statements.

## 16. Property, Plant and Equipment

An analysis of the Property, Plant and Equipment of the Company, additions and disposals made during the year and depreciation charged during the year are set out in Note 10 - Property, plant and equipment, to the Financial Statements. The market values of assets are not significantly different to those disclosed.

## 17. Capital Commitments

Capital expenditure contracted for as at 31 December 2022 for which no provision has been made in the accounts are set out in Note 23 - Commitments, to the Financial Statements.

## 18. Stated Capital

The issued and fully paid up stated capital of the Company is Rs. 623,604,000/- divided into 23,545,000 ordinary shares. There was no change in the stated capital of the Company during the year.

## 19. Reserves

The Group reserves amounted to Rs. 5,185.6 Mn (2021-Rs. 4,757.1 Mn) and the Company total reserves as at 31 December 2022 amounted to Rs.4,237.2 Mn (2021-Rs.3,916.2 Mn). The movement of retained earnings is shown in the Consolidated Statement of Changes in Equity on page 89.

## 20. Events after the Reporting Period

No significant events have occurred since the reporting period date other than those disclosed in Note 26 - Events after the reporting period, to the Financial Statements.

## 21. Employment Policies

The Company identifies Human Resources as one of the most important factors in contributing to the survival and growth of the Company in the current competitive business environment. While appreciating and valuing the service of our employees, a greater effort is made to hire the best talent from external sources, to bolster weak areas and continue to maintain the highest standards of the industry. The Human Resource Head Count is considered as a key indicator and recruitment is based on annual manpower planning and the Company provides equal opportunities.

Greater emphasis is given to the areas of training, professional development and ethical business practices. All rewards and career opportunities are based on merit, and on performance. The significant material issues pertaining to employees and industrial relations are disclosed in Note 22 - Contingent Liabilities.

## 22. Taxation

The tax position of the Company is given in Note 8 - Taxation, to the Financial Statements.

## 23. Share Information

Information relating to earnings, dividend, net assets, No. of shares traded and market price per share is given on page 132.

## REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY (CONTD.)

### 24. Disclosure as per CSE Rule No.7.6 (xi)

	2022	2021
	Rs. Cts	Rs. Cts
Last Traded Price	124.75	300.25
Highest share price	170.00	305.00
Lowest share price	120.00	173.90
Basic earnings per share	23.44	37.25
Dividend per share	-	10.00
Dividend payout ratio (%)	-	26.85
Net assets per share	206.45	192.82
Price earnings ratio (No of times)	5.32	8.06

### 25. Shareholdings

The number of registered shareholders of the Company as at 31 December 2022 was 2,666. The distribution and analysis of shareholdings are given on pages 134 to 135.

### 26. Major Shareholders

The twenty largest shareholders of the Company as at 31 December 2022, together with an analysis are given on page 135.

### 27. Statutory Payments

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

### 28. Environment, Health and Safety

The Company policy continues to ensure that all environmental, health and safety regulations are strictly adhered to, minimising any adverse effects to the environment. Recycling of waste is carried out where ever possible. Employees are provided with all personal protective equipment as the health and well-being of the employees which are our prime concerns. Firefighting and safety systems are in place

to safeguard Company interest.

Plans are in progress to introduce emission free machinery for in-house operations, so as to eliminate air pollution.

### 29. Corporate Governance / Internal Control

The Corporate Governance and Internal Control Policies are given on pages 58 to 71.

### 30. Contingent Liabilities

Contingent Liabilities as at December 2022 are setout in Note 22 - Contingent Liabilities to the Financial Statements.

### 31. Related Party Transactions

The Company's Transactions with Related Parties, given in the Note 25 to the Financial Statements. The Directors declare that the Company is in compliance with Section 9 of the Colombo Stock Exchange pertaining to Related party Transactions during the financial year ended 31 December 2022.

### 32. Going Concern

The Board adopts a going concern basis in the preparation of accounts since the Company holds adequate resources to continue its operations in the foreseeable future.

### 33. Annual General Meeting

The 61st Annual General Meeting of the Company will be held at the Sri Lanka Foundation Institute Auditorium, No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 7 on Wednesday, 24 May 2023 at 10.00 a.m.

By Order of the Board of  
**Three Acre Farms PLC**

(Sgd.)

**Wickrema Senaka Weerasooria**  
Non-Executive Independent Chairman

(Sgd.)

**Chan Kong Meng, Lawrence**  
Executive Director and Group  
General Manager

(Sgd.)

**S S P Corporate Services  
(Private) Limited**  
Secretaries

Colombo, Sri Lanka

28 April 2023

# STATEMENT OF THE DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the Financial Statements of the Company and the Group is set out in the following statement. The responsibility of the Auditors, in relation to the Financial Statements, is set out in their report appearing on pages 84 to 86.

The Companies Act No. 7 of 2007 requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the status of affairs of the Company and the Group and of the profit or loss for that year.

In preparing these Financial Statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy of anything that might affect the financial position of the Company and the Group and to ensure that the Financial Statements comply with the Sri Lanka Financial Reporting Standards, Companies Act and the Listing Rules of the Colombo Stock Exchange.

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

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

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

As required by Section 56 (2) of the Companies Act No.7 of 2007, the Board of Directors has authorised the distribution of the dividend, being satisfied, based on information available to it, that the Company would satisfy the Solvency Test after such distributions, in accordance with Section 57 of the Companies Act No. 7 of 2007 and have sought, a Certificate of Solvency from its Auditors.

## Compliance Statement

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

By Order of the Board of  
**Three Acre Farms PLC**

(Sgd.)

**Wickrema Senaka Weerasooria**  
Non-Executive Independent Chairman

(Sgd.)

**Chan Kong Meng, Lawrence**  
Executive Director and Group General Manager

Colombo, Sri Lanka  
28 April 2023

# INDEPENDENT AUDITOR'S REPORT



KPMG  
(Chartered Accountants)  
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## TO THE SHAREHOLDERS OF THREE ACRE FARMS PLC

### Report on the Audit of Financial Statements

#### Opinion

We have audited the Financial Statements of Three Acre Farms PLC ("the Company"), and the Consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the Statements of Financial Position as at 31 December 2022, and The Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Key audit matters

##### Measurement of Biological Assets

Refer to the accounting policies in "Note 3.7 to the Financial Statements: Biological assets", "Note 2.4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 13. To the Financial Statements: Biological assets".

##### Risk Description

The carrying value of the Group bearer and consumable biological assets measured at fair value less cost to sell, is Rs. 516.5 Mn and Rs. 44.3 Mn respectively as at 31 December 2022, with a loss arising from changes in fair value less costs to sell recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income amounting to Rs. 224.7 Mn.

The Group's consumable biological assets comprise of Hatchable Eggs and commercial Day-Old Chicks (DOC).

The Group has identified Grandparent, Parent, and livestock as bearer biological assets as they are self-regenerating.

Management performed an internal valuation of the biological assets of the Group as at reporting date.

The calculation of the fair value involves a significant judgments and assumptions particularly in respect of DOC yield, DOC selling price, selecting appropriate discounting rate, and mortality.

We focused on this area because the valuation of biological assets is complex, involved significant management estimates and dependent on certain key assumptions, which require the exercise of significant judgments and are subject to an inherent risk of error or potential management bias.

##### Our responses

Our audit procedures included:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls over the valuation of biological assets.
- On sample basis, testing the capitalized amounts and reasonableness of the inputs used in valuation of biological assets.
- Evaluating the reasonableness of cash flows and related assumptions associated with deriving the fair value of breeder biological assets.
- Challenging the key assumptions used in the valuation, in particular the discount rate, DOC yield, DOC market price and mortality.
- Challenging the methodologies adopted in the valuation of biological assets with reference to the requirements of the accounting standards.
- Assessing the adequacy of the related disclosures in the Financial Statements and consistency with the accounting policies.

of Ethics issued by CA Sri Lanka (Code of Ethics). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company Financial Statements and the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Company Financial Statements and the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



### Carrying value of Inventories

Refer to the accounting policies in “Note 3.8 to the Financial Statements: Inventories”, “Note 2.4 to the Financial Statements: Significant Accounting Judgments and Estimates” and “Note 14. To the Financial Statements: Inventories

Risk Description	Our responses
<p>The Inventory balance comprise of raw materials, packing materials, finished goods, general items, poultry items, drugs and vaccines, petroleum products and engineering items which forms a significant part of the Group's assets, amounting to Rs. 603.5 Mn as at 31 December 2022.</p> <p>Carrying value of inventories is identified as a Key Audit matter because establishing a provision for slow-moving, obsolete and damaged inventory and valuation of inventories involve significant judgments and assumptions exercised by the management.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>● Obtaining an understanding of an assessing the design, implementation and operating effectiveness of management's key internal controls over the supply chain and testing selected key controls over recognition and measurement of inventory and inventory provisioning.</li> <li>● On sample basis, testing the net realizable value by comparing the actual cost with relevant market data.</li> <li>● For a sample of warehouses, attending the physical stock-take procedures or reconciling third party confirmations with the accounting records of the Group.</li> <li>● Gaining an understanding of the movements in the inventory for the year and assess the adequacy of the provision for nonmoving and slow-moving inventory.</li> <li>● Assessing whether the Group's accounting policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgment and estimation made in respect of inventory provisioning.</li> </ul>

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as the management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

### Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform

## INDEPENDENT AUDITOR'S REPORT (CONTD.)



audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the Financial Statements, including the disclosures, and whether the

Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements in accordance with Code of Ethics regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 7 of 2007, we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Company.

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

**CHARTERED ACCOUNTANTS**

Colombo, Sri Lanka  
28 April 2023

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

All amounts in Sri Lankan Rupees thousands

For the year ended 31 December

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
Revenue	4	<b>8,317,005</b>	4,869,959	<b>7,573,599</b>	4,207,715
Cost of sales		<b>(7,439,910)</b>	(4,057,000)	<b>(6,871,038)</b>	(3,524,540)
<b>Gross profit</b>		<b>877,095</b>	812,959	<b>702,561</b>	683,175
Other operating expenses	5	<b>(210,490)</b>	(117,677)	<b>(187,275)</b>	(45,689)
Selling and distribution expenses		<b>(12,513)</b>	(10,542)	<b>(12,513)</b>	(10,542)
Administrative expenses		<b>(34,119)</b>	(30,312)	<b>(26,802)</b>	(24,069)
<b>Operating profit</b>	6	<b>619,973</b>	654,428	<b>475,971</b>	602,875
Interest income		<b>293,917</b>	161,725	<b>284,803</b>	136,474
Net finance (cost) / income	7	<b>(6,068)</b>	28,814	<b>(6,650)</b>	27,922
<b>Profit before tax</b>		<b>907,822</b>	844,967	<b>754,124</b>	767,271
Taxation	8	<b>(248,775)</b>	113,154	<b>(202,346)</b>	109,750
<b>Profit for the year</b>		<b>659,047</b>	958,121	<b>551,778</b>	877,021
<b>Other comprehensive income</b>					
<b>Items that will not be re-classified to profit or loss in subsequent periods</b>					
Actuarial gain arising from defined benefit obligation	19	<b>7,044</b>	8,213	<b>6,676</b>	7,790
Taxation on other comprehensive income	18	<b>(2,113)</b>	(1,150)	<b>(2,003)</b>	(1,091)
<b>Total other comprehensive income for the year</b>		<b>4,931</b>	7,063	<b>4,673</b>	6,699
<b>Total comprehensive income for the year</b>		<b>663,978</b>	965,184	<b>556,451</b>	883,720
<b>Profit for the year attributable to:</b>					
Equity holders of the parent		<b>659,047</b>	958,121	<b>551,778</b>	877,021
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent		<b>663,978</b>	965,184	<b>556,451</b>	883,720
Earnings per share - basic and diluted (Rs.)	9	<b>27.99</b>	40.69	<b>23.44</b>	37.25
Dividend per share (Rs.)	29			-	10.00

The notes on pages 91 to 131 form an integral part of these Financial Statements.

Figures in bracket indicate deductions.

