

SETTING THE BENCHMARK

LANKA MILK FOODS (CWE) PLC | ANNUAL REPORT 2021/22



The Cover Story

This cover features a milking cow of the European breed Ayrshire, reared at the Ambewela Dairy Farms amid a subtropical cool and misty climate, with fresh air, and clean water. Always fed with scientific feed rations including "Alfalfa" imported from Spain and "Rye Grass" from our own lush green fields. We continue to maintain the highest standards for our cows to ensure their health, well-being, and productivity.

We have consistently improved and upgraded the quality of our herd by meticulously selecting the best semen from pedigreed bulls from Europe, resulting in the exceptional size and weight of our cows and the amount of milk they produce exponentially.

When we took over the farms in the year 2001 the average weight of a cow was only 450kg. Today, their average weight stands at approximately 650kg and the quantity of milk produced has also increased from 9 litres to 30 litres per cow, per day. The total production of milk increased from 3000 to 35,000 litres per day.

These exceptional animals such as the one pictured on the cover page regularly produce over 50 litres of milk per day.

Together, these efforts ensure that the highest standards in dairy products, beginning from the source itself, are maintained from the udder to the consumer.

This Ayrshire cow produces an average of 50Lts milk per day.



One of the reasons why
Ambewela fresh milk is always
your best choice.

(Read overleaf)





This annual report is also available on our website
<https://www.lmfgroup.lk/reports/>

Let's stay connected
Ambewela
Daily



SETTING THE **BENCHMARK**

Having nourished the nation for more than half a century with our exceptional dairy products, we have had a positive effect for generations making sure that every family has the best possible experience with our products. The best value from our farms to your home bring our locally based flagship brands to you.

We continue to expand and grow, making Lanka Milk Foods a recognised and revered household name. This creates extra value for every stakeholder as we continue our mission to deliver the best taste and the most trusted quality. Our passion for what we do which has worked for us for more than 5 decades speaks for itself, thereby setting a benchmark.

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VISION, MISSION, ABOUT THIS REPORT

OUR VISION

To become the most desired entity and leader in the Sri Lankan dairy industry

OUR MISSION

Provide high-quality dairy products to all, with a focus on safety and nutrition

ABOUT US

Lanka Milk Foods (CWE) PLC is a corporation of six companies involved in importing, packing, producing, marketing, and distributing some of Sri Lanka's best-known dairy and beverage brands. Lakspray, the company's flagship brand in Sri Lanka, is a household name that has sustained generations of Sri Lankans for more than 50 years. The company produces the brands Ambewela, Daily and My Juicee, and owns two of Sri Lanka's largest dairy farms, namely the Ambewela Farm and Pattipola Farm, in addition to offering advanced manufacturing and packaging facilities. The company also engages in marketing Red Bull energy drinks, Happy Cow cheese and Dano milk powder, in addition to its own brands.

ABOUT THIS REPORT

We are committed to the principles of Integrated Reporting and aim to improve our ability to provide readers with a fair and concise assessment of how we create and distribute value to our stakeholders over time.

In addition to the relevant financial reporting standards, statutory requirements and sustainability reporting guidelines, the Annual Report aims to fulfil the information requirements and expectations of our stakeholders, providing a transparent overview of our overall performance during the period spanning 01st April 2021 to 31st March 2022.

Reporting Scope and Boundary

This Annual Report and Financial Statements of Lanka Milk Foods (CWE) PLC ("Lanka Milk Foods" or "Company") and its subsidiaries, Lanka Dairies (Pvt) Ltd, Ambewela Products (Pvt) Ltd, Pattipola Livestock Company Limited, Ambewela Livestock Company Limited, United Dairies Lanka (Pvt) Ltd and Indo Lanka Exports (Pvt) Ltd (collectively referred to as "Group") present the performance for the financial year ending 31st March 2022.

The financial and non-financial information presented in the narrative report represents all entities, unless otherwise stated. There have been no significant changes to the organisation or its supply chain compared to the previous year.

Reporting Standards and Principles

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by CA Sri Lanka (Sri Lanka Financial Reporting Standards) and are in compliance with the requirements of the Companies Act No. 7 of 2007 and the Listing Requirements of the Colombo Stock Exchange and subsequent revisions to date.

Assurance

We adopt various assurance mechanisms and voluntary accreditations to ensure the transparency and reliability of our information. Messrs. KPMG Chartered Accountants audited the Financial Statements while Messrs. KPMG also provided assurance on sustainability reporting.

Feedback

We remain committed to continuously enhancing the quality and readability of our Annual Report and welcome your suggestions and comments.

Kindly address your feedback to,
Chief Financial Officer,
Lanka Milk Foods (CWE) PLC,
579/1, Welisara,
Ragama
Email - finance@lmfgroup.lk

GROUP STRUCTURE

LANKA MILK FOODS (CWE) PLC

Year of establishment - 1981

Quoted year in Colombo Stock Exchange - 1983

Business Activity – Packing and distributing whole milk powder and skimmed milk powder, importing and distributing energy drinks in local market

Brands – LAKSPRAY, BLU, DANO



100%

100%

100%

100%

100%

Lanka Dairies (Pvt) Limited



Ambewela Products (Pvt) Limited



Ambewela Livestock Company Limited



Pattipola Livestock Company Limited



United Dairies Lanka (Pvt) Limited



Year of establishment
- 1996

Business Activity
Processing, packing and distributing Ultra Heat Temperature (UHT) treated packs of full cream liquid milk, non-fat liquid milk, flavoured milk, yoghurt drink and fruit drinks

Brands
AMBEWELA, DAILY, DAILY ACTIV, MYJUICEE, KIDDOS

Year of establishment
- 2006

Business Activity
Manufacturing and distributing set yoghurt, flavoured milk pouch packs, variety of cheeses including blocks and slices of Gouda, Edam, processed cheese, cheese spread

Brands
AMBEWELA

Year of establishment
- 2001

Business Activity
Rearing cattle to Supply pure cow's milk exclusively to Group Companies

Year of establishment
- 2001

Business Activity
Rearing cattle to Supply pure cow's milk exclusively to Group Companies, manufacturing Ambewela Cheese – Edam, Gouda, Parmesan and offering farm excursions to domestic and foreign tourists. Rearing goats to manufacture goat milk

Brands
AMBEWELA

Year of establishment
- 2018

Business Activity
Rearing cattle to Supply pure cow's milk exclusively to Group Companies

Commenced operations from April 2022.

*INDO LANKA (PVT) LTD (Year of establishment - 2010)- Not in operation

OUR RANGE OF PRODUCTS



LAKSPRAY

For more than five decades, the creamy milk flavour of Lakspray has brought happiness to the lives of many Sri Lankans. Thanks to its high content of beneficial milk proteins, vitamins, and minerals, Lakspray is ideal for the health of both adults and children. We provide it in multiple package sizes ranging from 50g to 1kg to accommodate the varying needs of our many customers.



AMBEWELA DAIRY RANGE

The Ambewela brand and its associated products, which are rich in dairy goodness, have been established as a reliable source of dairy nutrition in Sri Lankan households. Sourced from some of the most luscious pasturelands in Sri Lanka's greenest hills, the creamy milk produced by Ambewela maintains its freshness and quality throughout the whole production process, from grass to udders to packaging and beyond. Ambewela farms are a prestigious dairy farming complex in Sri Lanka that uses cutting-edge farming methods, always upholding its brand promise by offering its customers the healthiest and highest-quality dairy products.

To satisfy the expectations of today's liquid milk consumers, Ambewela Full Cream Milk and Ambewela Non-Fat Milk are UHT processed and aseptically packaged in a Tetra Brik Aseptic pack with a cap. These milk packs are available in 200ml and one-litre versions.



AMBEWELA SET YOGHURT AND AMBEWELA NON-FAT YOGHURT

Ambewela Set Yogurt was first made available in 2009 by Ambewela Products (Pvt) Ltd. It is an 80ml cup renowned for its excellent flavour, tranquil colour, delicate texture and nutritional content.

To meet the needs of the health-conscious consumer, a healthier, non-fat variation of Ambewela yoghurt was introduced in the year 2021. This sugar-free product is manufactured using non-fat milk produced at our very own farms.



UHT FLAVOURED MILK PACK

In 150ml pouch packs, Ambewela UHT flavoured milk is offered in chocolate and vanilla flavours. Additionally, it is a creation of Ambewela Products (Pvt) Ltd.



AMBEWELA DRINKING YOGHURT

In February 2016, Lanka Dairies (Pvt) Ltd unveiled the 180ml Ambewela yoghurt beverage in vanilla flavour. The product does not include any preservatives and has a four-month shelf life without refrigeration.

We offer three flavours within our range of drinking yoghurt, namely strawberry, mango-peach, and vanilla, which are produced by Ambewela Products (Pvt) Ltd.



AMBEWELA FLAVOURED MILK

Ambewela Flavoured Milk is a product of Lanka Dairies (Pvt) Limited. It is available in one-litre and 180ml packs of chocolate and vanilla flavours.



AMBEWELA KIDDOS

Ambewela Kiddos is a 160ml flavoured milk pack, tailor-made to suit the palate of Sri Lankan kids, supplemented with essential vitamins and minerals required for their growing age. Kiddos is a convenient and nutritious way for parents to provide their kids with the daily nutritional needs they require, at a reasonable and competitive price.



AMBEWELA GOAT MILK

Ambewela Goat Milk is a 190ml bottle of sterilised, ready-to-drink goat milk made using milk from healthy goats raised at our New Zealand farm in Pattipola.

OUR RANGE OF PRODUCTS



AMBEWELA CHEESE

To meet the diverse needs of our customers, including those in the hospitality sector, Ambewela Farms produces four different types of cheese.

The cheese made by New Zealand Farm in Pattipola is produced in a more conventional manner and the product is generally categorised as cottage cheese. We provide Edam, Gouda and Parmesan cheese in ball, block, grated and shredded versions, as well as plain cheese and flavoured cheese such as pepper, cumin, chili and garlic.

Ambewela Products (Pvt) Ltd produces cheeses for the European palate, catering to the hospitality sector rather than the domestic market. The varieties manufactured include Edam and Gouda cheese blocks and slices and a 100ml Ambewela Spread Cheese cup.