# STATEMENT OF FINANCIAL POSITION

All amounts in Sri Lankan Rupees thousands

As at 31 December

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	1,285,852	1,217,550	1,031,822	949,327
Right-of-use assets	11(a)	2,381	4,763	4,465	8,931
Investment in subsidiary companies	12	-	-	-	-
Biological assets	13	516,470	540,229	402,710	435,920
<b>Total non-current assets</b>		<b>1,804,703</b>	<b>1,762,542</b>	<b>1,438,997</b>	<b>1,394,178</b>
<b>Current assets</b>					
Biological assets	13	44,281	17,143	32,351	13,706
Inventories	14	603,513	169,766	564,058	147,871
Trade and other receivables	15	140,872	60,387	133,132	50,445
Amount due from related companies	21.1	3,318,202	211,368	2,527,701	450,733
Cash and cash equivalents	16	1,081,478	4,056,173	1,081,407	3,144,612
<b>Total current assets</b>		<b>5,188,346</b>	<b>4,514,837</b>	<b>4,338,649</b>	<b>3,807,367</b>
<b>Total assets</b>		<b>6,993,049</b>	<b>6,277,379</b>	<b>5,777,646</b>	<b>5,201,545</b>
<b>EQUITY</b>					
Stated capital	17	623,604	623,604	623,604	623,604
Retained earnings		5,185,629	4,757,101	4,237,233	3,916,232
<b>Total equity</b>		<b>5,809,233</b>	<b>5,380,705</b>	<b>4,860,837</b>	<b>4,539,836</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities	18	331,304	165,840	250,981	128,029
Lease liabilities	11(c)	-	2,067	-	3,876
Employee benefits	19	28,394	30,107	26,806	28,393
<b>Total non-current liabilities</b>		<b>359,698</b>	<b>198,014</b>	<b>277,787</b>	<b>160,298</b>
<b>Current liabilities</b>					
Trade and other payables	20	808,104	679,070	622,891	481,151
Lease liabilities	11(c)	3,115	3,738	5,834	7,010
Amount due to related companies	21.2	12,899	15,852	10,297	13,250
<b>Total current liabilities</b>		<b>824,118</b>	<b>698,660</b>	<b>639,022</b>	<b>501,411</b>
<b>Total liabilities</b>		<b>1,183,816</b>	<b>896,674</b>	<b>916,809</b>	<b>661,709</b>
<b>Total equity and liabilities</b>		<b>6,993,049</b>	<b>6,277,379</b>	<b>5,777,646</b>	<b>5,201,545</b>
Net asset per share (Rs.)	28	246.73	228.53	206.45	192.82

The notes on pages 91 to 131 form an integral part of these Financial Statements.

These Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

(Sgd.)

**K.A.R.S. Perera**

General Manager

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

(Sgd.)

**Wickrema Senaka Weerasooria**

Non-Executive Independent Chairman

(Sgd.)

**Chan Kong Meng, Lawrence**

Executive Director and Group General Manager

28 April 2023

Colombo

# STATEMENT OF CHANGES IN EQUITY

All amounts in Sri Lankan Rupees thousands

## GROUP

	Stated capital	Retained earnings	Total equity
<b>Balance as at 1 January 2021</b>	623,604	4,180,410	4,804,014
Dividend paid	-	(388,493)	(388,493)
Profit for the year	-	958,121	958,121
<b>Other comprehensive income</b>			
Actuarial gain arising from defined benefit obligation, net of tax	-	7,063	7,063
<b>Balance as at 31 December 2021</b>	623,604	4,757,101	5,380,705
<b>Balance as at 1 January 2022</b>	<b>623,604</b>	<b>4,757,101</b>	<b>5,380,705</b>
Dividend paid	-	(235,450)	(235,450)
Profit for the year	-	659,047	659,047
<b>Other comprehensive income</b>			
Actuarial gain arising from defined benefit obligation, net of tax	-	4,931	4,931
<b>Balance as at 31 December 2022</b>	<b>623,604</b>	<b>5,185,629</b>	<b>5,809,233</b>

## COMPANY

	Stated capital	Retained earnings	Total equity
<b>Balance as at 1 January 2021</b>	623,604	3,421,005	4,044,609
Dividend paid	-	(388,493)	(388,493)
Profit for the year	-	877,021	877,021
<b>Other comprehensive income</b>			
Actuarial gain arising from defined benefit obligation, net of tax	-	6,699	6,699
<b>Balance as at 31 December 2021</b>	623,604	3,916,232	4,539,836
<b>Balance as at 1 January 2022</b>	623,604	3,916,232	4,539,836
Dividend paid	-	(235,450)	(235,450)
Profit for the year	-	551,778	551,778
<b>Other comprehensive income</b>			
Actuarial gain arising from defined benefit obligation, net of tax	-	4,673	4,673
<b>Balance as at 31 December 2022</b>	<b>623,604</b>	<b>4,237,233</b>	<b>4,860,837</b>

The retained earnings represent reserves available for distribution.

The notes on pages 91 to 131 form an integral part of these Financial Statements.

Figures in bracket indicate deductions.

# STATEMENT OF CASH FLOWS

All amounts in Sri Lankan Rupees thousands

For the year ended 31 December

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
<b>Cash flows from operating activities</b>					
Profit before Tax		907,822	844,967	754,124	767,271
<b>Adjustments for:</b>					
Depreciation on property, plant and equipment	10	84,963	82,002	69,623	68,803
Amortisation of right-of-use assets	11	2,382	2,381	4,466	4,464
Usage of biological assets	13	788,199	694,550	571,959	518,361
Loss on disposal of property, plant and equipment	5	99	12,527	98	12,527
Change in fair value less cost to sell on biological assets	13	224,668	115,171	198,148	40,552
Impairment provision on amount due from related companies	5	-	-	1,960	2,066
Exchange loss / (gain)	7	5,328	(30,051)	5,332	(30,051)
Interest income		(293,917)	(161,725)	(284,803)	(136,474)
Interest expenses	7	740	1,237	1,318	2,129
Reversal of provision for slow moving and obsolete items	14	(692)	(358)	(692)	(358)
Employee benefits	19	5,893	4,561	5,651	4,404
<b>Changes in working capital</b>					
- Trade and other receivables		5,208	15,829	12,527	8,516
- Inventories		(433,055)	(20,494)	(415,495)	(20,744)
- Trade and other payables		107,796	172,017	119,363	87,096
- Amount due from related companies		(3,106,834)	56,095	(2,078,928)	(31,793)
- Amount due to related companies		(2,953)	4,452	(2,953)	4,415
<b>Cash (used in) / generated from operations</b>					
		(1,704,353)	1,793,161	(1,038,302)	1,301,184
Exchange (loss) / gain		(5,328)	30,051	(5,332)	30,051
Interest received		208,224	161,312	189,589	132,159
Interest paid		(70)	(210)	(70)	(204)
Lease liability paid	11 (b)	(3,360)	(3,360)	(6,300)	(6,300)
Employee benefits paid	19	(562)	(936)	(562)	(936)
Tax paid		(64,186)	(46,865)	(59,020)	(38,674)
<b>Net cash (used in) / generated from operating activities</b>		<b>(1,569,635)</b>	<b>1,933,153</b>	<b>(919,997)</b>	<b>1,417,280</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	10	(153,364)	(36,799)	(152,216)	(35,343)
Purchase of biological assets	13	(1,016,246)	(696,635)	(755,542)	(488,043)
<b>Net cash used in investing activities</b>		<b>(1,169,610)</b>	<b>(733,434)</b>	<b>(907,758)</b>	<b>(523,386)</b>
<b>Cash flows from financing activities</b>					
Dividend paid		(235,450)	(388,493)	(235,450)	(388,493)
<b>Net cash used in financing activities</b>		<b>(235,450)</b>	<b>(388,493)</b>	<b>(235,450)</b>	<b>(388,493)</b>
<b>(Decrease) / increase in cash and cash equivalents</b>		<b>(2,974,695)</b>	<b>811,226</b>	<b>(2,063,205)</b>	<b>505,401</b>
<b>Movement in cash and cash equivalents</b>					
Cash and cash equivalents as at 1 January		4,056,173	3,244,947	3,144,612	2,639,211
(Decrease) / increase in cash and cash equivalents		(2,974,695)	811,226	(2,063,205)	505,401
<b>Cash and cash equivalents as at 31 December</b>	16	<b>1,081,478</b>	<b>4,056,173</b>	<b>1,081,407</b>	<b>3,144,612</b>

The notes on pages 91 to 131 form an integral part of these Financial Statements.

Figures in bracket indicate deductions.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1. Reporting Entity

Three Acre Farms PLC (the 'Company') is a 'Quoted Public Company' with limited liability, incorporated and domiciled in Sri Lanka. The address of the Company's registered office is No.15, Rock House Lane, Colombo 15, Sri Lanka. The Company was listed in the Colombo Stock Exchange on 20 March 1995 in the Food and Beverage Sector. The Company is in the agriculture industry.

Three Acre Farms PLC (TAF) was incorporated in 1963, primarily as a commercial layer farm. The Company's name was derived from the original three acres of land on which the farm was situated. On 2 September 1992, TAF was acquired by Ceylon Grain Elevators PLC for the purpose of expanding their own production facility.

### 1.2. Financial Statements

The Financial Statements of the Group as at and for the year ended 31 December 2022 comprise the Company and its subsidiaries.

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

The immediate parent Company, Ceylon Grain Elevators PLC, holds 57.21% (as at 31 December 2022)

of the stated capital of the Company. Prima Limited Singapore is the ultimate Parent Company of the Company.

### 1.3. Principal Activities and Nature of the Operation

The principal place of business, principal business activities of the Company and subsidiaries are as follows;

Entity	Principal Place of Business	Principal Business Activities
<b>The Company</b>		
Three Acre Farms PLC	Sri Lanka	Operating of poultry breeder farming, raising of grandparent and parent stocks and hatcheries, hatching and selling of Day Old Chicks, operations of commercial farms.
<b>Subsidiaries</b>		
Millennium Multibreeder Farms (Private) Limited	Sri Lanka	Operating of poultry breeder farming and hatcheries, hatching and selling of Day Old Chicks.
Ceylon Pioneer Poultry Breeders Limited	Sri Lanka	Renting of the farm operation.

There were no significant changes in the nature of the Principal business activities of the Group and the Company during the financial year under review.

### 1.4. Approval of Financial Statements by Directors

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

These Financial Statements include the following components:

- A Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review. Refer page 87;
- A Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end. Refer page 88;
- A Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company. Refer page 89;
- A Statement of Cash Flows providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and utilisation of those cash flows. Refer page 90;
- Notes to the Financial Statements comprising significant accounting policies and other explanatory information. Refer pages 91 to 131.

### 1.5. Responsibility for the Financial Statements

The Board of Directors' acknowledges their responsibility for Financial Statements, as set out in the "Statement of Directors' Responsibilities" in

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

the Annual Report and the certification on the Statement of Financial Position.

### 2. BASIS OF PREPARATION

#### 2.1. Statement of Compliance

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 7 of 2007 and provide appropriate disclosures as required by the Listing Rules of the Colombo stock exchange (CSE). These Financial Statements except for information on cash flows have been prepared following the accrual basis of accounting.

#### 2.2. Basis of Measurement

The Financial Statements have been prepared on a historical cost basis except for the valuations of defined benefit obligation and the valuation of biological assets which are disclosed in Note 3.9 - Employee benefits and Note 3.7 - Biological assets, to the Financial Statements.

#### 2.3. Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency, rounded to the nearest thousand, unless otherwise stated.

#### 2.4. Significant Accounting Estimates, Judgements and Assumptions

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards

(SLFRS) requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Underlying estimates, judgements and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

#### A. Judgement Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's / company's ability to continue as a going concern. Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

#### B. Assumptions and estimation uncertainties

Information about assumptions, estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

- \* **Note 3.16** - Deferred tax liabilities
- \* **Note 3.9** - Employee benefits
- \* **Note 13 (b) (iii)** - Valuation technique and significant unobservable units.

\* **Note 3.7** - Biological assets

\* **Note 3.3.4** - Impairment

\* **Notes 3.10 and 3.20** - Provisions, commitments and contingencies

#### Measurement of Fair Value

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair value.

This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair value (as explained below) and reports directly to the Management. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

If third party information, such as broker quotes or pricing services, is used to measure fair value, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified

Significant valuation issues are reported to the Group's Audit Committee. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy, based on the inputs used in the valuation techniques as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair value is included in Note 13 - Biological assets.

## 2.5. Use of Materiality, Offsetting and Rounding

### 2.5.1. Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately, unless they are immaterial. Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of the Financial

Statements of the Group. Understandability of Financial Statements is not compromised by observing material information or by aggregating material items that have different nature of functions.

### 2.5.2. Off-setting

Assets and liabilities and income and expenses in the Financial Statements are not set-off unless regained by Sri Lanka Accounting Standards.

### 2.5.3. Rounding

The amounts in the Financial Statements have been rounded off to the nearest rupees thousands, except where otherwise indicated.

### 2.5.4. Current versus non-current classification

The Group presents assets and liabilities in the Statement of Financial Position based on current / non-current classification. An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle and held primarily for the purpose of trading.

Or

Is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle and is held primarily for the purpose of trading and is due to be settled within twelve months after the reporting period

Or

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

## 2.6. Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the "Indirect Method" of preparing cash flows in accordance with Sri Lanka Accounting Standards - LKAS 7 on Statement of Cash Flows, whereby operating activities, investing activities and financing activities are separately recognised.

Cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 3.1. Basis of Consolidation

#### 3.1.1. Business Combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce inputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquisition; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquisition; less
- The net recognised amount (generally fair value) of the identifiable assets acquired

and liabilities assumed.

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

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

#### 3.1.2. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group "Controls" an entity when it is exposed to or has right to, variable returns from its involvements with the entity and has the ability to affect those returns through its powers over the entity. The Financial Statements of subsidiaries are included in the Group Financial Statements from the date that control commences, until the date that control ceases.

#### 3.1.3. Loss of Control

When the Group loses control over the subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in profit or loss.

#### 3.1.4. Transactions Eliminated on Consolidation

Intra-group balances and transactions and any unrealized income and expenses arising

from intra-group transactions are eliminated in preparing the Group Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 3.2. Foreign Currency

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are re-translated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items that are measured based on the historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### 3.3. Financial Instruments

#### 3.3.1. Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivables without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### 3.3.2. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment, or FVTPL.

Financial assets are not re-classified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

#### Financial assets - Business model assessment:

The Group makes an assessment of the objective of the business model in which a financial

asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to Management. The information considered includes:

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

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

### Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin..

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

### 3.3.3. Financial assets - Subsequent measurement and gains and losses

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are re-classified to profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

### 3.3.4. Impairment

#### 3.3.4.1. Non-derivative financial assets

##### Financial instruments and contract assets

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 180 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

#### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 180 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; and
- The disappearance of an active market to a security because of financial difficulties.

#### Presentation of allowance for ECL in the Statement of Financial Position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets

#### Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the

Group's procedures to recovery of amounts due.

#### 3.4. Stated Capital

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

#### 3.5. Property, Plant and Equipment

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

##### 3.5.1. Recognition and Measurement

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

items (major components) of property, plant and equipment.

### 3.5.2. Gains and Losses on Disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within 'Other Operating Income / (Expenses)' in profit or loss.

### 3.5.3. Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably.

The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### 3.5.4. De-recognition

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

cost of inspections is de-recognised.

### 3.5.5. Depreciation

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

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

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

Freehold building	10, 20 years
Plant and machinery	16 2/3 years
Hatchery equipment	8, 10 years
Electrical equipment	2, 4, 10 years
Farm equipment	2, 8, 10 years
Furniture, fitting and office equipment	10 years
Computers	2, 5, 10 years
Motor vehicles	3, 5, 10 years

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

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

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

### 3.5.6. Capital Work-in-Progress

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

## 3.6 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease of the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of a identified asset, the Group uses the definition of a lease in SLFRS 16.

### As a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocate the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the lease of property the Group has

lected not to separate nonlease components and account for the lease and non-lease components as a single lease component.

The Group recognised a right of use asset and a lease liability at the lease commencement date. The right of use assets is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimates of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right of use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of lease term or the cost of the right of use asset reflects that the Group will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right if use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present values of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the assets leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- amounts expected to be payable under residual value guaranteed; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise and extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rates, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or

termination option or if there is a revised in-substance fixed lease payments.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in right-of use assets and lease liabilities in the Statement of Financial Position.

### Short term leases and leases of low-value assets

The Group has elected not to recognise right of use assets and lease liabilities of leases of low-value assets and short-term leases. The Group recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 3.7. Biological Assets

A biological asset is a living animal. Biological assets consist of Grandparent and Parent livestock, used to breed Hatchable Eggs and Commercial DOCs. Grandparent and Parent birds include the growing birds and the laying birds. Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Hatching eggs and commercial DOCs have been identified as consumable biological assets.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

The Group has identified grandparent and parent livestock as bearer biological assets.

Biological assets are measured at fair value less cost to sell, within any changes therein recognised in profit or loss for the period in which it arises.

### 3.8. Inventories

Inventories are measured at the lower of cost and net realisable value.

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

The general basis on which cost is determined is as follows:

- All inventory items except finished goods and work-in progress at purchased cost.
- Manufactured goods and work in progress at factory cost, which include all direct expenditure and production overhead at normal level of activity.

### 3.9. Employee Benefits

#### 3.9.1. Short-Term Employee Benefits

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

amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### 3.9.2. Defined Contribution Plan

A defined contribution plan is a post - employment benefit plan under which an entity pays fixed contribution in to a separate entity and has to legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

##### (a) Employees' Provident Fund

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

##### (b) Employees' Trust Fund

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund (ETF). These obligations come within the scope of a defined contribution plan as per LKAS-19 on "Employee Benefits". Obligations for contributions to defined contribution plans are recognised in profit or loss as the related service is provided.

#### 3.9.3. Defined Benefit Plan - Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation

in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its Present Value.

Any unrecognised past service costs and the fair value of any plan assets are deducted.

The calculation is performed annually by a qualified actuary using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'.

When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss. The assumptions based on which the results of actuarial valuation was determined are included in Note 19 – Employee benefits, to the Financial Statements.

The Group recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service cost that had not previously been recognised. However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company.

### 3.10. Provisions

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

### 3.11. Trade and other payables

Trade payables are the aggregate amount of obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year and is non-interest bearing.

### 3.12. Revenue Recognition

#### Sales of Goods

Revenue is recognised when the significant risks and control have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing Management involvement with the goods and the amount of revenue can be measured reliably.

Revenue is measured net of returns, trade discounts and volume rebates. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

#### Rendering of Services

The Group recognises revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services.

#### Rental Income

The Group earns revenue from renting of its warehouse facilities. Rental income is recognised on a straight-line basis over the period of rental contracts. When the customer initially enters into a rental contract, the Group usually receives an advance or a deposit or both which is recognised as a liability. The advance is recognised as revenue with the passage of time while deposit is refunded to the customer in accordance with the rental contract on termination.

#### Other income

Gains / losses on the disposal of investments held by the Group have been accounted for as other income in profit or loss. Gains / losses on the disposal of property, plant and equipment determined by reference to the carrying amount and related expenses, have been accounted for as other income in profit or loss.

#### Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

### 3.13. Expenses

Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

For the presentation of the statement of profit or loss the Directors are of the opinion that the function of the expenses method present fairly the elements of the Group's performance, and hence such a presentation method is adopted.

Preliminary and pre-operational expenditure is recognised in the statement of profit or loss.

Repairs and renewals are charged to the Statement of profit or loss in the year in which the expenditure is incurred.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 3.14. Interest income

Interest income comprises of interest income on funds invested. Interest income is recorded as it accrues using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

### 3.15. Finance income / (cost)

Finance costs comprise interest expense on borrowings and leases, unwinding of discounts on provisions and fair value losses on financial assets at fair value through profit or loss and impairment losses recognised on financial assets (other than trade receivables).

Interest expense is recorded as it accrues using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets.

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

### 3.16. Taxation

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

#### Current Tax

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

IFRIC 23 "Uncertainty over income tax treatments" provides guidance on determining taxable profits, tax bases, unused tax losses, unused tax credits and tax rates, when there is an uncertainty over the income tax treatment. The Group has applied significant judgment in identifying uncertainties over income tax treatments for the year and the Group has determined that there were no uncertainties in tax treatments that has an impact on the income tax expense or any disclosures

#### Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. The principal temporary differences arise from depreciation on property, plant and equipment; tax losses carried forward, biological assets and provisions for defined benefit obligations. Deferred tax assets relating to the carrying forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

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

tax assets and liabilities will be realised simultaneously.

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

#### Transfer Pricing

As prescribed in the Inland Revenue Act No. 24 of 2017 and amendments thereto and the Gazette notifications issued on transfer pricing, companies in the Group have complied with the Arm's Length Principles relating to transfer pricing.

#### 3.17. Earnings per Share

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

#### 3.18. Events after the Reporting Period

All material post reporting period events have been considered and, where appropriate, adjustments or disclosures have been made in respective notes to the Financial Statements.

#### 3.19. Comparative Figures

Where necessary, the comparative figures have been reclassified to confirm to the current year's presentation.

#### 3.20. Commitments and Contingencies

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

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

#### 3.21. New Standard and Interpretation not yet Adopted as at Reporting Date

The Institute of Chartered Accountants of Sri Lanka has issued a number of new amendments to Sri Lanka Accounting Standards (SLFRSs/ LKASs) that are effective for annual periods beginning after the current financial year.

Accordingly the Group has not early adopted them in preparing these Financial Statements.

- Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12) - effective for annual reporting period beginning on or after 1 January 2023.

#### Other Standards

- Classification of liabilities as current or non-current (Amendments to LKAS 1) - effective for annual periods beginning on or after 1 January 2023.
- Disclosure of accounting policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) - effective for annual periods beginning on or after 1 January 2023.
- Definition of accounting estimates (Amendments to LKAS 8) - effective for annual periods beginning on or after 1 January 2023.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands

For the year ended 31 December

### 04. REVENUE

	GROUP		COMPANY	
	2022	2021	2022	2021
Local sales	2,920,815	2,776,371	2,090,982	2,061,131
Export sales	135,633	87,127	135,633	87,127
Rearing income	6,230,136	2,387,768	6,230,136	2,387,768
Value Added Tax	(969,579)	(381,307)	(883,152)	(328,311)
<b>Net sales</b>	<b>8,317,005</b>	<b>4,869,959</b>	<b>7,573,599</b>	<b>4,207,715</b>

#### (a) Segment Reporting

Segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business segment) or in providing products or services within a particular economic environment (Geographical segment), which is subject to risk and reward that are different from those of other segments.

However, there is no distinguishable components to be identified as segments for the Group and the Company.

### 05. OTHER OPERATING EXPENSES

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
Impairment provision on amount due from related companies	21.1	-	-	(1,960)	(2,066)
Loss on disposal of property, plant and equipment	10	(99)	(12,527)	(98)	(12,527)
Change in fair value less cost to sell on biological assets	13	(224,668)	(115,171)	(198,148)	(40,552)
Sundry income		14,277	10,021	12,931	9,456
		<b>(210,490)</b>	<b>(117,677)</b>	<b>(187,275)</b>	<b>(45,689)</b>

### 06. OPERATING PROFIT

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

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
Directors' emoluments	25.2	2,790	2,790	2,790	2,790
Auditor's remuneration - Audit service		2,972	2,664	2,409	2,190
- Other service		60	65	-	65
Depreciation on property, plant and equipment	10	84,963	82,002	69,623	68,803
Amortisation of right-of-use assets	11(a)	2,382	2,381	4,466	4,464
Legal fees		817	753	817	753
Usage of biological assets	13	788,199	694,550	571,959	518,361
Reversal of provision for slow moving and obsolete items	14	(692)	(358)	(692)	(358)
Staff expenses	6 (a)	600,910	483,801	505,936	397,765

**(a) Staff expenses**

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
Salaries, wages and other fringe benefits		577,761	462,363	486,022	379,486
Social security costs		108	89	108	89
Defined contribution plans		17,148	16,787	14,155	13,784
<b>Employee benefits</b>	19	<b>5,893</b>	4,562	<b>5,651</b>	4,406
		<b>600,910</b>	483,801	<b>505,936</b>	397,765
Number of employees as at the year-end:					
- Full time		238	238	189	187
- Part time		531	435	449	368
		<b>769</b>	673	<b>638</b>	555

Part time employees include outsourced workers hired from third parties.

**07. NET FINANCE (COST) / INCOME**

	GROUP		COMPANY	
	2022	2021	2022	2021
Exchange (loss) / gain	(5,328)	30,051	(5,332)	30,051
Interest on lease liabilities	(670)	(1,027)	(1,248)	(1,925)
Interest expenses	(70)	(210)	(70)	(204)
<b>Net finance (cost) / income</b>	<b>(6,068)</b>	28,814	<b>(6,650)</b>	27,922

**08. TAXATION**

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
<b>Current tax expense</b>					
Current tax on profit of the year		85,945	40,880	81,918	33,789
Written-off of income tax receivable		-	3,117	-	-
Over provision in respect of previous year		(521)	(147,383)	(521)	(140,658)
		<b>85,424</b>	(103,386)	<b>81,397</b>	(106,869)
<b>Deferred tax expense</b>					
Deferred tax charge / (release)	18	163,351	(9,768)	120,949	(2,881)
<b>Total income tax expense / (reversal)</b>		<b>248,775</b>	(113,154)	<b>202,346</b>	(109,750)

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands

For the year ended 31 December

### 08. TAXATION (Contd.)

The Company and its subsidiaries are liable to pay income tax in accordance with the Inland Revenue Act No. 24 of 2017 and amendments thereto.

#### Reconciliation of the accounting profit to income tax expenses

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

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
Profit before tax		907,822	844,967	754,124	767,271
Add : Disallowable expenses		3,238	2,749	-	-
Deduct : Allowable expenses		(271)	(339)	-	-
Add : Interest income		273,016	154,519	263,951	129,234
Add : Other source of income		23,085	15,884	17,233	11,549
Deduct : Tax losses claimed		(750)	-	-	-
Deduct : Tax exemptions		(888,125)	(847,447)	(733,836)	(767,271)
<b>Taxable income</b>		<b>318,015</b>	<b>170,333</b>	<b>301,472</b>	<b>140,783</b>
Income tax using the domestic corporate tax rate					
- at 24%		37,966	-	36,176	-
- at 30%		47,979	40,880	45,742	33,789
<b>Current tax</b>		<b>85,945</b>	<b>40,880</b>	<b>81,918</b>	<b>33,789</b>
Written-off of income tax receivables		-	3,117	-	-
Deferred tax charge / (release)	18	163,351	(9,768)	120,949	(2,881)
Over provision in respect of previous year		(521)	(147,383)	(521)	(140,658)
		162,830	(154,034)	120,428	(143,539)
		248,775	(113,154)	202,346	(109,750)

Effective tax rate for the year 2022 is 30% (2021 - 14%).