AMBEWELA BUTTER

Since December 2014, Ambewela Butter 200g packs have been produced at our dairy facility in Ambewela and are sold in all supermarkets island-wide.



DAILY

At the dairy facility owned and operated by Lanka Dairies (Pvt) Ltd in Welisara, premium milk from Ambewela farms is used every day to produce UHT-treated flavour milk. It was the first dairy product to be packaged in Tetra Pak in Sri Lanka using aseptic and UHT procedures.

The product is shelf-stable for six months under ambient temperatures, and is free of artificial additives or preservatives. Daily is available in 180ml packs of vanilla, chocolate, strawberry, banana, iced coffee and faluda flavours. The faluda variant comes in a one litre take-home pack. The Daily range is exported to the Maldives and is largely popular among the Maldivian youth.



DAILY ACTIV

Daily Activ is a UHT treated malt chocolate food drink available in a 180ml milk pack, filled with natural goodness and quality milk associated with our farms. With the right combination of taste and nutritional value, it has become a key player in the Lanka Dairies (Pvt) Ltd range of products. Activ is most popular among the youth and is primarily associated with their activities and aspirations. It is also exported to the Maldivian market and has won the hearts and minds of young Maldivian consumers.



MY JUICEE FRUIT DRINK

My Juicee is a ready-to-drink fruit drink filled with our daily dietary requirements of vitamin C. It is produced and aseptically packed at Lanka Dairies' Welisara factory under extreme hygienic conditions and is available in apple, mango, mixed fruit and orange variants. In keeping with international quality standards, it is processed using premium quality fruit pulps and concentrates sourced locally and internationally. My Juicee is available in pack sizes of 180ml to consume while on the move, and is also available as a one litre take-home family pack.



DANO FULL CREAM MILK POWDER

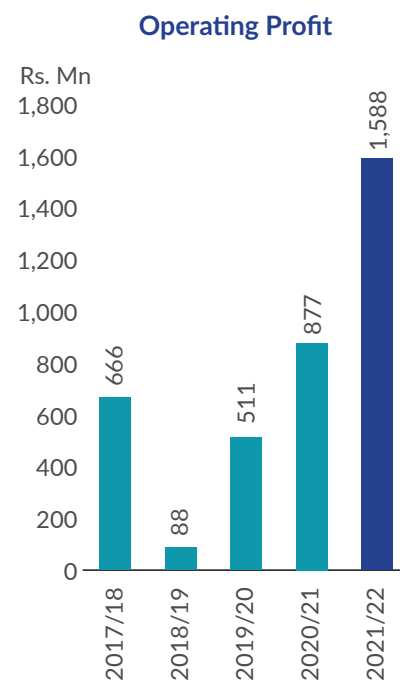
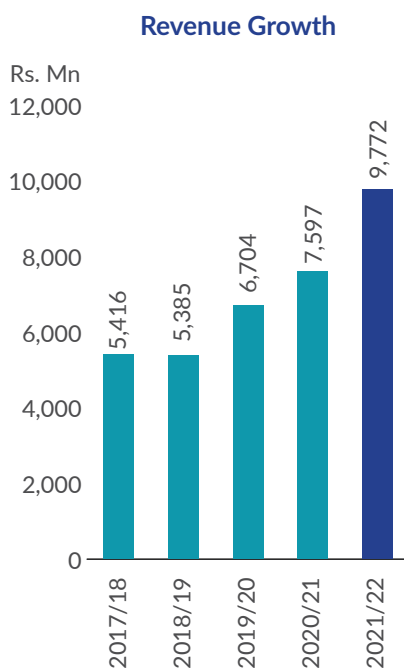
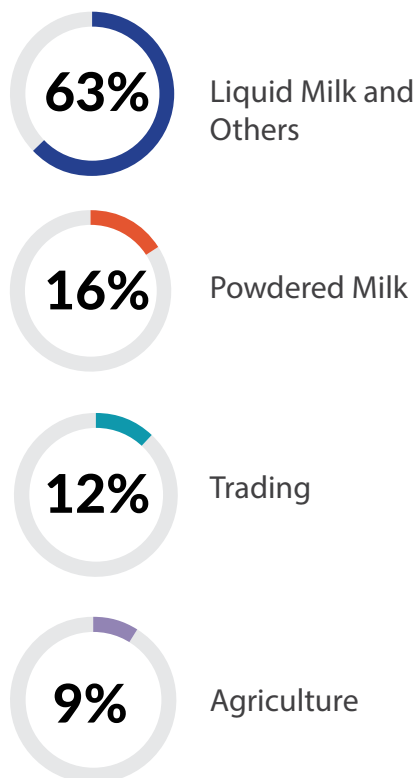
Dano Full Cream is the choice for those who value milk and want to get all its advantages!

Dano Full Cream Milk is creamy and full of vital nutrients that keep consumers strong and healthy. It is a product of Arla Foods, Denmark. This milk powder carries an exquisite rich milky flavour, and can be used for cooking, baking, and making milk, tea and coffee.

The LMF Group introduced Dano Full Cream Milk Powder to the Sri Lankan market in February 2022.

FINANCIAL HIGHLIGHTS

For the year ended 31st March		Group			Company		
		2022	2021	Change %	2022	2021	Change %
OPERATIONS							
Revenue	Rs. '000	9,771,539	7,597,192	28.62	3,423,954	3,101,450	10.40
Gross Profit	Rs. '000	1,460,207	1,077,218	35.55	170,947	120,289	42.11
Profit from Operations	Rs. '000	1,588,204	876,765	81.14	861,397	269,598	219.51
Profit/(Loss) Before Tax	Rs. '000	1,097,589	833,946	31.61	463,618	307,486	50.78
Profit/(Loss) for the Year	Rs. '000	1,064,503	841,764	26.46	466,879	293,050	59.32
Profit/(Loss) Attributable to Equity Holders	Rs. '000	1,065,100	841,842	26.52	466,879	293,050	59.32
Revenue per Employee	Rs. '000	13,187	10,103	30.53	14,632	10,373	41.06
FINANCIAL POSITION							
Non-Current Assets	Rs. '000	12,949,084	12,043,575	7.52	8,054,562	8,797,230	(8.44)
Current Assets	Rs. '000	3,784,590	2,457,575	54.00	3,188,130	1,895,777	68.17
Total Assets	Rs. '000	16,733,674	14,501,150	15.40	11,242,692	10,693,007	5.14
Total Equity	Rs. '000	11,433,332	11,265,999	1.49	9,598,677	10,034,770	(4.35)
Non-Current Liabilities	Rs. '000	2,301,900	1,799,149	27.94	69,797	86,459	(19.27)
Current Liabilities	Rs. '000	2,998,442	1,436,002	108.80	1,574,218	571,778	175.32
Net Assets Attributable to Equity Holders	Rs. '000	11,433,567	11,265,637	1.49	9,598,677	10,034,770	(4.35)
RATIOS							
Earning per Share	Rs.	26.63	21.05	26.51	11.67	7.33	59.21
Dividend per Share	Rs.	7.50	5.00	50.00	7.50	5.00	50.00
Dividend Cover	(Times)	3.55	4.21	(15.68)	1.56	1.47	6.12
Dividend payout Ratio	%	28.17	23.75	18.61	64.27	68.21	(5.78)
Interest Cover	(Times)	20.05	8.56	134.23	165.02	14.83	1,012.74
Net Assets per Share	Rs.	360.86	281.66	28.12	239.98	250.88	(4.34)
Market Value per Share	Rs.	132.75	150.25	(11.65)	132.75	150.25	(11.65)
Price Earning Ratio	(Times)	4.98	7.14	(30.25)	11.37	20.50	(44.54)
Debt/Equity	%	46.36	28.72	61.42	17.13	6.56	161.13
Return on Equity	%	7.38	7.47	(1.20)	4.87	2.92	66.78
Return on Total Assets	%	6.37	5.80	9.83	4.16	2.74	51.82
Gross Profit Ratio	%	14.95	14.18	5.43	5.00	3.88	28.87
Net Profit/(Loss) Ratio	%	10.90	11.08	(1.62)	13.64	9.45	44.34
Current Ratio	(Times)	1.26	1.71	(26.32)	2.02	3.32	(39.17)
Liquid Ratio	(Times)	0.77	0.87	(11.49)	1.77	2.55	(30.59)



“We are proud to have earned a reputation as a prestigious and reliable company that provides the nation with nutritional products that are produced in a sustainable manner”

741
Employees

Rs. **9,772** Mn
Group revenue

Rs. **1,743** Mn
Capital expenditure





LEADERSHIP

We dedicate ourselves to continuous improvement and excellent service, thereby making our brands the most sought-after in the country.



CHAIRMAN'S MESSAGE



Our commitment to serving the needs of our stakeholders first remains as strong as ever. We have kept this principle as the guideline for our forward-thinking approach while exploring means of strategic growth, quality enhancement, and self-sufficiency in milk production.

Dear valued stakeholder,

I am delighted to present an integrated perspective of the LMF Group's performance, and the audited results for the financial year 2021/22. Our performance during the period under review was unprecedented, as the Group achieved its highest profitability and revenue to date. This annual report elaborates on the Group's future plans and describes the strategies, activities and structures that led to these achievements during the reporting period 2021/22, amidst turbulent times.

Operating Environment

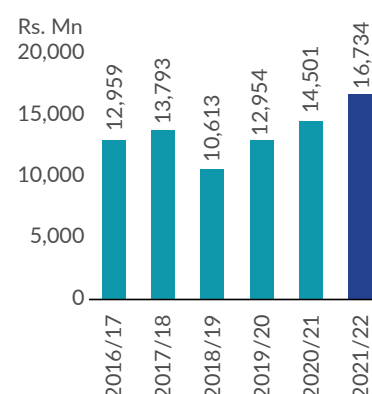
Despite the high level of social development in Sri Lanka, and the advantages stemming from our geographical positioning in global trade routes and access to natural resources, the country has not been able to make significant progress in the world economically. As a nation, we need governance structures that make accountability the norm, not the exception. Public accountability must be strengthened with private-sector-style frameworks for due diligence. Failure to follow these frameworks is costing us economic stability, progress and institutional resilience. Accountability and understanding the responsibilities of authorities in power need to benefit the country.