Further information about deferred tax is presented in Note 18 - deferred taxation.

Company	Category	Tax rate (%)			Tax Loss Carried Forward (Rs.)	
		2022	2021	2022	2021	
		First six months	Last six months			
Three Acre Farms PLC	Poultry farming	Exempt	Exempt	Exempt	Nil	Nil
	Other Sources	24	30	24		
Millennium Multibreeder Farms (Private) Limited	Poultry farming	Exempt	Exempt	Exempt	Nil	Nil
	Other Sources	24	30	24		
Ceylon Pioneer Poultry Breeders Limited	Other Sources	24	30	24	221,532,214	222,282,315

#### Tax losses carried forward

As per Section 19 of the Inland Revenue Act No. 24 of 2017 and amendment thereto, any unclaimed tax losses incurred during the year could be carried forward for a further period of six years.

## 09. EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of shares outstanding during the year.

	GROUP		COMPANY	
	2022	2021	2022	2021
Net profit attributable to ordinary shareholders	659,047	958,121	551,778	877,021
Weighted average number of ordinary shares (thousands)	23,545	23,545	23,545	23,545
<b>Basic earning per share (Rs.)</b>	<b>27.99</b>	40.69	<b>23.44</b>	37.25

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

## 10. PROPERTY, PLANT AND EQUIPMENT

### (a) GROUP

	As at 01.01.2022	Additions / WIP transfers	Disposals / Write-off	As at 31.12.2022
<b>Cost</b>				
Land	366,916	-	-	366,916
Buildings	1,106,812	5,834	-	1,112,646
Motor vehicles	96,380	-	-	96,380
Plant and machinery, electrical and farm equipment	895,824	8,050	526	903,348
Furniture, fittings and office equipment	10,692	582	-	11,274
Capital work-in-progress	35,581	138,898	-	174,479
	<b>2,512,205</b>	153,364	526	<b>2,665,043</b>

	As at 01.01.2022	Charge for the year	Disposals / Write-off	As at 31.12.2022
<b>Depreciation</b>				
Buildings	369,380	61,194	-	430,574
Motor vehicles	86,177	3,608	-	89,785
Plant and machinery, electrical and farm equipment	830,000	19,874	427	849,447
Furniture, fittings and office equipment	9,098	287	-	9,385
	<b>1,294,655</b>	84,963	427	<b>1,379,191</b>

	As at 01.01.2022		As at 31.12.2022
<b>Carrying amount</b>			
Land	366,916		366,916
Buildings	737,432		682,074
Motor vehicles	10,203		6,595
Plant and machinery, electrical and farm equipment	65,824		53,902
Furniture, fittings and office equipment	1,594		1,889
Capital work-in-progress	35,581		174,476
	<b>1,217,550</b>		<b>1,285,852</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands

As at 31 December

### 10. PROPERTY, PLANT AND EQUIPMENT (Contd.)

#### (b) COMPANY

	As at 01.01.2022	Additions / WIP transfers	Disposals / Write-off	As at 31.12.2022
<b>Cost</b>				
Land	308,701	-	-	308,701
Buildings	817,594	5,834	-	823,428
Motor vehicles	94,767	-	-	94,767
Plant and machinery, electrical and farm equipment	739,418	7,780	512	746,686
Furniture, fittings and office equipment	10,510	582	-	11,092
Capital work-in-progress	35,580	138,020	-	173,600
	<b>2,006,570</b>	<b>152,216</b>	<b>512</b>	<b>2,158,274</b>

	As at 01.01.2022	Charge for the year	Disposals / Write-off	As at 31.12.2022
<b>Depreciation</b>				
Buildings	283,560	47,560	-	331,120
Motor vehicles	84,564	3,608	-	88,172
Plant and machinery, electrical and farm equipment	680,157	18,179	414	697,922
Furniture, fittings and office equipment	8,962	276	-	9,238
	<b>1,057,243</b>	<b>69,623</b>	<b>414</b>	<b>1,126,452</b>

	As at 01.01.2022		As at 31.12.2022
<b>Carrying amount</b>			
Land	308,701		308,701
Buildings	534,034		492,311
Motor vehicles	10,203		6,595
Plant and machinery, electrical and farm equipment	59,261		48,764
Furniture, fittings and office equipment	1,548		1,854
Capital work-in-progress	35,580		173,597
	<b>949,327</b>		<b>1,031,822</b>

**(c) Reconciliation of the Carrying Amount of Property, Plant and Equipment as at 31.12.2021**

	Carring amount as at 01.01.2021	Additions / WIP transfers	Depreciation charge for the year	Disposals / Write-off	Carring amount as at 31.12.2021
Property, plant and equipment:					
Group	<b>1,275,280</b>	36,799	(82,002)	(12,527)	<b>1,217,550</b>
Company	<b>995,314</b>	35,343	(68,803)	(12,527)	<b>949,327</b>

**(d) Freehold Land Carried at Cost (Rs.) :**

Name of the Company	Location	Land extent	Cost
Three Acre Farms PLC	Meegoda Farm, Meegoda	24 A - 0 R - 3.17 P	19,215,850
	Kosgama Farm, Aluthambalama, Kosgama	20 A - 3 R - 27.05 P	10,041,150
	Halwathura Farm, Halwathura	54 A - 0 R - 3.76 P	29,796,324
	Bulathsinhala Farm, Agaloya, Bulathsinhala	60 A - 3 R - 27.00 P	56,045,250
	Hijra Farm - A, Pagoda, Beruwala	41 A - 3 R - 13.42 P	41,034,200
	Hijra Farm - B, Beruwala	8 A - 3 R - 3.71 P	74,829,300
	Makuluwatta Farm, Waga	12 A - 2 R - 18.90 P	6,098,235
	Ittapana Farm, Mahagoda, Ittapana.	31 A-1 R -28.1P	71,640,983
			<b>308,701,292</b>
Ceylon Pioneer Poultry Breeders Limited	Nillambe Farm, Office Junction, Galaha	33 A - 0 R - 28.82 P	39,541,310
	Aswatta Farm, Kosgama	5 A - 3 R - 18.19 P	7,522,838
	Wewelpanawa Farm, Wewelpanawa	27 A - 3 R - 20.47 P	11,151,175
			<b>58,215,323</b>
<b>Total</b>			<b>366,916,615</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands

As at 31 December

### 10. PROPERTY, PLANT AND EQUIPMENT (Contd.)

#### (e) Freehold Building Carried at Cost (Rs.):

Name of the Company	Location	Number of Buildings	Cost
Three Acre Farms PLC	Meegoda Farm, Meegoda	75	174,495,552
	Kosgama Farm, Aluthambalama, Kosgama	52	57,741,461
	Halwathura Farm, Halwathura	60	74,409,186
	Bulathsinhala Farm, Agaloya, Bulathsinhala	91	193,361,157
	Hijra Farm - A, Pagoda, Beruwala	72	215,255,139
	Hijra Farm - B, Beruwala	47	38,717,159
	Makuluwatta Farm, Waga	36	69,447,700
			823,427,354
Ceylon Pioneer Poultry Breeders Ltd.	Nillambe Farm, Office Junction, Galaha	3	6,567,387
	Aswatta Farm, Kosgama	45	51,085,000
			57,652,387
Millennium Multibreeder Farms (Pvt) Ltd.	Wewelpanawa Farm, Wewelpanawa	45	231,565,950
			231,565,950
<b>Total</b>			<b>1,112,645,691</b>

#### (f) Capital work-in-progress

Capital work-in-progress includes the construction of capital assets which mainly consists of buildings and plant and machinery.

#### (g) Capitalised borrowing costs

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2022 (2021 - Nil).

#### (h) Fully depreciated property, plant and equipment still in use:

	GROUP		COMPANY	
	2022	2021	2022	2021
Fully depreciated property, plant and equipment - still in use (Rs.)	<b>899,731,323</b>	839,889,240	<b>753,310,452</b>	694,193,936

**(i) Property, plant and equipment pledged as security for liabilities**

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

**(j) Title restriction on property, plant and equipment**

There were no restrictions existed on the title of the property, plant and equipment of the Group as at the reporting date.

**(k) Temporarily idle property, plant and equipment**

There was no temporarily idle property, plant and equipment as at the reporting date.

**(l) Impairment of property, plant and equipment**

The Group assessed for impairment indicators of assets at the end of reporting period and there were no indications observed.

**11. LEASE ARRANGEMENTS**

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

**(a) Right-of-use assets**

	GROUP		COMPANY	
	2022	2021	2022	2021
Balance as at 1 January	4,763	7,144	8,931	13,395
Amortisation recognised in the Statement of Profit or Loss	(2,382)	(2,381)	(4,466)	(4,464)
<b>Balance as at 31 December</b>	<b>2,381</b>	<b>4,763</b>	<b>4,465</b>	<b>8,931</b>

**(b) Lease liabilities**

	GROUP		COMPANY	
	2022	2021	2022	2021
Balance as at 1 January	5,805	8,140	10,886	15,262
Interest amortised recognised in the Statement of Profit or Loss	670	1,025	1,248	1,924
Payment recognised in the Statement of Cash Flows	(3,360)	(3,360)	(6,300)	(6,300)
<b>Balance as at 31 December</b>	<b>3,115</b>	<b>5,805</b>	<b>5,834</b>	<b>10,886</b>

**(c) Maturity analysis of lease liabilities**

	GROUP		COMPANY	
	2022	2021	2022	2021
Due within one year	3,115	3,738	5,834	7,010
Due after one year	-	2,067	-	3,876
	<b>3,115</b>	<b>5,805</b>	<b>5,834</b>	<b>10,886</b>

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### 12. INVESTMENT IN SUBSIDIARY COMPANIES

	GROUP		COMPANY	
	2022	2021	2022	2021
Balance as at 1 January (Rs.)	-	-	15,000,020	15,000,020
Provision for impairment of investment (Rs.)	-	-	(15,000,000)	(15,000,000)
<b>Balance as at 31 December (Rs.)</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>20</b>

Impairment in investment in subsidiary is pertaining to Ceylon Pioneer Poultry Breeders Limited.

Details of the companies incorporated in Sri Lanka, in which the Company held an interest of 50% or more are set out below:

#### Proportion of value of ordinary shares held

Name of the Company	Operation	2022			2021		
		% holding	Nos of Shares	Cost (Rs.)	% holding	Nos of Shares	Cost (Rs.)
Ceylon Pioneer Poultry Breeders Limited	Rent out of Farms	100	1,500,000	15,000,000	100	1,500,000	15,000,000
Millennium Multibreeder Farms (Private) Limited	Poultry breeder farming and hatchery	100	2	20	100	2	20
			<b>1,500,002</b>	<b>15,000,020</b>		<b>1,500,002</b>	<b>15,000,020</b>

Principal activities of the Group's interest in subsidiaries are described in page 91.

All the above companies, the financial year of which end on 31 December are audited by KPMG.

### 13. BIOLOGICAL ASSETS

The movements of biological assets are given below:

	GROUP		COMPANY	
	2022	2021	2022	2021
Fair value less cost to sell as at 1 January	557,372	670,458	449,626	520,496
Additions during the year	1,016,246	696,635	755,542	488,043
Usage of the year	(788,199)	(694,550)	(571,959)	(518,361)
Change in fair value less cost to sell	(224,668)	(115,171)	(198,148)	(40,552)
<b>Fair value less cost to sell as at 31 December</b>	<b>560,751</b>	<b>557,372</b>	<b>435,061</b>	<b>449,626</b>
Non-current	516,470	540,229	402,710	435,920
Current	44,281	17,143	32,351	13,706
	<b>560,751</b>	<b>557,372</b>	<b>435,061</b>	<b>449,626</b>

**(a) Biological assets**

A biological assets is a living animal. Biological assets consist of Grandparent and Parent livestock, used to breed Hatchable Eggs, Commercial Day-Old Chicks. Grandparent and Parent birds include the growing birds and the laying birds.

**Biological assets - Non-current**

Bearer biological assets are those other than consumable biological assets and recognised as "Biological assets - Non-current". Bearer biological assets are not agricultural produce but, rather, are self-generating. Grand parent and Parent livestock have been identified as bearer biological assets.

**Biological assets - Current**

Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Hatching eggs and Commercial Day-Old Chicks have been identified as consumable biological assets.