For sustainable growth and prosperity, policy implementation should follow expert analysis and stakeholder engagement. To revive the economy, we must resolve the foreign exchange crisis immediately. Import controls and foreign exchange restrictions that affect domestic companies should be eased to reduce deficits. Uninterrupted business operations require basic infrastructure and utilities such as energy and fuel. These issues need to be addressed to minimise the negative effects on domestic production and the country's output.

Dairy Industry

This industry has great potential. However, currently, not even half of Sri Lanka's total milk requirement is met by local milk production. Upgrading the dairy industry as well as guaranteeing the availability of high-quality feed at affordable prices, establishing a cost-reflective price mechanism for milk and milk products, and increasing the productivity of existing herds could greatly facilitate fulfilment of the domestic demand for milk and milk products.

Total Assets



At present, the cost of cattle feed concentrates has increased significantly, with considerable difficulties faced in locally-sourcing the necessary feed. Domestic maize production is still insufficient to meet the total demand, causing difficulties in obtaining required feed and forcing dairy farmers and feed producers to accept high-cost substitutes. Therefore, ensuring the long-term viability of the dairy sector and addressing any temporary supply shortages requires continued support and prompt intervention to enhance domestic maize cultivation and the introduction of technology to increase productivity.

Rs. 299.99 Mn
Dividend payout

Rs. 11,433 Mn
Shareholder Funds

CHAIRMAN'S MESSAGE

Group Performance

Lanka Milk Foods Group has strengthened its position as the leader in the Sri Lankan dairy industry, as evidenced by our continuous growth, which saw us achieve our highest revenue ever, with a turnover of Rs. 9.8 billion for the year ending 31st March 2022, an increase of Rs. 2,174 million over the previous financial year.

Despite the challenges we faced during the period, Lanka Milk Foods Group recorded its highest gross profit of Rs. 1,460 million, an impressive increase compared to the previous year's performance. In addition, we achieved our highest profit after tax (PAT) for the financial year, with a result of Rs. 1,065 million.

Our Success Story

Lanka Milk Foods (CWE) PLC Group has evolved from being a repacker of imported milk powder into the largest producer of the finest fresh milk and other dairy products in Sri Lanka. This has allowed us to create a business that has the potential to thrive and provide our people with high quality dairy products. We are proud to have earned a reputation as a prestigious and reliable company that provides the nation with nutritional products produced in a sustainable manner.

Meeting international standards, our milk is among the purest in the country and our pristine dairy farms are the foundation of our success, with the highest average milk production in the country. Our Ambewela natural cheeses have taken the market by storm, and they are manufactured and processed to international standards using the highest quality milk from our farms. In terms of quality and goodness, our Ambewela fresh milk and yoghurt hold the highest market share, and these are the Group's most popular products.

Our range of Daily and Ambewela flavoured and fresh milk products have expanded beyond our borders to achieve international recognition and are now household names in the Maldives. Furthermore, we have increased our market share in Sri Lanka through our ready-to-drink products. MyJuicee is currently one of the leading local fruit juice brands in the market, offering the best in quality and value.

The Lanka Milk Foods Group introduced Dano Full Cream Milk Powder to the Sri Lankan market in February 2022. This creamy product of Arla Foods, Denmark is fortified with vital nutrients making it a preferred and healthy option for our consumers. As a versatile product with an exceptional flavour, it can be easily used in cooking, baking, and as a beverage. We are excited about this new addition to our portfolio, which will undoubtedly enhance the overall value of our customer proposition, while driving greater shareholder value in the years ahead.

Our commitment towards self-sufficiency in milk production

At Lanka Milk Foods Group, we are committed to expanding our capacity to produce fresh milk in-house. We will continue to explore opportunities to meet the rising demand for fresh milk compared to powdered milk. The milk from our farms adhere to the highest quality standards making it competitive among regional and global giants. With the growing demand, we understand that our current capacity to produce fresh milk is inadequate and we are working to address this issue.

Therefore, United Diaries Lanka (Pvt) Ltd aims to increase the herd size and improve the quality and quantity of milk produced on our farms to meet the demands of modern consumers. The new Ambewela state-of-the-art cow facility commenced operations in April 2022 and the Pattipola

Rs. **16,734**Mn

Total Assets

cow facility will start operations in October 2022. These facilities will house two thousand cattle in state-of-the-art conditions for the wellbeing of the cows and extended life span of the cows. Currently, we have successfully completed and started the operations of one milking parlour, and the other is soon to be ready for operations.

These state-of-the-art digitally controlled milking parlours and the climate-controlled cow facilities are the highlights of this facility. These parlours can track individual cows and their milk production, as well as divert sick cows from the milking line in the event of mastitis, premature lactation, etc. Through a series of processes, liquid from slurry is removed, leaving behind the dry matter that can be used as bio-fertilizer in a farm's grass field. All collected rainwater is recycled on-site, ensuring no wasteful runoff. For this new farm, we intend to use only the highest-quality animal breeds for milk production.

In an effort to conserve foreign currency, authorities have restricted milk powder imports. Through the implementation of this project, the highest quality fresh milk produced in Sri Lanka can be used to replace imported milk powder. As a result, this will generate good returns for shareholders while also generating foreign exchange, creating job opportunities and ensuring nourishment for our people.

Outlook

Our commitment to serving the needs of our stakeholders first remains as strong as ever. We have kept this principle as the guideline for our forward-thinking approach while exploring means of strategic growth, quality enhancement, and self-sufficiency in milk production.

Sustaining our record of success in continuous value delivery is a top priority as we work to mitigate the effects of the current economic situation. This means making sure we have the appropriate safeguards in place to deal with any potential problems that may arise. Furthermore, we will stick to our tried-and-true high standards of hygiene and safety, always putting the well-being of our employees and customers first.

Dividend to Shareholders

This financial year the dividends payout to shareholders is Rs. 7.50, an increase of 50% over last year.

Appreciations

I want to express my deepest gratitude to everyone at Lanka Milk Foods, from the Board of Directors, Group CEO, Executive Team, Sales Team to the Farm Management and all other members of staff who worked tirelessly to help us succeed in this financial year. Their unwavering resolve and dedication keep us going, and I would like to thank them for their dedication and hard work, both of which were crucial to our outstanding performance this year. I wish to extend a special thanks to Head of Dairy, Jacques Du Plessis for his wise counsel and great efforts.

I also want to express my gratitude to our many valuable stakeholders, for your unwavering support and confidence in us. Your steadfast support ensures our resilience in the face of adversity. In the year ahead, we hope to continue making strides as a Group.

All our efforts would be in vain if it were not for our devoted customers. We put our customers first in everything we do, and we appreciate their unwavering loyalty and enthusiasm. We are excited to continue working with you in the future and are committed to providing the finest products manufactured to the highest hygienic standards.



D H S Jayawardena
Chairman

26th August 2022

GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE



The LMF Group possesses the infrastructure, personnel, and competences required to propel Sri Lanka's dairy business to new heights. Today, as we confront an uncertain future, we are prepared to meet it by providing uncompromised quality, hygiene, and nutrition through a full-fledged variety of products adapted for the times.

The year under review was full of challenges to the business world and Sri Lanka as a nation. The aftermath of COVID-19 and the country's economic situation created a turbulent environment all around. Weakened foreign reserves of the country paved the way to an exchange rate crisis with the limitations in sourcing certain input material and posed a new threat to operations. However, I take delight in announcing that LMF Group has achieved its revenue goals recording a turnover of Rs. 9.8 billion for the year ended 31st March 2022, a hearty growth of 29% compared to the previous year.

Furthermore, the Group recorded a Profit After Tax (PAT) of Rs. 1065 million for the financial year, a growth of 26% compared to last year.

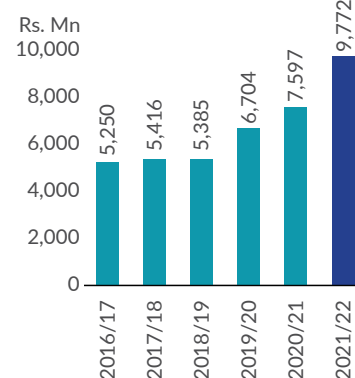
We are on a steady path as the most loved dairy company of Sri Lanka delivering our best to our customers and all stakeholders.

Business Outlook

The global spread of the COVID-19 epidemic continued to challenge businesses, livelihoods and economies alike. We at Lanka Milk Foods are committed to maintaining steady operations and maximizing shareholder value, even in the face of adversity. To that end, we have relied on our foresight, strategic planning, collaborative efforts, and years of experience in the business to keep supplying our loyal customers with unmatched quality and healthy food. Through it all, we made sure that the health, safety, and wellbeing of our staff was our top priority.

The company produced and sold approximately 24 million litres of fresh milk and milk-related products last year, bringing us closer to our goal of achieving national self-sufficiency in milk production. The sales team's consistent efforts paid off handsomely for the Group as a whole, thanks to well-thought-out initiatives that led to increased numeric and weighted distribution.

Revenue



In spite of the hurdles created by the pandemic and the lockdown of trade activity, our brands "Ambewela" and "Daily," the pioneer dairy brands of Sri Lanka, portrayed an amazing performance during the year.

The leading producer of Ambewela Yoghurt, Cheese, and Butter, Ambewela Products (Pvt) Ltd, also achieved higher volume and revenue growth over the previous year despite the distribution hindrances caused by the fuel restrictions in the country. These results are a major factor in the Group's outstanding reporting period.

The Shift in Demand

Admittedly, import restrictions during the economic crisis continued to be a problem for the country's powdered milk market. Many businesses saw very little increase in profits because of the shortage and the high cost of importing goods to make up for it. Powdered milk volume declined for the Group, but with the help of the newly introduced Brand DANO and other trading, we managed to add additional revenue of Rs. 1,695 million to the Group.

Since last year's review, I've observed a continuing downward trend in the demand for FCMP (Full Cream Milk Powder) because of the growing popularity of liquid milk among consumers and also the continuous increase of the retail's prices

+29%

Revenue growth

Rs. **9,772** Mn
Revenue

GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

of FCMP which reduces the affordability. The current low levels of liquid milk production in Sri Lanka are taming and delaying the shift. Also, Liquid milk prices have increased as a result of the current high cost of animal feed and packaging material.

Our Farms

Our three Ambewela farms generated almost 10.4 million litres of milk during the year, and with the addition of the new farm we look forward to greater levels of milk production in the coming years. The farms were not able to break even in terms of profits, given the ever-high cost of feed and that increased the cost of producing raw milk and cattle maintenance significantly. We took meticulous measures in managing our herds, which ensured that nutrition and pregnancies met worldwide standards and we continued to cultivate our own crops to mitigate the negative impact incurred by high feed costs.

The three dairy farms in Ambewela and Pattipola provide great care for our herd, which is fed only the finest quality cattle feed to ensure it remains in peak condition. We have committed our top dairy professionals to this effort, and our devoted staff ensures that our cows enjoy the highest standards of animal welfare and that the farm runs smoothly. There are currently approximately 4000 animals residing on our farms.

Creating Lasting Value

Our new dairy farm's initial construction phase is now complete, and we've started up operations in the United Dairy's Ambewela section. With the launch of our new farm expansion project, we will be able to take significant steps toward our goal of replacing the country's current supply of imported milk powder with the

Rs. **1,065** Mn
Profit after tax

highest quality fresh milk possible, thereby reducing our reliance on foreign currency, improving the health of our citizens, and maximizing profits for our investors. Completion of the project is expected this year, with an additional 5 million litres of milk will be added by the end of 2022. With BOI approval, this project is one of the largest investments in Sri Lanka's history to grow the country's dairy sector. Sri Lankans have much to be proud of once this project is finished.

Future Outlook

The Ambewela brand performed magnificently during this year with a volume increase of more than 30% reported over the year. We will continue to innovate and invest in the launch of new products under this well-known brand.

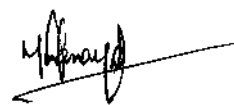
'Daily,' a reliable brand with a dedicated customer base, is growing, and we have long-term plans and strategies in place to convert it into a far more influential, major addition to the Group's portfolio.

The LMF Group possesses the infrastructure, personnel, and competences required to propel Sri Lanka's dairy business to new heights. Today, as we confront an uncertain future, we are prepared to meet it by providing uncompromised quality, hygiene, and nutrition through a full-fledged variety of products adapted for the times.

Acknowledgements

I place on record my sincere appreciation to the Chairman and Board of Directors for their guidance and encouragement. Today, our success is possible because of their visionary leadership to accomplish great outcomes in the dairy industry. I am grateful to the senior management team and all staff members for their dedication and hard work during these challenging times. Our suppliers and strategic partners are crucial for smooth operations and I thank each and every one for the support extended.

Finally, I would like to express my gratitude towards our loyal customers who are at the heart of our business. I am convinced that we are able to offer greater results to all of our stakeholders in the years ahead.



Thank you

Manjula Dahanayake

26th August 2022

BOARD OF DIRECTORS

WE REMAIN CONFIDENT

IN OUR INHERENT
STRENGTHS & RESILIENCE.



BOARD OF DIRECTORS

01

Mr. D. H. S. Jayawardena

Executive Chairman

Mr. Harry Jayawardena was elected Chairman of Lanka Milk Foods (CWE) PLC in October 2008 after serving as the Managing Director for nearly 17 years. He is one of the most successful and renowned entrepreneurs in Sri Lanka who steers many successful enterprises in diversified business arenas.

He is the Founder Director and current Chairman/Managing Director of the Stassen Group of Companies – a diversified group in export and import trade. He is also the Chairman of Aitken Spence PLC, Browns Beach Hotels PLC, Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Managements Asia (Pvt) Ltd., Negombo Beach Resorts (Pvt) Ltd., Lanka Power Projects (Pvt) Ltd., Milford Holdings (Pvt) Ltd., Milford Developers (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., C B D Exports (Pvt) Ltd., Timpex (Pvt) Ltd., Texpro Industries Ltd., Melstacorp PLC, and its subsidiaries Distilleries Company of Sri Lanka PLC., Periceyl (Pvt) Ltd., Balangoda Plantations PLC., Lanka Bell Ltd., Bell Solutions (Pvt) Ltd., Melsta Health (Pvt) Ltd., Madulsima Plantations PLC., Lanka Dairies (Pvt) Ltd, Ambewela Livestock Company Ltd, Pattipola Livestock Company Ltd., Ambewela Products (Pvt) Ltd, Indo Lanka Exports (Pvt) Ltd., United Dairies Lanka (Pvt) Ltd., Bogo Power (Pvt) Ltd., and Bellactive (Pvt) Ltd.

He is the Managing Director of Stassen Real Estate Developers (Pvt) Ltd., and serves as a Director on the Boards of Melsta Gama (Pvt) Ltd, Hospital Management Melsta (Pvt) Ltd and DCSL Brewery (Pvt) Ltd., and Aitken Spence Aviation (Private) Limited.

He is the Honorary Consul General for Denmark in Sri Lanka and the only Sri Lankan to be honoured with the prestigious “Knight Cross of Dannebrog” by Her Majesty Queen Margrethe II of Denmark, for his significant contribution to the Danish arts, sciences and business life.

Mr. Jayawardena was awarded the title, “Deshamanya” in recognition of his service to the motherland in year 2005.

02

Mr. C. R. Jansz

Executive Director

Mr. Jansz is a Director of the Stassen Group, Melstacorp Group, Lanka Milk Foods Group and Distilleries Company of Sri Lanka PLC. He is the Chairman of Melsta Hospitals Ragama (Pvt) Ltd. and Melsta Hospitals Colombo North (Pvt) Ltd.

He has been the Chairman of DFCC Bank PLC. and the Sri Lanka Shippers Council.

Mr. Jansz holds a Diploma in Banking and Finance from the London Metropolitan University – UK. He is a Chevening Scholar and a UN-ESCAP Certified Training Manager on Maritime Transport for Shippers.

Mr. Jansz specializes in the movement and finance of international trade and has many years practical experience in these fields.

03

Ms. D. S. T. Jayawardena

Executive Director

Ms. Stasshani Jayawardena was appointed to the Board of Lanka Milk Foods (CWE) on 19th August 2019.

She marks several milestones for Aitken Spence PLC, Aitken Spence Hotel Holdings PLC and Browns Beach Hotels PLC as the youngest board member and

as the first female member on the board. Jayawardena heads the tourism sector of Aitken Spence PLC inclusive of hotels, destination management and overseas travel.

With a career spanning over 10 years at Aitken Spence, she wields a fresh perspective in management and leads strategic business units across the Group. She leads several key strategic teams as the Chairperson of Aitken Spence Hotel Managements (Pvt) and Splendor Media Ltd.; as a member on the Board of Directors of Aitken Spence PLC, Aitken Spence Hotel Holdings PLC, Stassen Group, Aitken Spence Aviation (Pvt) Ltd, Western Power Company (Pvt) Ltd and other companies.

A graduate of St. James' & Lucie Clayton College and Keele University in the United Kingdom, Jayawardena made waves from a young age. She was the youngest intern to work under US Senator Hilary Rodham Clinton and the Former US President Bill Clinton in 2003; and was appointed as the Sri Lankan Ambassador for EY NextGen Club from 2017 to 2019.

She is a member of the PWC NextGen Advisory Board since 2020, the Executive Board of The Hotel Association of Sri Lanka (THASL) and was appointed to represent THASL at the Ceylon Chamber of Commerce Committee meetings since 2019 (Hotel sector). She was appointed as a Council Member of the EFC and as Chairperson of the EFC Hotels and Tourism Employers Group for the Financial Year 2020/2021. She is also the Executive Committee Member for the year 2020/21 at the International Chamber of Commerce in Sri Lanka.

Ms. Jayawardena represents the Company as the Ambassador from Aitken Spence PLC at the Target Gender Equality initiative of the UN Global Compact since 2020. She is also a member of the Austrian Business Circle in Sri Lanka.

In recognition of her work and commitment to inspire, she was recognized at Top 50 Professional & Career Women Awards in Sri Lanka with a Gold award in the Hotel & Hospitality Sector in 2017, and in 2020 by Sri Lankan business magazine, Echelon, listing her among the most innovative and influential young leaders who have succeeded in business and shaping the future of Sri Lanka.

At present she leads a team of international professionals in strengthening the service foundations and formulating the strategic road map for the tourism sector of the Group. Her passion remains in designing the next generation of business with the core values of integrity, sustainability, empowerment and equal opportunities with the use of data driven technology.

04

Mr. D. S. K. Amarasekera
Independent Non-Executive Director

On May 1st, 2008, Mr. Kamantha Amarasekera was appointed to the Lanka Milk Foods Board as an Independent Director. In addition to being an Attorney-at-Law for the Sri Lankan Supreme Court, Mr. Amarasekera is a member of the Institute of Chartered Accountants of Sri Lanka. He also holds a Business Administration degree from the University of Sri Jayawardenapura. He commenced his career in 1998.

Mr. Amarasekera is an eminent Tax Consultant and the Senior Tax and Legal Partner of M/s. Amarasekera & Company, a leading tax consultancy firm in the country.

Mr. Amarasekera is also a Director to the Boards of United Dairies Lanka (Private) Limited, Balangoda Plantation PLC., Madulsima Plantations PLC., Kelani Tyres PLC., Eden Hotel Lanka PLC., Palm Garden Hotels PLC., Ceylon Hotels Corporation PLC, and Agstar PLC. Serendib Hotels PLC, Dolphin Hotels PLC, Hotel Sigiriya

PLC, Hapugastenne Plantations PLC, Udupussellawa Plantations PLC and several other subsidiaries of Browns Investments Group.

05

Dr. A. Shakthevale
Independent Non-Executive Director

Dr. Shakthevale was appointed to the Board of Lanka Milk Foods (CWE) PLC as an Independent Director on 01st May 2008. He is also a Director on the Boards of United Dairies Lanka (Pvt) Limited, Madulsima Plantations PLC and Balangoda Plantations PLC as well.

Dr. Shakthevale is a Veterinarian cum Agricultural Economist with nearly 45 years of consulting, agricultural planning, project implementation, monitoring, and policy formulation experience. He has served in various positions in the development, monitoring and administration of numerous agricultural sectors. He has experience working in the public (Agriculture, Livestock, Education and Health sectors) and private sectors, central and provincial ministries and at district levels.