**(b) Measurement of fair value****(i) Fair value hierarchy**

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

**(ii) Level 3 fair values**

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

	GROUP		COMPANY	
	2022	2021	2022	2021
Gain included in 'Other Operating Income'				
Biological assets - non-current	(224,668)	(115,171)	(198,148)	(40,552)
Biological assets - current	-	-	-	-
	(224,668)	(115,171)	(198,148)	(40,552)

**(iii) Valuation technique and significant unobservable inputs**

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
<b>Biological assets</b> Bearer biological assets comprises Broiler Grandparent, Broiler parent and Layer parent birds.	<b>Discounted cash flows</b> The valuation model considers the present value of the net cash flows expected to be generated by breeder farming. The expected net cash flows are discounted using a risk adjusted discount rate.	DOC yield DOC selling price Discounting rate Mortality	<b>The FV will;</b> - increase when DOC yield increased - decrease when DOC yield decreased - increase when selling price increased - decrease when selling price decreased - increase when discounting rate decreased - decrease when discounting rate increased - increase when mortality rate decreased - decrease when mortality rate increased

**Consumable Biological Assets**

Consumable biological assets comprise of Hatchable Eggs and Commercial Day-Old Chicks (DOCs). DOCs are fair valued at the market price and cost is approximated as fair value for Hatchable Eggs as no or only little biological change was observed as at the year end.

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### (c) Risk management strategy related to the biological assets

#### (i) Regulatory and environmental risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

#### (ii) Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of DOC. When possible, the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing.

#### (iii) Climate and other risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases, and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspection, implementing disease control policies and procedures. The Group is also insured against natural disasters such as floods and hurricanes.

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

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

## 14. INVENTORIES

	GROUP		COMPANY	
	2022	2021	2022	2021
Raw materials and Consumables	197,258	147,450	175,996	131,852
Packing materials	31,704	6,840	21,491	5,165
Drugs and vaccine	54,038	20,596	46,058	15,974
Work-in-progress	324,941	-	324,941	-
Less: Provision for slow moving and obsolete items	(4,428)	(5,120)	(4,428)	(5,120)
<b>Total inventories at the lower of cost and net realisable value</b>	<b>603,513</b>	<b>169,766</b>	<b>564,058</b>	<b>147,871</b>

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

## 15. TRADE AND OTHER RECEIVABLES

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
Trade advances		(25,970)	(7,931)	(29,841)	(6,561)
Less: Provision for doubtful debts		(3,088)	(3,088)	(3,088)	(3,088)
		(29,058)	(11,019)	(32,929)	(9,649)
Prepayments		3,403	1,777	2,895	1,560
Other receivables	15.1	166,527	69,629	163,166	58,534
		140,872	60,387	133,132	50,445

The movement in provision for doubtful debt is disclosed in Note 24.1 - financial instruments.

**15.1 Other receivables**

	GROUP		COMPANY	
	2022	2021	2022	2021
Deposit and advance	10,414	9,869	10,114	9,669
Interest receivables	129,178	43,486	129,178	33,964
Other receivables	26,935	16,274	23,874	14,901
	<b>166,527</b>	69,629	<b>163,166</b>	58,534

**16. CASH AND CASH EQUIVALENTS**

	GROUP		COMPANY	
	2022	2021	2022	2021
Cash at bank	24,463	29,333	24,542	22,140
Cash in hand	1,807	2,741	1,657	2,691
Short term bank deposits	1,055,208	4,024,099	1,055,208	3,119,781
	<b>1,081,478</b>	4,056,173	<b>1,081,407</b>	3,144,612

Short term deposits are measured at amortised cost and are expected to be recovered through contractual cash flows.

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

The cash and cash equivalents are held with reputed commercial banks and financial institutions counterparties, which are rated "A" to "BBB -" based on Fitch ratings.

Bank overdrafts that are repayable on demand and forming an integral part of the Group's cash management as included as a component cash and cash equivalents for the purpose of the Statement of Cash Flows.

**17. STATED CAPITAL**

	COMPANY	
	2022	2021
Ordinary shares -issued and fully paid (Nos.)	23,545,000	23,545,000
Issued and fully paid (Rs.'000)	623,604	623,604

None of the shares are held either by the Company on its own or its subsidiaries.

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

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### 18. DEFERRED TAXATION

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

#### Deferred Tax Liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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

	GROUP		COMPANY	
	2022	2021	2022	2021
Balance as at 1 January	165,840	174,458	128,029	129,819
Release - recognised in Statment of Profit or Loss	(13,345)	(9,768)	(12,908)	(2,881)
Charge - recognised in Other Comprehensive Income	2,113	1,150	2,003	1,091
Effect of changing tax rates - charge recognised in Statement of Profit and Loss	176,696	-	133,857	-
<b>Balance as at 31 December</b>	<b>331,304</b>	<b>165,840</b>	<b>250,981</b>	<b>128,029</b>

In 2022, numerous changes to the tax law enacted in Sri Lanka, including an increase in the corporate tax rate from 14% and 24% to 30%. This change resulted in an additional liability of Rs. 176.7 Mn related to the remeasurement of the deferred tax liabilities of the Group being recognised during the year ended 31 December 2022.

The deferred tax liability of the Group Companies have been computed by applying effective tax rate at the reporting date as follows:

	2022	2021
Three Acre Farms PLC	30%	14%
Millennium Multibreeder Farms (Private) Limited	30%	14%
Ceylon Pioneer Poultry Breeders Limited	30%	24%

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

GROUP	2022		2021	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
Property, plant and equipment	653,956	196,187	715,074	103,661
Biological assets - Non-current	516,470	154,941	540,229	75,632
Defined benefit obligation	(28,394)	(8,518)	(30,107)	(4,215)
Provision for slow moving and obsolete items	(5,144)	(1,543)	(5,120)	(717)
Tax losses	(32,542)	(9,763)	(35,506)	(8,521)
	<b>1,104,346</b>	<b>331,304</b>	<b>1,184,570</b>	<b>165,840</b>

COMPANY	2022		2021	
	Temporary difference	Tax effect on temporary difference	Temporary difference	Tax effect on temporary difference
Property, plant and equipment	465,842	139,753	512,086	71,692
Biological assets - Non-current	402,710	120,813	435,920	61,029
Defined benefit obligation	(26,806)	(8,042)	(28,393)	(3,975)
Provision for slow moving and obsolete items	(5,144)	(1,543)	(5,120)	(717)
	<b>836,602</b>	250,981	<b>914,493</b>	128,029

### Group

#### Unrecognised deferred tax asset

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

	2022	2021
Tax losses carried forward	117,229	149,771
Tax effect there on	35,169	35,945

## 19. EMPLOYEE BENEFITS

### Defined benefit obligation

	GROUP		COMPANY	
	2022	2021	2022	2021
Defined benefit obligation as at 1 January	30,107	34,694	28,393	32,714
Provisions made during the year	(1,151)	(3,651)	(1,025)	(3,385)
Benefits paid by the plan	(562)	(936)	(562)	(936)
<b>Defined benefit obligation as at 31 December</b>	<b>28,394</b>	30,107	<b>26,806</b>	28,393
<b>Movement in the present value of the defined benefit obligation</b>				
Defined benefit obligation at 1 January	30,107	34,694	28,393	32,714
Benefits paid by the plan	(562)	(936)	(562)	(936)
Current service costs	3,485	3,296	3,380	3,198
Past service costs	-	(1,499)	-	(1,400)
Interest on obligation	2,408	2,765	2,271	2,607
Actuarial gain during the year	(7,044)	(8,213)	(6,676)	(7,790)
<b>Defined benefit obligation as at 31 December</b>	<b>28,394</b>	30,107	<b>26,806</b>	28,393

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### The amounts recognised in the Statement of Financial Position

	GROUP		COMPANY	
	2022	2021	2022	2021
Present value of unfunded obligation	<b>28,394</b>	30,107	<b>26,806</b>	28,393
Total present value of obligation	<b>28,394</b>	30,107	<b>26,806</b>	28,393
<b>Expense recognised in the Statement of Profit or Loss</b>				
Current service costs	<b>3,485</b>	3,296	<b>3,380</b>	3,198
Past service costs	-	(1,499)	-	(1,400)
Interest on obligation	<b>2,408</b>	2,765	<b>2,271</b>	2,607
	<b>5,893</b>	4,562	<b>5,651</b>	4,405
<b>Expense recognised in the statement of Other Comprehensive Income</b>				
Actuarial gain during the year	<b>(7,044)</b>	(8,213)	<b>(6,676)</b>	(7,790)
	<b>(7,044)</b>	(8,213)	<b>(6,676)</b>	(7,790)

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

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

The liability was not externally funded.

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

	2022	
	GROUP	COMPANY
Within the next 12 months	<b>1,052</b>	<b>998</b>
Between 2-5 years	<b>6,488</b>	<b>6,361</b>
Between 5-10 years	<b>9,883</b>	<b>9,350</b>
Beyond 10 years	<b>10,971</b>	<b>10,097</b>
	<b>28,394</b>	<b>26,806</b>

### Actuarial assumptions

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

	2022	2021
Discount rate	<b>19.00%</b>	11.60%
Future salary increases	<b>15.00%</b>	10.00%

Future mortality are based on published statistics and mortality tables.

The average life expectancy of an individual retiring at age 60.

Staff turnover sliding scale by the age of employee retiring from 10% - 1%.

The average future working life time of an individual, as per the assumptions made as at 31 December 2022 is 14.24 years.

It is also assumed that the Company will continue in business as a going concern.

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

### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	GROUP			
	2022		2021	
	Increase	Decrease	Increase	Decrease
Movement by 1%				
Discount rate	(972)	4,811	(2,685)	3,098
Future salary scale	4,972	(1,149)	3,259	(2,862)

	COMPANY			
	2022		2021	
	Increase	Decrease	Increase	Decrease
Movement by 1%				
Discount rate	(929)	4,493	(2,517)	2,905
Future salary scale	4,643	(1,094)	3,055	(2,682)

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### 20. TRADE AND OTHER PAYABLES

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
Trade payables / (advances)		<b>104,029</b>	(17,205)	<b>103,476</b>	(20,028)
Accrued expenses		<b>472,171</b>	458,362	<b>301,662</b>	274,397
Other payables	20.1	<b>231,904</b>	237,913	<b>217,753</b>	226,782
		<b>808,104</b>	679,070	<b>622,891</b>	481,151

#### 20.1 Other payables

	GROUP		COMPANY	
	2022	2021	2022	2021
Deposit and advances	<b>48,809</b>	54,251	<b>48,809</b>	54,251
Government taxes	<b>102,608</b>	54,311	<b>96,249</b>	48,366
Staff related expenses	<b>66,101</b>	97,602	<b>59,830</b>	92,572
Other payables	<b>14,386</b>	31,749	<b>12,865</b>	31,593
	<b>231,904</b>	237,913	<b>217,753</b>	226,782

### 21. AMOUNT DUE FROM / TO RELATED COMPANIES

#### 21.1 Amount due from Related Companies

	GROUP		COMPANY	
	2022	2021	2022	2021
Ceylon Pioneer Poultry Breeders Limited	-	-	<b>214,350</b>	212,390
Millennium Multibreeder Farms (Private) Limited	-	-	<b>133,650</b>	263,094
Ceylon Grain Elevators PLC	<b>3,307,712</b>	211,368	<b>2,383,561</b>	187,639
Hapiways Management Services Pte Limited	<b>10,490</b>	-	<b>10,490</b>	-
	<b>3,318,202</b>	211,368	<b>2,742,051</b>	663,123
Less: Provision for receivables	-	-	<b>(214,350)</b>	(212,390)
	<b>3,318,202</b>	211,368	<b>2,527,701</b>	450,733

The provision has been made for receivables from Ceylon Pioneer Poultry Breeders Limited. The movement in provision for receivables disclosed in Note 24.1 - financial instruments.

#### 21.2 Amount due to Related Companies

	GROUP		COMPANY	
	2022	2021	2022	2021
Ceylon Livestock and Agro-business Services (Private) Limited	<b>12,596</b>	12,479	<b>9,994</b>	9,877
Ceylon Agro Industries (Private) Limited	<b>303</b>	171	<b>303</b>	171
Hapiways Management Services Pte Limited	-	3,202	-	3,202
	<b>12,899</b>	15,852	<b>10,297</b>	13,250

Amount due to related companies is unsecured, interest free and has no fixed repayment terms. These need to be settled on demand.

## 22. CONTINGENT LIABILITIES

There were no other material contingent liabilities outstanding as at the reporting date that require adjustments in the Financial Statements other than disclosed below.

### **A 3175 - Inter / company Employees Union Vs. CGE and Subsidiaries ('the Group') Supreme Court Case No. SC (SPL) LA 215/20**

Employees of the Group went on strike on 20 March 2006 and those who went on strike were terminated. The dispute was referred to the Commissioner of Labour and the reference was Gazetted by the Minister dated 26 May 2006 referring to the case for hearing at the Industrial Court.