He served as a Secretary at the Ministry of Rehabilitation and Social Service in North East Provincial Council; Additional Secretary (Livestock) at the Ministry of Agriculture and Livestock Development for six years; Board Director for MILCO and NLDB; Project Manager, Millennium Development Goals Project, funded by UNDP; Coordinating Secretary (Parliamentary Affairs) to the Minister of Policy Planning and Implementation; Member of the Sri Lanka Independent Finance Commission; President of the Veterinary Council of Sri Lanka and President of the Senior Veterinary Surgeons Association of Sri Lanka. He has worked at FAO and UNDP, UNHABITAT, Land O'Lakes, and Oxfam GD. At present, he is a member of the technical committee of All Island Dairy Association and a freelance Consultant in the field of Livestock Development.

06

Mr. D. Hasitha. S. Jayawardena
Non-Independent Non-Executive Director

Mr. Hasitha Jayawardena was appointed to the Board of Lanka Milk Foods (CWE) PLC on 11th July 2016.

Mr. Jayawardena joined the Stassen Group in February 2013. He serves as a Director on the Boards of Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Stassen Foods (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Milford Developers (Pvt) Ltd., C B D Exports (Pvt) Ltd., Distilleries Company of Sri Lanka PLC., Periceyl (Pvt) Ltd., Melstacorp PLC., Lanka Dairies (Pvt) Ltd., Ambewela Livestock Company limited., Pattipola Livestock Company Limited., Ambewela Products (Pvt) Ltd., United Dairies Lanka (Pvt) Ltd., Zahra Exports (Pvt) Ltd., Balangoda Plantations PLC., Madulsima Plantations PLC., Mcsen Range (Pvt) Ltd., Melsta Gama (Pvt) Ltd., Melsta Health (Pvt) Ltd., DCSL Brewery (Pvt) Ltd., Melsta Hospitals Ragama (Pvt) Ltd. and Melsta Hospitals Colombo North (Pvt) Ltd.

Mr. Jayawardena holds a Bachelor's Degree in Business Administration BBA (Hons) from the University of Kent in the United Kingdom. He has also worked as an Intern at the Clinton Global Initiative programme (CGI) in New York in 2007.

07

Ms. D. S. C. Jayawardena
Executive Director

Ms. Sanjivani Jayawardena was appointed to the Board of Lanka Milk Foods (CWE) PLC and its subsidiaries on 15th October 2008 and she resigned from the board of Lanka Milk Foods (CWE) PLC with effect from 30th September 2021.





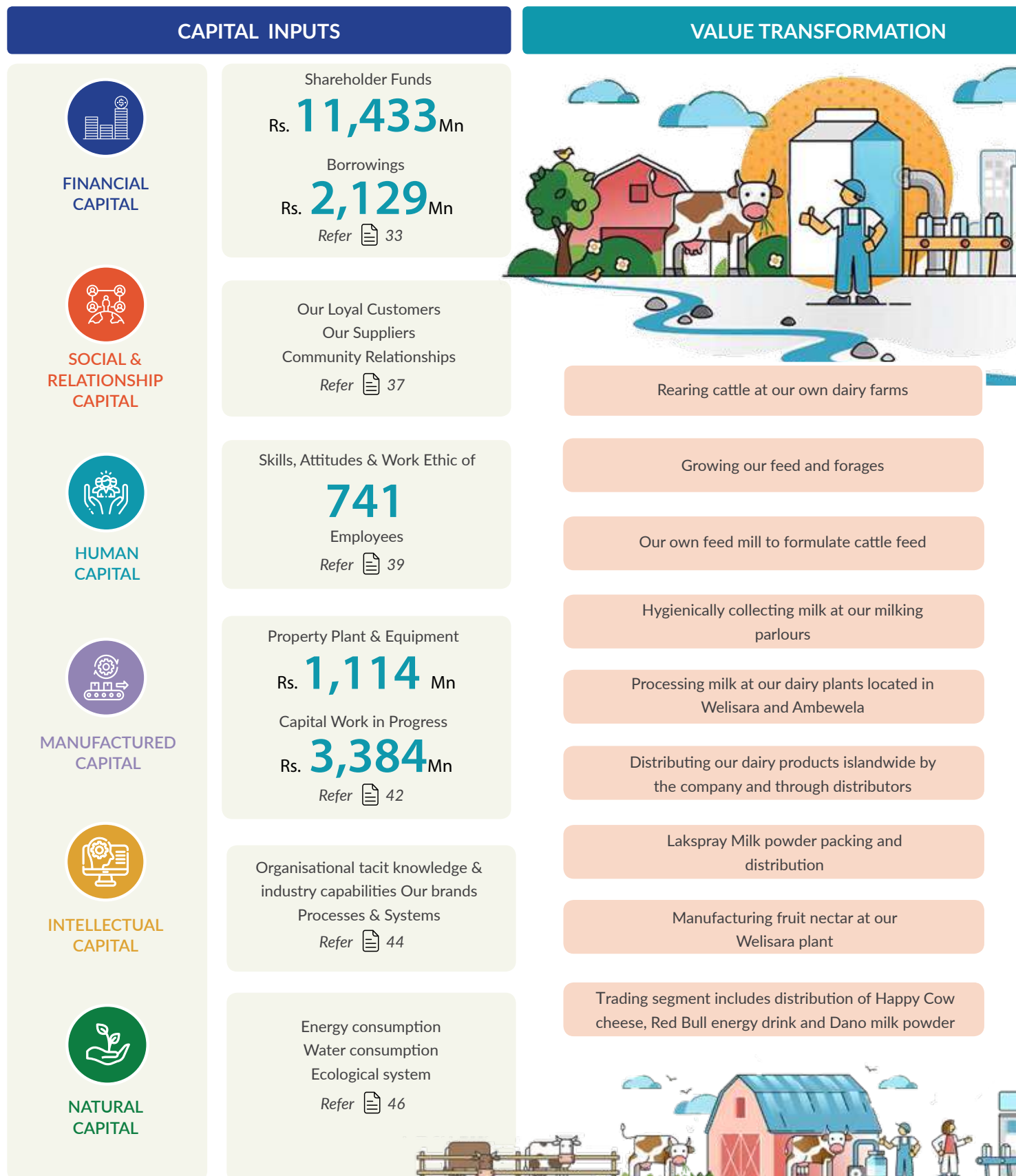
MANAGEMENT DISCUSSION & ANALYSIS

Lanka Milk Foods has nourished the nation for over 50 years with our varied and extensive portfolio, adding variety to countless lives for generations with our multitude of tasty and innovative offerings.



MANAGEMENT DISCUSSION & ANALYSIS

VALUE CREATION MODEL



OUTPUTS



Producing quality milk and related dairy products including fresh milk, non-fat milk, flavoured milk, yoghurt, variety of cheeses and butter



Revenue generated
Rs. **9,772** Mn



Employee benefits
Rs. **812** Mn



Quality products to
our Consumers



OUTCOMES LINKED TO STAKEHOLDER VALUES

Shareholders

Sustainable growth in shareholder returns
Return on equity

7.38%

Net profit

Rs. **1.06** Bn

Earnings per share

Rs. **26.63**

Refer 139



Customers

Providing quality products to our consumers



Employees

Safe, conducive and enable working environment with opportunities for skills and career development

Refer 39



Government

Contributing to the Government's tax revenue and supporting the creation of an enabling industry environment.



Business Partners

Sustainable business growth through rewarding, mutually-beneficial relationships



Communities

Driving meaningful change and socioeconomic empowerment



MANAGEMENT DISCUSSION & ANALYSIS

KEY PILLARS OF OUR VISION AND FOCUS

OUR VISION

To become the most desired entity and leader in the Sri Lankan dairy industry

OUR PURPOSE

Our primary goal is to add value to the dairy industry by producing high-quality dairy products. We hope to contribute to the growth of the country's dairy industry by doing so. This is accomplished by stimulating business activities related to adding value to the large quantities of milk produced, as well as by pursuing related business prospects throughout the country where we can apply our capabilities further.

OUR PROMISES

- Earn a reputation for excellent quality products
- Generate respectable profits in our operations
- Set the benchmark in our industry for safe and trusted quality manufacturing
- Utilise, enhance and safeguard the best resources we have, to cater the increasing demand

DELIVERING VALUE



FINANCIAL
CAPITAL

Generating financial returns and growth for our providers of capital



SOCIAL &
RELATIONSHIP
CAPITAL

Transforming lives, providing employment opportunities and supply chain



HUMAN
CAPITAL

Securing employment, providing benefits to our employees



MANUFACTURED
CAPITAL

Enhancing our capabilities through improved infrastructure



INTELLECTUAL
CAPITAL

Enhancing our brand value, improving our technologies, obtaining specialised knowledge



NATURAL
CAPITAL

Safeguarding the natural ecosystem



SHARED GROWTH THROUGH STAKEHOLDER ENGAGEMENT

	Providers of financial capital	Shareholders, the financial industry including banks who contribute to the financial capital we need to grow exponentially. How we have engaged • Announcements made to CSE • Annual General Meeting • Group website • Interim financial statements • Publication of the Annual Report	Stakeholder Concerns • Profitability and performance of the entity • Proper risk management • Return for the investments and risks taken • Sustainability and future growth of the business • Supportive business environment	Our Response • Corporate Disclosure • Dividends paid for investments • Sustainable operations • Investing in enhancing capability and technology to develop improved products Resources needed to respond
	Employees	Our employees are the foundation for achieving operational performance and goals. How we have engaged • Staff meetings • Discussions • Training programs • Recreational activities • Internal communication methods • Communication boards	Stakeholder Concerns • Workforce transformation • Competitive remuneration and benefits packages • Incentives and promotions to suit performance • Employment security • Work-life balance • Safe working conditions • Information and communication • Participation and empowerment	Our Response • Providing safe, supportive working conditions • Including family-friendly policies • Shared values and objectives • Effective communication systems throughout the organization Resources needed to respond
	Customers	Our customers expect high-quality products, and the Group works to adhere to industry best practices and standards. How we have engaged • Corporate Website • Social Media • Consumer helpline	Stakeholder Concerns • Product consistency • Products that are healthy and safe • Price, quality, and flavour • Value and fulfillment for money spent	Our Response • Providing nutritious, quality products, high in taste • Re-engineering the sales and operational planning to make our products available and easy to reach • Innovation of new products • Foods safety and quality management Resources needed to respond