At the Industrial court, the Group took up the preliminary objection that composite reference is bad in law as they are separate legal entities and cannot be referred in one dispute. The Industrial Court gave its verdict rejecting the preliminary objection and thereafter the Company made an appeal against the interim order in the Court of Appeal (C/A 796/2007). The Court of Appeal delivered its judgment on 18 May 2010 rejecting the appeal filed by the Group. Accordingly, the case was taken up for hearing before the Industrial Court.

After a lengthy trial at the Industrial Court, the Award was Gazetted on 16 January 2018 directing the Group to reinstate the employees with back-wages.

The Company filed a Writ Application under case number CA (Writ) 134/18 in the Court of Appeal to quash the said award of the Industrial Court. On 2 September 2020, order of the Court of Appeal was delivered dismissing the above Writ Application filed by the Company.

Being aggravated by the said Court of Appeal decision, the Company filed an Appeal under case No. SC (SPL) LA 215/20 in the Supreme Court. The case is due to be taken up for mention on 10 May 2023.

## 23. COMMITMENTS

### **Capital commitments**

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

### **Operating commitments**

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

### **Financial commitments**

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

Three Acre Farms PLC (TAF) is the Parent Company of Ceylon Pioneer Poultry Breeders Limited (CPPBL) and confirms their commitment, in present circumstances to continue financial support in the business operations and to meet financial obligations. As the Parent Company of CPPBL, TAF has no intention or inclination of withdrawing their support or reducing the scale of operations of CPPBL in the forthcoming 12 months.

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### 24. FINANCIAL INSTRUMENTS

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk.
  - i. Currency risk
  - ii. Interest rate risk
  - iii. Equity price risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

#### Risk Management Framework

The Group's Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework, developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors of Three Acre Farms PLC, oversee how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee assists the Board in its oversight role by internal audit which undertakes both regular and ad-hoc reviews of risk management policies and procedures and the results of which are reported to the Audit Committee.

#### Financial Instruments - Statement of Financial Position

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
<b>Financial assets</b>					
Measured at amortised cost					
Trade and other receivables	15	137,469	58,610	130,237	48,885
Amount due from related companies	21.1	3,318,202	211,368	2,527,701	450,733
Cash and cash equivalents	16	1,081,478	4,056,173	1,081,407	3,144,612
<b>Total</b>		<b>4,537,149</b>	4,326,151	<b>3,739,345</b>	3,644,230
<b>Financial liabilities</b>					
Other financial liabilities					
Amount due to related companies	21.2	12,899	15,852	10,297	13,250
Trade and other payables	20	233,325	166,397	224,980	158,388
<b>Total</b>		<b>246,224</b>	182,249	<b>235,277</b>	171,638

## Financial Instruments - Statement of Profit or Loss

	2022		2021	
	Gain / income	Losses / expenses	Gain / income	Losses / expenses
<b>GROUP</b>				
Interest bearing financial instruments	293,917	70	161,725	210
<b>COMPANY</b>				
Interest bearing financial instruments	284,803	70	136,474	204

## 24.1 Credit risk

Credit risk is the risk of financial loss to the Group, if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, placements with banking institutions and in government securities.

## (a) Exposure to credit risk

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

	Notes	GROUP		COMPANY	
		2022	2021	2022	2021
Amount due from related companies	21.1	3,318,202	211,368	2,527,701	450,733
Trade and other receivables	15	137,469	58,610	130,237	48,885
Cash and cash equivalents	16	1,079,671	4,053,432	1,079,750	3,141,921
		4,535,342	4,323,410	3,737,688	3,641,539

## (b) Impairment losses

(i) The ageing of trade and other receivables at the reporting date was:

	2022		2021	
	Gross	Impairment	Gross	Impairment
<b>GROUP</b>				
Not past due	137,469	-	58,610	-
Over 365	3,088	3,088	3,088	3,088
	140,557	3,088	61,698	3,088

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands

As at 31 December

### 24. FINANCIAL INSTRUMENTS (Contd.)

	2022		2021	
	Gross	Impairment	Gross	Impairment
<b>COMPANY</b>				
Not past due	130,237	-	48,885	-
Over 365	3,088	3,088	3,088	3,088
	<b>133,325</b>	<b>3,088</b>	51,973	3,088

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

	GROUP		COMPANY	
	2022	2021	2022	2021
Balance as at 1 January	3,088	3,088	3,088	3,088
Impairment provision	-	-	-	-
Balance as at 31 December	<b>3,088</b>	3,088	<b>3,088</b>	3,088

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

(ii) The ageing of amount due from related companies at the reporting date was:

	2022		2021	
	Gross	Impairment	Gross	Impairment
<b>GROUP</b>				
Not past due	3,318,202	-	211,368	-
Over 365	-	-	-	-
	<b>3,318,202</b>	-	211,368	-

	2022		2021	
	Gross	Impairment	Gross	Impairment
<b>COMPANY</b>				
Not past due	2,527,701	-	450,733	-
Over 365	214,350	214,350	212,390	212,390
	<b>2,742,051</b>	<b>214,350</b>	663,123	212,390

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

	GROUP		COMPANY	
	2022	2021	2022	2021
Balance as at 1 January	-	-	212,390	210,324
Impairment provision for the year	-	-	1,960	2,066
Balance as at 31 December	-	-	214,350	212,390

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

## 24.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligation associated with its financial liabilities that are settled by delivering cash or another financial asset.

To measure and mitigate liquidity risk, Group will closely monitor its net operating cash flow, maintained a level of cash and cash equivalent and secured committed funding facilities from financial institutions.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

### As at December 2022

GROUP	Carrying amount	Contractual cash flows	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 Years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Trade and other payables	233,325	(233,325)	(233,325)	-	-	-	-
Amount due to related companies	12,899	(12,899)	(12,899)	-	-	-	-
	246,224	(246,224)	(246,224)	-	-	-	-

COMPANY	Carrying amount	Contractual cash flows	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 Years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Trade and other payables	224,980	(224,980)	(224,980)	-	-	-	-
Amount due to related companies	10,297	(10,297)	(10,297)	-	-	-	-
	235,277	(235,277)	(235,277)	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands

As at 31 December

### 24. FINANCIAL INSTRUMENTS (Contd.)

As at December 2021

GROUP	Carrying amount	Contractual cash flows	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 Years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Trade and other payables	166,397	(166,397)	(166,397)	-	-	-	-
Amount due to related companies	15,852	(15,852)	(15,852)	-	-	-	-
	182,249	(182,249)	(182,249)	-	-	-	-

COMPANY	Carrying amount	Contractual cash flows	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 Years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Trade and other payables	158,388	(158,388)	(158,388)	-	-	-	-
Amount due to related companies	13,250	(13,250)	(13,250)	-	-	-	-
	171,638	(171,638)	(171,638)	-	-	-	-

#### 24.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates affecting to the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Market risk comprise of the following types of risk:

- Currency Risk
- Interest Rate Risk
- Equity Price Risk

#### Currency risk

The risk that the fair value or future cash flows of a financial instrument fluctuation due to changes in foreign exchange rates. The Group is exposed to currency risk on sales, purchase and investments that are denominated in a currency other than functional currency which is Sri Lankan Rupees (LKR).

#### Exposure to currency risk

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

	2022		2021	
	USD	EUR	USD	EUR
<b>GROUP</b>				
Trade (payables) / receivable	(58,710)	290,035	159,567	-
Cash and cash equivalents	153,685	-	26,715	-
<b>Total Exposure</b>	<b>94,975</b>	<b>290,035</b>	<b>186,282</b>	<b>-</b>

	2022		2021	
	USD	EUR	USD	EUR
<b>COMPANY</b>				
Trade (payables) / receivable	(58,710)	290,035	159,567	-
Cash and cash equivalents	153,685	-	26,715	-
<b>Total Exposure</b>	<b>94,975</b>	<b>290,035</b>	186,282	-

The principal exchange rates used by the Group for conversion of foreign currency balances and transactions for the year ended 31 December are as follows;

	Average rate		Spot rate on reporting date	
	2022	2021	2022	2021
USD	337.02	198.88	372.00	203.00
EUR	369.32	235.10	386.93	226.86

### Foreign currency sensitivity

#### Group

The impact to the profit & loss based on the appreciation / depreciation of the Sri Lankan Rupee by 1% against the USD, due to the USD denominated trade payables and cash and cash equivalents as follows;

31 December 2022	Change in USD/LKR by 1% (Rs. '000)			
	GROUP		COMPANY	
	Appreciation	Depreciation	Appreciation	Depreciation
Trade (payables) / receivable	1,979	(1,979)	1,979	(1,979)
Cash and cash equivalents	(5,179)	5,179	(5,179)	5,179

### Interest rate risk

"Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates."

The Group is exposed to the risk of changes in market interest rates relates primarily to the Group's Investments with variable interest rates. The Group does not have any variable rate long term borrowing as at the reporting date, which results material interest rate.

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

Carrying amount	GROUP		COMPANY	
	2022	2021	2022	2021
<b>Fixed Rate Instruments</b>				
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands

As at 31 December

### 24. FINANCIAL INSTRUMENTS (Contd.)

Carrying amount	GROUP		COMPANY	
	2022	2021	2022	2021
<b>Variable Rate Instruments</b>				
Financial assets	1,055,208	4,024,099	1,055,208	3,119,781
Financial liabilities	-	-	-	-
	<b>1,055,208</b>	<b>4,024,099</b>	<b>1,055,208</b>	<b>3,119,781</b>

#### Interest rate sensitivity

At the reporting date the interest rate sensitivity analysis of the Group is as follows;

	GROUP		COMPANY	
	+1%	- 1%	+1%	- 1%
Short term bank deposits	10,552	(10,552)	10,552	(10,552)

#### Equity Price Risk

The Group has adopted the policy that its investment in subsidiaries are recorded at cost as per LKAS 27 and 28 standards and therefore are scoped out from the Sri Lanka Accounting Standards, SLFRS 9 - Financial Instruments.

A sensitivity analysis of the above has not been carried out as the Group's exposure to such is not material.

### 24.4 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business. Capital consist of ordinary share, retained earnings and non controlling interest of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary share holders.

## 25. RELATED PARTY TRANSACTIONS

### 25.1 Parent and ultimate controlling party

The immediate Parent Company of the Group is Ceylon Grain Elevators PLC and the Ultimate controlling party is Prima Limited, Singapore.

### 25.2 Key management personnel

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as well as the subsidiaries, directly or indirectly. All the members of the Board of Directors of the Company have been classified as KMP of the Company. Directors of the Company and their immediate relatives do not have significant shareholding as at 31 December 2022.

Compensation paid to / on behalf of Key Management Personnel of the Company is as follows:

	GROUP		COMPANY	
	2022	2021	2022	2021
Short term employee benefits	2,790	2,790	2,790	2,790
Post employment benefits	-	-	-	-
	<b>2,790</b>	<b>2,790</b>	<b>2,790</b>	<b>2,790</b>

Mr. Wickrema Senaka Weerasooria, Mr. Cheng Chih Kwong, Primus, Mr. Chan Kong Meng, Lawrence, Mr. Cheng Koh Chuen, Bernard, Mr. Sunil Leeniyagoda, Dr. Prathap Ramanujam and Mr. R. N. Asirwatham the Directors are also Directors of the following companies as set out below and with transactions in Note 25.3. Related Party Transaction have been carried out.

Name of the related party	Name of the Director	Nature of transaction
Ceylon Pioneer Poultry Breeders Limited (CPPBL) Subsidiary Company	Mr. Cheng Chih Kwong, Primus Mr. Chan Kong Meng, Lawrence	CPPBL rents out the farms to the Company. Also, the Company provides financial support to CPPBL.
Millennium Multibreeder Farms (Private) Limited (MMF) Subsidiary Company	Mr. Cheng Chih Kwong, Primus Mr. Chan Kong Meng, Lawrence	MMF provides hatchery services to the Company. Also, the Company sells Parent stock DOCs to MMF.
Ceylon Grain Elevators PLC (CGE) Parent Company	Mr. Wickrema Senaka Weerasooria Mr. Cheng Chih Kwong, Primus Mr. Chan Kong Meng, Lawrence Mr. Cheng Koh Chuen, Bernard Dr. Prathap Ramanujam Mr. R. N. Asirwatham	CGE sells feeds, veterinary drugs and medicines to the Company. And also, CGE provides lab services, management services fees, and rent out Attanagalla farm to the Company. The Company sells broiler DOCs, broiler live birds and culled birds to CGE.
Ceylon Livestock and Agro-business Services (Private) Limited (CLAS) Group Company	Mr. Cheng Chih Kwong, Primus Mr. Chan Kong Meng, Lawrence	CLAS supplies poultry equipment to the Company.
Hapiways Management Services Pte Limited (HMS) Group Company	Mr. Cheng Chih Kwong, Primus	HMS supplies materials and spare parts to the Company.
Ceylon Agro Industries Limited (CAI) Group Company	Mr. Wickrema Senaka Weerasooria Mr. Cheng Chih Kwong, Primus Mr. Chan Kong Meng, Lawrence Mr. Cheng Koh Chuen, Bernard	CAI supplies Value added Products (VAP) items for the Company.
Prima Management Services (Private) Limited (PMS) Group Company	Mr. Cheng Chih Kwong, Primus	PMS provides ICT Solutions and Services to the Company.