MANAGEMENT DISCUSSION & ANALYSIS

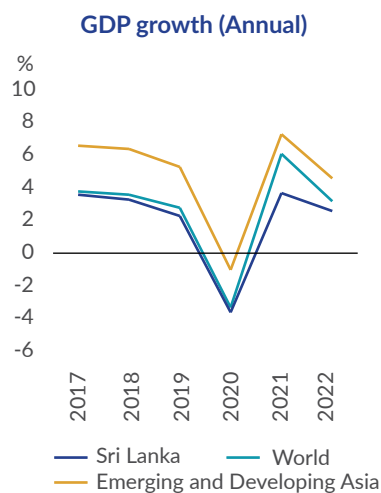
SHARED GROWTH THROUGH STAKEHOLDER ENGAGEMENT

	Government
National government, local and provincial regulatory bodies provide us a supportive regulatory environment through tariffs and duties to stabilize the market environment. How we have engaged • Compliance • Ethical business conduct • Support when required to conduct audits etc.	Stakeholder Concerns • Interactions with city authorities • Meetings and site inspections • Press releases • Prompt and full payment of taxes • Job retention and creation • Improved workplace safety • Maintaining a healthy ecosystem • Financial commitment to the economy • Healthy competition among businesses Our Response • Compliance with Product and Business Regulations • Honouring and following all applicable government and international regulations • Sustainable business practices based on open communication about results. Resources needed to respond    
	Suppliers
We rely on our suppliers and service providers to deliver high-quality, cost-effective goods and services that inspire our growth. How we have engaged • Visits to the Suppliers • Meetings • Ethical methods of purchasing	Stakeholder Concerns • Continuous expansion of operations and relationships via supplier contacts • Efficient payment cycles Our Response • Best procurement practices and prompt payments • Concentrated Supply Chain • Equal treatment Ethical sourcing of materials • Sufficient lead times Resources needed to respond   
	Community and Environment
We cultivate relationships and serve as a channel for better understanding community needs and interests. This enables us to contribute to the transformation, enterprise development. How we have engaged • Advertisements • Press releases • Sustained CSR initiatives	Stakeholder Concerns • Being a socially responsible organization • Community development • Employment opportunities • Ethical business conduct Our Response • Continued commitment to a cleaner environment • Responsible environmental business practices and ethical emissions • Assistance with social infrastructure • Providing graduate and undergraduate students in agriculture with training opportunities. Resources needed to respond   

OPERATING ENVIRONMENT



The operating environment was a formidable one for many businesses, particularly exacerbated by the repercussions of the COVID-19 pandemic, rising monetary and social constraints of the country from the ongoing economic crisis, and the volatility in the global environment.

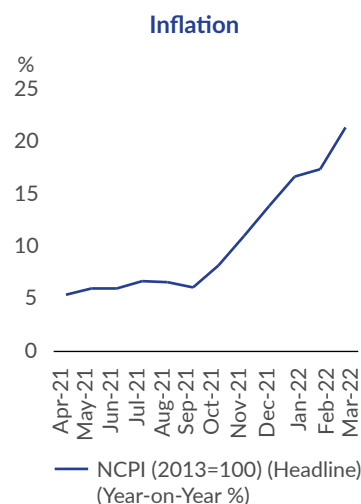


Source: IMF, World Economic Outlook
Update, July 2022

The world economy experienced a robust rebound in 2021, with GDP growth of 6.1% in 2021 compared to a decrease of 3.1% in 2020. Meanwhile, the Sri Lankan economy recovered from a 3.6% contraction in 2020 to achieve a 3.7% increase in 2021. The industrial sector's performance increased by 5.3%, while the agricultural sector exhibited an increase of 2.0%. Furthermore, according to the Central Bank's Annual Report, the services sector rose by 8.1% last year. During the first quarter of year 2022 economy of Sri Lanka contracted by 1.6% year-on-year compared to an upwardly revised 2% expansion in the previous quarter amid high domestic inflation, foreign exchange devaluation and the dollar deficit.

The International Monetary Fund (2022) forecasts a decrease of 0.4% to 2.6% in the GDP growth of Sri Lanka for the year

2022. With measures taken to stabilize the macroeconomic factors, the economy is now in the stage of adjustment following the economic crisis (Central Bank of Sri Lanka, 2022).



MANAGEMENT DISCUSSION & ANALYSIS



The country's inflation reached unprecedented heights against the backdrop of the prevailing economic crisis. Since early 2021, inflation rose steadily with the exchange rate depreciation, supply shortages, and increases in administered fuel and food prices owing to global price increases.

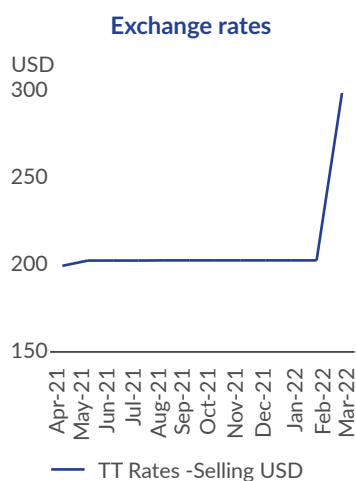
The year-on-year (Y-o-Y) headline inflation, measured by the change in the Colombo Consumer Price Index, increased to 18.7% in March 2022 in comparison to a 4.1% Y-o-Y variation in March 2021.

Although rising prices continued to exert an impact on the production costs, the Group's efficient cost management measures served to reduce the ensuing negative impact on performance to a certain degree.

With measures taken to stabilize the macroeconomic factors, the economy is now in the stage of adjustment following the economic crisis

Due to the effective fixed rates maintained by CBSL, the Sri Lankan Rupee remained broadly stable in the year 2021. Insufficient inflows into the local foreign exchange market, coupled with substantial outflows, including debt repayments, continued to place pressure on the exchange rate, resulting in a 7% depreciation of the rupee against the US dollar in 2021. Nevertheless, severe pressure in the domestic foreign exchange market caused a substantial devaluation of the rupee. The Sri Lankan rupee depreciated by 46.4% by the end of March 2022.

The rupee depreciation had a major impact on Group's cost of sales with the associated increase in prices of certain raw and packing materials.





FINANCIAL CAPITAL

The Group constantly focuses on effective cost management, proactive working capital management, and strategic agility to nurture Group's profitability, in order to sustain the Group's financial capital while delivering shareholder value.

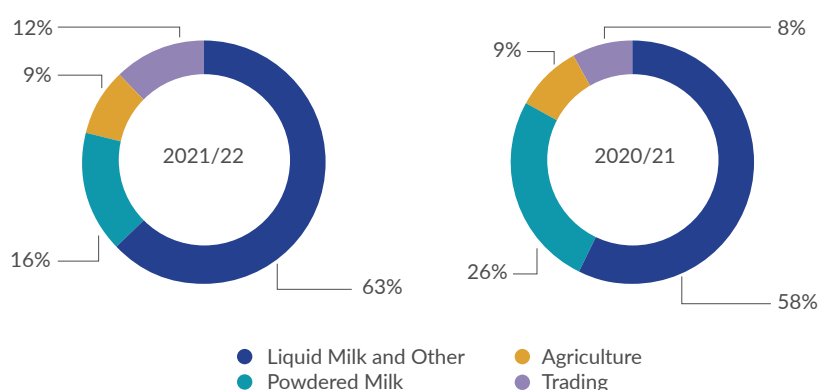
Our focus on sustainable operations ensures the delivery of financial returns in the short and long-term shifting us towards a more resilient position designed to extend positive value to our stakeholders and society at large.

The LMF Group achieved unparalleled consolidated revenue of Rs. 9,772 million for the reporting year, against the Rs. 7,597 million recorded in the previous year, and a net profit of Rs. 1,065 million after tax. For the financial year Rs. 199.99 million and Rs. 99.99 million were paid as first and second interim dividends respectively.

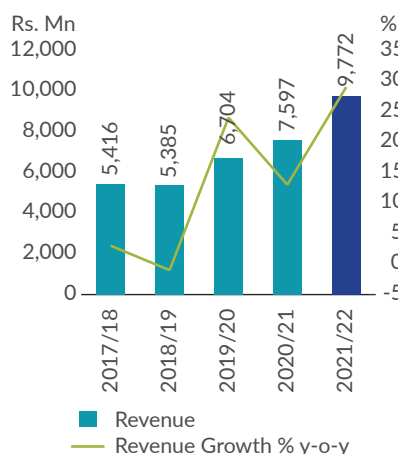
Revenue

The Group achieved a consolidated revenue growth of 29% to Rs. 9,772 million for the year under review, supported by the liquid milk and trading segments. Growth in the liquid milk segment replicated the increased growth in Ambewela market share. Accordingly, the liquid milk sector's contribution to the Group's top line widened to 63% from 58% in previous year. The distribution of Happy Cow cheese Red Bull and Dano milk powder enhanced additional revenue by Rs. 1,695 million.

Revenue Composition



Revenue Growth



Operating Profit

The consolidated gross profit for the reporting year increased to Rs. 1,460 million, while the gross profit margin recorded a minimal increase compared to the previous year. At an operational level, the Group performed admirably, recording a growth in profits from Rs. 877 million in the previous year to Rs. 1,588 million in the year under review. The liquid milk segment's operating profit margins increased in line with volume increases and LMF's operating profit increased significantly in alignment with the increase in dividend income compared to the previous year.