### 25.3 Recurrent related party transactions

The Company has a related party relationship with its subsidiaries and related group companies as disclosed in note number 25.2-Key Management Personnel.

Companies within the Group engage in trading transactions. The following transactions were carried out with related parties during the year ended 31 December 2022.

#### (a) Transaction with Subsidiaries

##### COMPANY

	MMF		CPPBL		2022	2021
	Value	%	Value	%	Total	Total
Sale of goods	55,271	0.7%	-	-	55,271	58,798
Purchase of goods	187,797	2.5%	-	-	187,797	951
Purchase of services	5,604	0.1%	2,940	0.0%	8,544	10,027
Recovery of expenses	(1,932)	0.0%	1,451	-	(481)	1,363
Settlement of third party dues	26,672		-		26,672	29,032
Funds received / (paid)	145		(3,450)		3,305	1,737

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

All amounts in Sri Lankan Rupees thousands

As at 31 December

### 25. RELATED PARTY TRANSACTIONS (Contd.)

#### (b) Transaction with Immediate Parent

##### GROUP

	2022		2021
	Value	%	Total
Sale of goods	6,099,185	73.3%	3,101,728
Purchase of goods	6,597,115	79.3%	2,723,755
Purchase of services	32,647	0.4%	16,393
Recovery of expenses	103,518		60,114
Settlement of third party dues	350,706		279,691
Funds (paid) / received	(4,124,281)		112,242

#### (c) Transaction with Immediate Parent

##### COMPANY

	2022		2021
	Value	%	Total
Sale of goods	5,932,276	78.3%	2,879,021
Purchase of goods	5,990,098	79.1%	2,397,984
Purchase of services	25,366	0.3%	12,676
Recovery of expenses	86,043		51,182
Settlement of third party dues	342,961		272,095
Funds (paid) / received	(2,699,770)		241,944

#### (d) Transaction with other Related Parties

##### GROUP

	CLAS		HMS		CAI		PMS		2022	2021
	Value	%	Value	%	Value	%	Value	%	Total	Total
Sale of goods	-	-	-	-	50	0.0%	-	-	50	-
Purchase of goods	118	0.0%	11,330	0.1%	1,513	0.0%	-	-	12,961	14,617
Funds paid	-		25,048		1,514		-		26,562	10,218

#### (e) Transaction with other Related Parties

##### COMPANY

	CLAS		HMS		CAI		PMS		2022	2021
	Value	%	Value	%	Value	%	Value	%	Total	Total
Sale of goods	-	-	-	-	50	0.0%	-	-	50	-
Purchase of goods	118	0.0%	11,330	0.2%	1,513	0.0%	-	-	12,961	14,581
Funds paid	-		25,048		1,514		-		26,562	10,218

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

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

**25.4 Related Party Transactions - Non-recurrent**

The Company has not entered into any non-recurrent related party transactions during the year, which exceeds 10% of the equity or 5% of the total assets, whichever is lower, as per the Colombo Stock Exchange Section Listing rule 9.3.2.

**25.5 Terms and conditions of transactions with related parties**

All related party transactions are carried out in the normal course of business and transacted at normal business terms. All related party outstanding balances at the year-end are unsecured and are to be settled in cash. The Group does not have any material commitments to related parties.

**26. EVENTS AFTER THE REPORTING PERIOD**

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

**27. DIRECTORS RESPONSIBILITY**

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

**28. NET ASSETS PER SHARE**

	GROUP		COMPANY	
	2022	2021	2022	2021
Net assets attributable to ordinary shareholders	<b>5,809,233</b>	5,380,705	<b>4,860,837</b>	4,539,836
Weighted average number of ordinary shares in issue (thousands)	<b>23,545</b>	23,545	<b>23,545</b>	23,545
<b>Net assets per share (Rs.)</b>	<b>246.73</b>	228.53	<b>206.45</b>	192.82

**29. DIVIDEND PER SHARE**

	COMPANY	
	2022	2021
Final Dividend	-	235,450
Number of ordinary shares in issue (thousands)	<b>23,545</b>	23,545
<b>Dividend per share (Rs.)</b>	-	10.00

## FIVE YEAR FINANCIAL SUMMARY

All amounts in Sri Lankan Rupees thousands

GROUP	2022	2021	2020	2019	2018
<b>OPERATING RESULTS FOR THE PERIOD 31 DECEMBER</b>					
Revenue	<b>8,317,005</b>	4,869,959	2,733,109	2,552,199	2,625,574
Operating profit	<b>619,973</b>	654,428	695,526	666,141	698,819
Net finance income	<b>287,849</b>	190,539	207,891	226,581	197,185
Profit before tax	<b>907,822</b>	844,967	903,417	892,722	896,004
Taxation	<b>(248,775)</b>	113,154	(139,077)	(119,948)	(147,195)
Profit attributable to the Group	<b>659,047</b>	<b>958,121</b>	<b>764,340</b>	<b>772,774</b>	<b>748,809</b>
<b>FINANCIAL POSITION AS AT 31 DECEMBER</b>					
Stated capital	<b>623,604</b>	623,604	623,604	623,604	623,604
Retained earnings	<b>5,185,629</b>	4,757,101	4,180,410	3,683,008	3,014,231
Non - current liabilities	<b>359,698</b>	198,014	212,905	209,388	229,839
	<b>6,168,931</b>	<b>5,578,719</b>	<b>5,016,919</b>	<b>4,516,000</b>	<b>3,867,674</b>
Property, plant and equipment	<b>1,285,852</b>	1,217,550	1,275,280	1,358,829	1,397,102
Leasehold right over land	-	-	-	-	-
Right-of-use asset	<b>2,381</b>	4,763	7,144	9,526	-
Investment in subsidiary companies	-	-	-	-	-
Biological assets - non-current	<b>516,470</b>	540,229	647,194	593,972	555,918
Current assets	<b>5,188,346</b>	4,514,837	3,760,394	3,044,102	2,409,659
Current liabilities	<b>(824,118)</b>	(698,660)	(673,093)	(490,429)	(495,005)
	<b>6,168,931</b>	<b>5,578,719</b>	<b>5,016,919</b>	<b>4,516,000</b>	<b>3,867,674</b>
<b>COMPANY</b>					
<b>KEY RATIOS AND OTHER INFORMATION</b>					
Earnings per share - Basic (Rs.)	<b>23.44</b>	37.25	32.03	26.56	27.54
Dividend per share (Rs.)	-	10.00	22.00	5.50	4.50
Dividend pay out ratio (%)	-	26.85	68.69	20.71	16.34
Market price per share (Rs.)	<b>124.75</b>	300.25	172.90	116.60	101.40
Price earnings ratio (No. of times)	<b>5.32</b>	8.06	5.40	4.39	3.68
Net assets per share (Rs.)	<b>206.45</b>	192.82	171.78	151.06	128.93
Debt / equity ratio (No.of times)	-	-	-	-	-
Current ratio (No.of times)	<b>6.79</b>	7.59	5.86	6.63	5.43
Shares traded volume	<b>3,096,565</b>	8,501,356	8,529,474	3,118,811	1,053,068
US \$ Exchange rate - (average)	<b>337.02</b>	198.88	186.14	179.02	164.04
US \$ Exchange rate - (year end spot)	<b>372.00</b>	203.00	186.90	181.70	182.75

## VALUE ADDED STATEMENT

All amounts in Sri Lankan Rupees thousands

For the year ended 31 December

	2022	2021	2020	2019	2018
<b>Value customers</b>					
Gross revenue	<b>9,286,583</b>	5,251,266	2,945,967	2,912,002	3,022,611
less: Purchase of goods and services	<b>(7,210,992)</b>	(3,451,111)	(1,564,575)	(1,395,798)	(1,474,026)
	<b>2,075,591</b>	1,800,150	1,381,392	1,516,204	1,548,585
Add: Other operating income / (expenses)	<b>14,178</b>	(2,506)	3,111	2,379	4,281
Add: Interest income	<b>293,917</b>	161,725	206,059	226,114	189,700
<b>Total value added by the Group</b>	<b>2,383,686</b>	1,959,369	1,590,562	1,744,697	1,742,566

	2022	%	2021	%	2020	%	2019	%	2018	%
<b>To employees</b>										
As staff expenses	<b>600,910</b>	<b>25.21</b>	483,801	24.69	465,285	29.25	353,718	20.27	346,143	19.86
<b>To the government</b>										
As current taxes	<b>64,186</b>	<b>2.69</b>	46,865	2.39	38,534	2.42	147,751	8.47	148,199	8.50
As revenue taxes	<b>969,579</b>	<b>40.68</b>	381,307	19.46	212,858	13.38	359,803	20.62	397,037	22.79
<b>To providers of capital</b>										
As interests	<b>70</b>	<b>0.00</b>	210	0.01	352	0.02	71	0.00	59	-
<b>To shareholders</b>										
As dividends	-	-	235,450	12.02	517,990	32.57	129,498	7.42	105,953	6.08
<b>Retained to growth</b>										
As depreciation	<b>84,963</b>	<b>3.56</b>	82,002	4.19	117,136	7.36	108,623	6.24	103,043	5.92
As reserves	<b>663,978</b>	<b>27.86</b>	729,734	37.24	238,407	15.0	645,233	36.98	642,132	36.85
	<b>2,383,686</b>	<b>100.00</b>	1,959,369	100.00	1,590,562	100.00	1,744,697	100.00	1,742,566	100.00

## SHAREHOLDER INFORMATION

### Analysis of Shareholders According to The Number of Shares as at 31 December 2022

Shareholdings	RESIDENT			NON RESIDENT			TOTAL		
	Number of Shareholders	Number of Shares	Percentage	Number of Shareholders	Number of Shares	Percentage	Number of Shareholders	Number of Shares	Percentage
1 - 1,000	2,266	380,922	1.62	19	3,504	0.01	2,285	384,426	1.63
1,001 - 10,000	289	897,638	3.81	11	33,826	0.14	300	931,464	3.95
10,001 - 100,000	61	1,836,065	7.81	3	131,911	0.56	64	1,967,976	8.37
100,001 - 1,000,000	11	1,726,787	7.33	4	1,531,740	6.51	15	3,258,527	13.84
Over 1,000,000	1	13,469,980	57.21	1	3,532,627	15.00	2	17,002,607	72.21
	2,628	18,311,392	77.78	38	5,233,608	22.22	2,666	23,545,000	100.00

### Categories of shareholders as at 31 December

Shareholdings	2022			2021		
	Number of Shareholders	Number of ordinary shares	Percentage	Number of Shareholders	Number of ordinary shares	Percentage
Individual	2,522	3,040,072	12.91	2,406	3,011,378	12.79
Institutional	144	20,504,928	87.09	156	20,533,622	87.21
	2,666	23,545,000	100.00	2,562	23,545,000	100.00
Less: Shares held by non-public holders						
Immediate parent company	(1)	(13,469,980)	(57.21)	(1)	(13,469,980)	(57.21)
Ultimate parent company	(1)	(3,532,627)	(15.00)	(1)	(3,532,627)	(15.00)
Directors	(2)	(2,019)	(0.01)	(2)	(2,019)	(0.01)
	(4)	(17,004,626)	(72.22)	(4)	(17,004,626)	(72.22)
Total representing the public holding	2,662	6,540,374	27.78	2,558	6,540,374	27.78

### Float Adjusted Market Capitalisation

The float adjusted market capitalisation as at 31 December 2022 was Rs. 815.9 Mn under Option 5 of Section 7.14.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

## List of 20 Major Shareholders Based on their Shareholdings

	31 December 2022		31 December 2021	
	Number of Shares	Percentage %	Number of Shares	Percentage %
1. Ceylon Grain Elevators PLC	13,469,980	57.21	13,469,980	57.21
2. Prima Limited, Singapore	3,532,627	15.00	3,532,627	15.00
3. UBS Switzerland AG - Kershaw Property Holding Incorporation	617,360	2.62	617,360	2.62
4. Mrs. J. N. Ambani	402,879	1.71	292,500	1.24
5. Budleaf Pty Limited	342,129	1.45	346,240	1.47
6. Eka Limited	313,262	1.33	313,262	1.33
7. Supra Limited, Hong Kong	258,989	1.1	258,989	1.10
8. People's Leasing & Finance PLC / Mr. I. D. R. Perera	210,708	0.89	177,648	0.76
9. Mercantile Investments and Finance PLC	153,545	0.65	-	-
10. Mr. M. N. Singa Laxana	136,800	0.58	120,480	0.53
11. Mrs. J. K. D. Jayatillake / Mr. A. Jayatillake	136,397	0.58	-	-
12. Hatton National Bank PLC / M. M. Fuad	125,724	0.54	109,602	0.46
13. Seylan Bank PLC / G. U. I. Ranaweera	124,663	0.53	-	-
14. Mrs. V. Saraswathi / Mr. S. Vasudevan	116,710	0.50	100,626	0.43
15. Macksons Holdings (Private) Limited	111,114	0.47	-	-
16. Mr. A. S. Ratnayake	108,139	0.46	101,069	0.43
17. Mr. S. Vamathevan	100,108	0.43	96,889	0.41
18. People's Leasing & Finance PLC / Hi-Line Trading (Private) Limited	99,309	0.42	97,401	0.41
19. Amana Bank PLC / Hi-Line Trading (Private) Limited	98,555	0.42	98,555	0.42
20. Amana Bank PLC / Hi-Line Towers (Private) Limited	83,649	0.36	75,460	0.32
<b>Total</b>	<b>20,542,647</b>	<b>87.25</b>	<b>19,814,688</b>	<b>84.14</b>

# GLOSSARY OF FINANCIAL TERMINOLOGY

## Accrual Basis

Recording Revenues and Expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

## Amortisation

The systematic allocation of the depreciable amount of an asset over its useful life.

## Asset Turnover

Revenue including equity accounted investees divided by average total assets.

## Average Revenue per Employee

Net Turnover over number of employees at the year end.

## Average Profit per Employee

Net Profit after Tax over number of employees at the year end.

## Capital Employed

Shareholders' Funds plus Debt.

## Cash Ratio

Cash and Cash Equivalents over Current Liabilities.

## Capital Expenditure

The total of additions to Property, Plant & Equipment.

## Contingent Liabilities

A condition or situation existing at the end of the reporting period due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non- occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability.

## Current Ratio

Current Assets over Current Liabilities.

## Current Service Cost

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

## Past Service Cost

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

## Debt / Equity Ratio (Gearing)

Debt as a percentage of Shareholders' Funds.

## Dividend Cover

Earnings per share over dividend per share.

## Dividend Payout Ratio

Total Dividend as a percentage of Company Profits.

## Dividend Yield

Dividend per share as a percentage of market price of share at the end of the period.

## EBIT Margin

Earnings Before Interest and Taxes to Revenue

## EBITDA

Profit after Operating expenses, plus Depreciation and Amortisation

## Earnings Per Share (EPS)

Profit after tax attributable to Ordinary Shareholders over weighted average number of shares in issue during the period.

## Enterprise Value

Market capitalisation plus debt minus total cash and cash equivalents.

## Earnings Yield

Earnings per Share as a percentage of Market Price per Share at the end of the period.

## Effective Rate of Taxation

Income Tax including Deferred tax over Profit Before Tax.

## Equity Multiplier

Total Assets over Shareholders' Funds.

## Gross Profit Ratio

Gross profit divided by Revenue.

## Gearing

Proportion of total interest bearing borrowings to capital employed.

## Interest Cover

Profit Before Interest and Tax over Finance Expenses.

## Market Capitalisation

Number of Shares in issue at the end the of period multiplied by the share price at end of the period.

## Net Assets

Total Assets minus Current Liabilities minus Long Term Liabilities.

## Net Asset per Share

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

## Net Debt

Debt minus Cash and Short Term Deposits.

## Net Profit Margin

Profit after tax attributable to equity holders of the parent divided by total revenue.

## Operating Profit Margin

Operating profit divided by Turnover.

## Price Earnings Ratio

Market Price of Share over Earnings per Share.

## Quick Ratio

Cash plus Short Term Investments plus Receivables over Current Liabilities.

## Return on Assets

Profit after Tax over Average Total Assets.

## Return on Capital Employed

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

## Return on Equity

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

## Related Parties

Parties where one party has the ability to control the other party or exercise significance influence over the other party in making financial or operational decisions, directly or indirectly.

## Shareholders' Fund

Stated Capital, Capital Reserves and Revenue Reserves.

## Shareholders' Equity Ratio

Total Equity divided by Total Assets.

## Total Assets

Non-Current Assets plus Current Assets.

## Total Debt

Long Term Loans plus Short Term Loans and Overdraft.

## Total Debt / Total Assets

Total Debt divided by Total Assets.

## Total Value Added

The difference between Revenue (including Other Income) and Expenses, Cost of Materials and services purchased from External Sources.

## Working Capital

Capital required to finance the day-to-day operations (Current Assets minus Current Liabilities).

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 61st Annual General Meeting of the Company will be held on Wednesday, 24 May 2023 at the Sri Lanka Foundation Institute Auditorium, No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 at 10.00 a.m. and the business to be brought before the Meeting will be:

1. To receive and consider the Report of the Board of Directors on the State of Affairs of the Company and the Financial Statements for the year ended 31 December 2022, with the Report of the Auditors' thereon.
2. To re-elect Mr. Cheng Koh Chuen, Bernard, a Director who retires by rotation at the Annual General Meeting in terms of Article 87 of the Articles of Association of the Company.
3. To consider and if thought fit to pass the following Ordinary Resolution pertaining to the re-appointment of Mr. Cheng Chih Kwong, Primus, as a Director who is over 70 years of age, in compliance with Section 211 of the Companies Act No. 7 of 2007 and whose re-appointment has been recommended by the Board of Directors.

## Ordinary Resolution

"That the age limit of 70 years referred to in Section 210 of the Companies Act, No. 7 of 2007 shall not apply to Mr. Cheng Chih Kwong, Primus, a Director, who is 74 years of age (having reached 70 years of age on 30 November 2018) and accordingly that Mr. Cheng Chih Kwong, Primus be and is hereby re-appointed as a Director of the Company in terms of Section 211 of the Companies Act No. 7 of 2007".

4. To consider and if thought fit to pass the following Ordinary Resolution pertaining to the re-appointment of

Mr. Rajanayagam Nalliah Asirwatham as a Director who is over 70 years of age, in compliance with Section 211 of the Companies Act No. 7 of 2007 and whose re-appointment has been recommended by the Board of Directors.

## Ordinary Resolution

"That the age limit of 70 years referred to in Section 210 of the Companies Act, No. 7 of 2007 shall not apply to Mr. Rajanayagam Nalliah Asirwatham, a Director, who is 80 years of age (having reached 70 years of age on 26 August 2012) and accordingly that Mr. Rajanayagam Nalliah Asirwatham be and is hereby re-appointed as a Director of the Company in terms of Section 211 of the Companies Act No. 7 of 2007".

5. To consider and if thought fit to pass the following Ordinary Resolution pertaining to the re-appointment of Dr. Prathap Ramanujam, as a Director who is over 70 years of age, in compliance with Section 211 of the Companies Act No. 7 of 2007 and whose re-appointment has been recommended by the Board of Directors.

## Ordinary Resolution

"That the age limit of 70 years referred to in Section 210 of the Companies Act, No. 7 of 2007 shall not apply to Dr. Prathap Ramanujam, a Director, who is 74 years of age (having reached 70 years of age on 12 December 2018) and accordingly that Dr. Prathap Ramanujam, be and is hereby re-appointed as a Director of the Company in terms of Section 211 of the Companies Act No. 7 of 2007".

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

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

BY ORDER OF THE BOARD

(Sgd.)

**S S P CORPORATE SERVICES (PRIVATE)  
LIMITED**  
SECRETARIES

Colombo 3  
28 April 2023

## Note:

- (a) A shareholder entitled to attend and vote at the above mentioned meeting is entitled to appoint a Proxy to attend and vote instead of him / her. Such Proxy needs not be a member of the Company.
- (b) A Form of Proxy is annexed to this notice.
- (c) The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 15, Rock House Lane, Colombo 15 not later than 48 hours before the time appointed for the holding of the meeting.
- (d) Shareholders / proxy holders are requested to bring with them their National Identity Cards or any other form of clear / valid identification and present same at the time of registration.



# FORM OF PROXY

I/We, .....(NIC No.....) of being a member/s of Three Acre Farms PLC, hereby appoint ..... (NIC No.....) of or failing him

Mr. WICKREMA SENAKA WEERASOORIA	of Colombo of failing him
Mr. CHENG CHIH KWONG, PRIMUS	of Singapore or failing him
Mr. CHAN KONG MENG, LAWRENCE	of Colombo or failing him
Mr. CHENG KOH CHUEN, BERNARD	of Singapore or failing him
Mr. SUNIL LEENIYAGODA	of Colombo or failing him
Dr. PRATHAP RAMANUJAM	of Colombo or failing him
Mr. RAJANAYAGAM NALLAIAH ASIRWATHAM	of Colombo

as my / our Proxy to represent me / us and vote on my / our behalf at the Annual General Meeting of the Company to be held on Wednesday, 24 May 2023 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting and to VOTE as indicated below:

Ordinary business	For	Against
1. To receive and consider the Report of the Board of Directors on the State of Affairs of the Company and the Financial Statements for the year ended 31 December 2022, with the Report of the Auditor's thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Cheng Koh Chuen, Bernard, a Director who retires by rotation at the Annual General Meeting in terms of Article 87 of the Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Mr. Cheng Chih Kwong, Primus, who is over 70 years of age as a Director of the Company by passing the Ordinary Resolution set out in the Notice of Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Mr. Rajanayagam Nalliah Asirwatham, who is over 70 years of age as a Director of the Company by passing the Ordinary Resolution set out in the Notice of Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Dr. Prathap Ramanujam, who is over 70 years of age as a Director of the Company, by passing the Ordinary Resolution set out in the Notice of Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the Directors to determine Contributions to charities and other purposes.	<input type="checkbox"/>	<input type="checkbox"/>

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

Signature: .....

**Note :** Please delete the inappropriate words.

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

## FORM OF PROXY (CONTD.)

### INSTRUCTIONS TO COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, your instructions as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the Proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 15, Rock House Lane, Colombo 15, at least 48 hours before the time appointed for holding of the Meeting.
4. If the Form of proxy is signed by an attorney, the relative power of attorney should accompany the completed Form of proxy for registration, if such power of attorney has not already been registered with the Company.

**Note:**

If the shareholder is a Company or body corporate, Section 138 of the Companies Act No. 7 of 2007 applies to Corporate Shareholders of Three Acre Farms PLC. Section 138 provides for representation of Companies at meetings of other Companies. A Corporation, whether a Company within the meaning of this act or not, may where it is a member of another Corporation, being a Company within the meaning of this Act, by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company. A person authorised as aforesaid shall be entitled to exercise the same power on behalf of the Corporation which it represent as that Corporation could exercise if it were an individual shareholder.

# CORPORATE INFORMATION

## Company Name

Three Acre Farms PLC

## Legal Form

A Public Quoted Company with limited liability, incorporated in Sri Lanka in 1963.

## Company Registration No.

PQ 195

## Holding Company

Ceylon Grain Elevators PLC

## Registered Office

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

Tel : +94 11 2522556 or 8 / 2523580 /

2526378 to 2526383

Fax : +94 11 2524163

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

## Subsidiary Companies

Millennium Multibreeder Farms (Private) Limited

Ceylon Pioneer Poultry Breeders Limited

## Bankers

Hatton National Bank PLC

Nations Trust Bank PLC

National Development Bank PLC

Bank of Ceylon

Seylan Bank PLC

Union Bank of Colombo PLC

Commercial Bank of Ceylon PLC

## Lawyers

Varners Lanka Law office

D.L. & F. De Saram

## Auditors

KPMG, Colombo, Sri Lanka

## Company Secretary

S S P Corporate Services (Private) Limited

No. 101, Inner Flower Road, Colombo 3

## Board of Directors

**Mr. Wickrema Senaka Weerasooria**

*Non-Executive Independent Chairman*

**Mr. Cheng Chih Kwong, Primus**

*Executive Director and Chief*

*Executive Officer*

**Mr. Chan Kong Meng, Lawrence**

*Executive Director and Group*

*General Manager*

**Mr. Cheng Koh Chuen, Bernard**

*Non-Executive Director*

**Mr. Sunil Leeniyagoda**

*Non-Executive Director and*

*Group Treasurer*

**Dr. Prathap Ramanujam**

*Non-Executive Independent Director*

**Mr. R. N. Asirwatham**

*Non-Executive Independent Director*

## Management

**Mr. K. A. R. S. Perera**

*General Manager*

**Mr. Chng Sun Tick**

*AGM (Farms)*

**Mr. Akram Ansar**

*Financial Controller*

**Mr. Jeff-Li Zhen Jie**

*AGM (Technical)*

**Mr. Lalith Abeywardena**

*AGM (Sales)*

**Mr. Sumith Peiris**

*AGM (Material Management)*

**Mr. Neil Jayaweera**

*AGM (Processing)*

This Annual Report is conceptualised, designed and produced by Redworks.



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

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