Rs. **9,772**Mn
Revenue

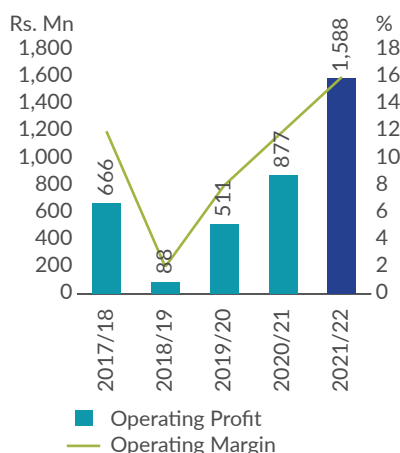
Rs. **1,588**Mn
Profit from
Operations

Rs. **1,065**Mn
Profit After Tax

Rs. **299.99**Mn
Dividend Paid

MANAGEMENT DISCUSSION & ANALYSIS

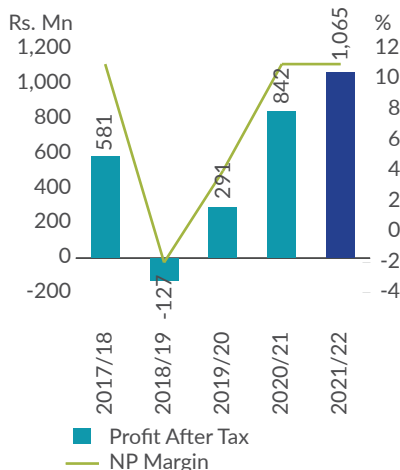
Movement in Operating Profit



Profitability

The Group's net finance expenses recorded a notable increase to reach Rs. 491 million in the year under review (2020/21: Rs. 43 million), as a result of the losses in the translation of foreign currency. The interest in overdraft decreased to Rs. 30.6 million, a reduction of 21.5% against the previous year. The improved performance enabled the Group to record a pre-tax profit of Rs. 1,097 million, a 31.6% growth compared to the 2020/21 fiscal year. The Group's total tax for the year amounted to Rs. 33 million, stemming from the increased income tax expense for the year. The bottom-line consolidated profit after tax improved further by 26% to Rs. 1,065 million during the year.

Movements in Profit After Tax



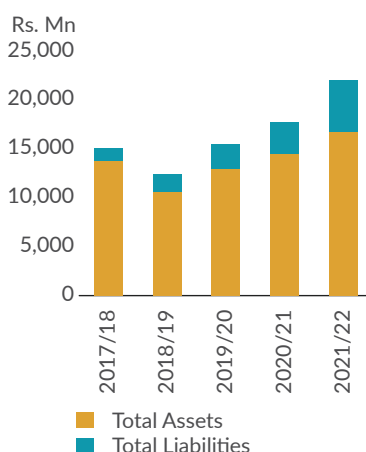
Cash flow

The cash flow position of the Group improved during the year, with the effective management of working capital as well as inflows from new borrowing. Net operating cash flow increased to Rs. 843 million during the year, while the net cash outflow from investing activities decreased to Rs. 558 million, due to the increased dividend income and proceeds from the sales of biological assets. Meanwhile, net cash inflows from financing activities amounted to Rs. 345 million (2020/21: Rs. 1,056 million in previous year) reflecting increased loan repayments and dividend payments during the year. Resultantly, net change in cash and cash equivalents amounted to a positive outcome of Rs. 631 million.

Group Assets

The Group continues to record consistent asset growth, reflecting of the ongoing investment in PPE. The Group's total assets as of 31st March 2022 were an increase of 15% to Rs. 16.7 billion. Total capital expenditure for the year amounted to Rs. 3.3 billion mainly comprising the investments in the new dairy farm.

Asset Strength



Asset Composition

The Group's asset composition remained relatively unchanged with non-current assets accounting for 77% of total assets as at the end of 31st March 2022.

Funding Profile

Debt funded capacity expansions in recent years have led to an increased exposure in borrowings. The Group's interest coverage remains at times. The total borrowings demonstrated an increase of 38% to Rs. 2,128.6 million, displaying the Group's aspirations for future growth. The total equity amounted to Rs. 11.4 billion, accounting for 68% of the total assets.

Shareholder Returns



The Group continued to deliver on shareholder commitments with an EPS and DPS growth of 26.5% and 50% respectively. A first interim dividend of Rs. 5.00 per share and a second interim dividend of Rs. 2.50 per share were paid for the year.

LMF's shares traded between the lowest price of Rs. 130.00 and the highest price of Rs. 295.00 in the period under review. The last traded price on 31st March 2022 was Rs. 132.75.

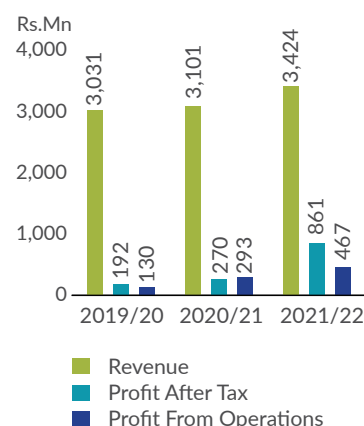
Company Performance

Lanka Milk Foods (CWE) PLC

Lanka Milk Foods (CWE) PLC (LMF), the Company, operates in the food and beverages sector. The principal business activity of LMF is importing, packaging, marketing, and distributing full-cream and skimmed milk powder.

The powdered milk segment of the Group recorded a profit of Rs. 467 million during the reviewed year as opposed to Rs. 293 million the year prior with a revenue growth of 10%. In February 2022, the Company introduced Dano Full Cream Milk Powder, a product of Denmark, to the Sri Lankan market.

Lanka Milk Foods (CWE) PLC Revenue and Profit

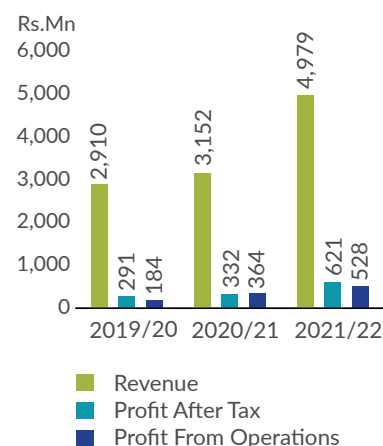


Lanka Dairies (Pvt) Ltd

Lanka Dairies (Pvt) Ltd (LDL) was established in 1996 as a fully owned subsidiary of LMF. At LDL, fresh milk, flavoured milk, and fruit juices are produced and packed in hygienic Tetra Pak packaging.

Lanka Dairies (Pvt) Ltd enhanced its revenue from Rs. 3.2 billion in the previous year to Rs. 4.97 billion for the financial year ended on March 31, 2022. As the market leader in fresh milk and well-known in Sri Lanka, the Ambewela Fresh Milk 1 Litre Pack recorded an impressive growth in sales. During the financial year, the Company faced difficulties in terms of sourcing the required flavours and fruit pulps for Daily and MyJuicee products, following the after-effects of the COVID-19 pandemic and the country's economic crisis on the nation's foreign reserves. LDL earned Rs. 528 million in profit for the year as opposed to Rs. 364 million the year prior.

Lanka Dairies (Pvt) Ltd Revenue and Profit

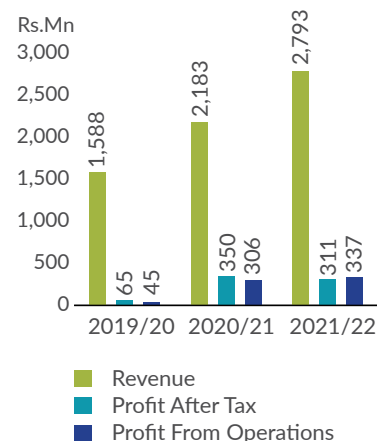


Ambewela Products (Private) Limited

Ambewela Products (Private) Limited's (APL) main dairy products are Ambewela Set Yoghurt 80 ml., Ambewela flavoured milk pouch pack, Ambewela cheese, ghee, butter, and frozen fat. In addition, APL operates a feed mill where feed for our dairy farms is produced. The Company also sells fresh milk to Lanka Dairies (Pvt) Ltd.

APL's revenue increased to Rs. 2,793 million in the year ended 31st March 2022 from Rs. 2,183 recorded in the previous year and the net profits increased from Rs. 308 million to Rs. 337 million. The travel restrictions and lockdown had an impact on yoghurt distribution. This level of performance was achieved amidst many challenges. Ambewela cheese and butter recorded improved results even at trying times. The Ambewela butter and cheese range is popular for its rich and exquisite taste, and the Group wishes to make further product enhancements in future.

Ambewela Products (Pvt) Ltd Revenue and Profit



MANAGEMENT DISCUSSION & ANALYSIS

Ambewela Livestock Company Limited and Pattipola Livestock Company Limited

The highest standards of hygiene are upheld at our dairy farms, Ambewela Dairy Farm and Pattipola Dairy Farm (New Zealand Farm), in the production of milk. Our dairy farms raise black and white Friesians and brown and white Ayrshires, the two European breeds that unquestionably produce the most milk per cow per day in Sri Lanka.

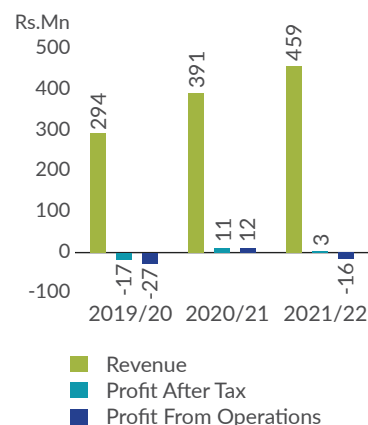
Our herd must be kept in pristine shape to maintain these high levels of milk production. As a result, they need to be provided with pricey, premium-quality cattle feed. Due to a shortage of certain feed ingredients and fluctuations in foreign exchange rates, the cost of feed increased during the year under review. Thus, all the farms experienced

notable increases in feed costs. However, each farm was equipped with the necessary professional management and cost-cutting tools to enable the generation of a minimal profit by the year's end.

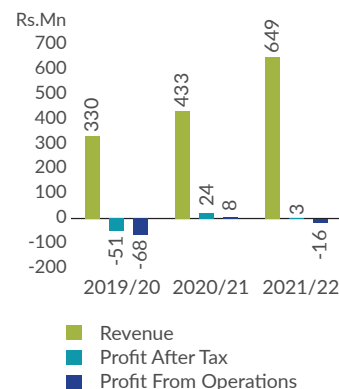
Both Ambewela Livestock Company and Pattipola Livestock Company achieved a growth in revenue compared to the previous year and the Ambewela Livestock Company and Pattipola Livestock Company achieved increased revenues of Rs. 459 million and Rs. 649 million respectively, stemming from volume and value increases for raw milk. This was mainly due to the increase in cow milk sales. Despite this growth, both farms reported losses due to increased feed costs and farm overheads.



Ambewela Livestock Company Limited Revenue and Profit



Pattipola Livestock Company Limited Revenue and Profit



United Dairies Lanka (Private) Limited

United Dairies Lanka (Pvt) Ltd was built with the anticipation of expanding the Group's herd to meet the expected demand for additional fresh milk, with a total investment of Rs. 4.5 billion. This company includes two cutting-edge cattle sheds and a state-of-the-art milking parlour at each of its two locations, Ambewela Farm and Pattipola Farm. The goal is to increase milk output by up to 35 litres per cow per day by providing the best possible comforts for the cows, using cutting-edge dairy management techniques, premium feed, and specialist veterinary care. As per the revised plan, the Ambewela cattle farm commenced the commercial operations in April 2022, while the Pattipola farm will begin operations in September 2022.

Indo Lanka Exports (Private) Limited

Indo Lanka Exports (Private) Limited was founded in 2009. The company is currently inactive.



SOCIAL & RELATIONSHIP CAPITAL

Our consumers expect the finest quality products, and the Group dedicates its efforts towards meeting industry best practices and standards

At Lanka Milk Foods, we closely engage with our customers, suppliers, and the surrounding community - the partnerships that comprise our social and relationship capital. As an entity that is people-centric, these partnerships are integral to our success, driving our performance and maintaining our reputation as a socially responsible brand.

Customers

Relevant SDGs:



In terms of our customers, our primary concern lies in the areas of quality and product responsibility. Our consumers expect the finest quality products, and the Group dedicates its efforts towards meeting industry best practices and standards and ensuring maximum environmental and climate compatibility. Our state-of-the-art modern manufacturing facilities enable us to deliver goods produced according to the highest quality benchmarks, following world-class dairy standards and practices. Our stringent quality control processes and comprehensive quality management system follow industry guidelines and meet the requirements of the ISO 22000 Food Safety Management System certified since 2018.

Product Responsibility Systems & Regulations:



Consumer Affairs Authority Act No. 9 of 2003

Food Act No. 26 of 1980

Food Labelling and Advertising Regulations of 2005

We follow responsible packaging and labelling requirements for all our products, adhering to the guidelines specified in the Food Act No. 26 of 1980 and abiding by the policies pertaining to the Food Labelling and Advertising Regulations of 2005 and the Consumer Affairs Authority Act No. 9 of 2003.

Our Quality Assurance Division is dedicated towards controlling every aspect of product quality, while maintaining optimum standards with respect to environmental, hygiene, and sanitation aspects. The entity also conducts its own laundry, water purification and janitorial services to maintain control and be wholly responsible for the hygiene and cleanliness levels of its own operations and processes. The farms adopt international cattle rearing practices for its European breeds to maintain the overall quality of their output. These herds consist of both Ayrshire and Friesian cows, which are selected for their ability and capacity to produce large quantities of milk.

Every aspect of our herds, from cattle feed to their health, is monitored by professional agriculturalists and veterinarians who ensure their continued welfare. Our packaging capabilities are counted among the most modern facilities available in the market, with automated packaging systems in place to provide optimum levels of hygiene.



MANAGEMENT DISCUSSION & ANALYSIS

We also pride ourselves on manufacturing products that promote health and wellness among our consumers, pioneering low-fat options for the health-conscious buyer, which plays a role in reducing the prevalence of high cholesterol and other non-communicable diseases, including heart disease and diabetes, all of which are on the rise in Sri Lanka. We believe in encouraging our consumers to make the right choices, and as an ethical and socially responsible entity, we strive to guide future generations along the right path in terms of nutrition and health.

Suppliers



Our suppliers serve as vital partners in our journey towards the responsible supply of goods, and we therefore have a stringent supplier screening process in place to ensure that our Group sources and procures the highest quality raw material at a competitive price. Our suppliers are further screened with respect to their social and environmental practices and impacts, and we ensure they all adhere to industry best practices and methodology.

We conduct periodic site visits and maintain continuous communication with our suppliers as part of our engagement process, to ensure the stability and continuity of

the business while maintaining sustainable supply chain management methods to achieve our goals in an ethical and equitable manner.

Community



A sustainable community can persist over generations through the fulfilment of a healthy environment, a prosperous economy, and a vibrant civic life. We believe any entities operating within it should not undermine its social or physical systems of support but rather develop in harmony with the ecological patterns in which it thrives. Since the Group operates within local communities and employs people from those communities, it engages closely with members of the surrounding communities to empower and uplift their lives. The Group supports the religious, cultural, and social activities of local communities, fostering long-term relationships with the people around us. We practise a long-term approach in terms of listening and responding to the needs of our stakeholders and further contribute towards the development of communities through targeted investments.

Since its establishment in 1981, Lanka Milk Foods opened its doors to the youth, educating them on the importance of nutrition and well-being year after year.

The company is committed to the highest levels of operational transparency, and our practise of providing educational tours that allow youth to observe our manufacturing processes reflects this commitment. This initiative further supports the government's drive towards national self-sufficiency in terms of dairy needs and educates children from schools and other higher education institutions via a structured programme which comprises presentations and demonstrations conducted by trained personnel and a guided tour through the LMF plant located in Welisara. The plants are constructed with the objective of enabling an easy observation of the production process with no ensuing obstruction to workflow. The students enjoy a chilled cup of milk and other assorted product samples during their visit.

Our community engagement processes have continued to evolve over the years, and we are proud of our reputation as an organisation that delivers value and service to every level of the economic and social pyramid. We work closely with the surrounding communities that live and work in the vicinity of our factories, striving to provide them with improved standards of living through our continuous contributions to social, health, and educational causes.

The Company's farms serve as an agricultural and dairy university for students, who are provided with the opportunity to gain practical insights into farming during their pursuit of studies in agriculture.

As in the past, the Group continued to perform across a range of CSR practices, listed below:

Facilitating Pilgrims

- The Company embraces cultural and religious diversity and engages with the local community in various events that bring people together on a common platform. We continued our practise of distributing free milk for devotees of all faiths during religious events and occasions at various places of worship during the year.

Nourishing Young Lives

- The Company sustained its practise of providing nutritious milk to children from underprivileged schools in order to promote their health and well-being. For decades, generations of schoolchildren have benefitted through our practise of distributing milk and milk-based products.

Promoting School Trips

- The Company welcomes school trips to the factory to familiarize children with the milk production process while emphasizing the importance of consuming milk and milk products. This is an ongoing feature throughout the year, and free milk and milk products are supplied to the children when they tour the factory premises.

Supporting the Underprivileged

- The Company provided free refreshments and nourishment to residents of welfare homes for the aged and underprivileged, donating generous rations of milk powder. Free entrance facilities for farm visits are provided to underprivileged children.



HUMAN CAPITAL

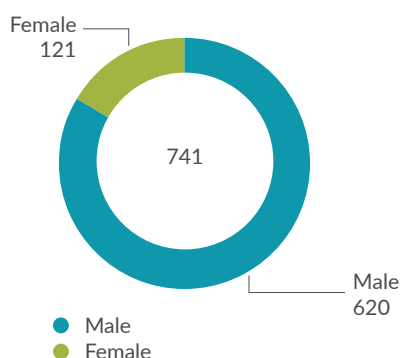
At Lanka Milk Foods, we strive to build a culture that emphasize on making a better workplace, guaranteeing the highest levels of job satisfaction as a people-centric company. The success of the Group depends heavily on the continued growth and improvement of our staff as they remain the driving force behind the Group's goals and objectives. We take pride in having a reputation as a company that supports diversity and provides every employee with a fair opportunity at success.

As a result of their accomplishments and strong performance throughout the year, the Group's employees were properly honoured and recognized via a structured employee incentive system and promotions. Throughout the pandemic, we kept our attrition rate low and ensured that no employees lost their jobs. We appreciate the tireless efforts of our devoted and loyal personnel in realizing the Group's mission.

As at the end of March 2022, there were 741 people on the payroll overall, of which 11% represented employees on a contract basis. At present the Group offers 16% female representation. The majority of our total cadre is represented by factory and farm workers, as evidenced by our Group's gender ratio standing at approximately 4:1 (male: female) due to the nature of labour-intensive work required at the farmlands and on the factory floor.

	2022		2021	
	Male	Female	Male	Female
Executives	77	6	78	7
Non-Executives	377	74	409	38
Casual/Check Roll	166	41	134	86
	620	121	621	131
Total	741		752	

Gender Distribution in Workforce



Recruitments

When employing all personnel, the Group follows a precise recruitment process and offers possibilities for a variety of experts and skilled labour in a variety of sectors. We prioritise local recruitment, providing opportunities for youth in neighbouring farm and manufacturing areas, while focusing on young labourers entering the workforce. We provide specialised training to the youth cadre, which enables the group to assimilate into the permanent cadre as trained labourers.

We continue to uplift the next generation as we work to build the future of the country by giving our young employees clear objectives and skills that will prepare them to face the working world. Additionally, in keeping with this tradition, we extend to our new hires in-depth information, the most recent market statistics, real industry experience, and access to our cutting-edge facilities and laboratories.

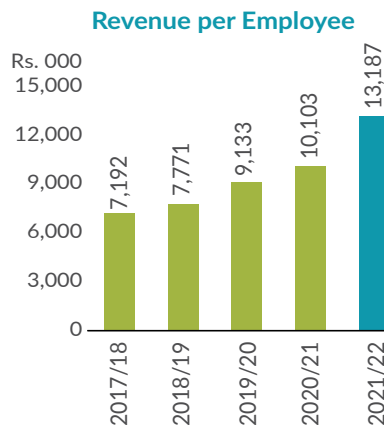
Employee Benefits

Lanka Milk Foods abides by all labour regulations, ensuring a committed workforce within the Group. Cleanliness is a key facet, and employees are expected to maintain standards inside the workplace to promote productivity and an orderly working environment. An employee guideline is also offered to ensure that all employees maintain equal and reachable health and hygiene standards.

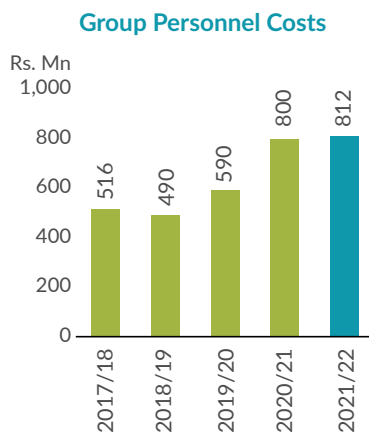
We have implemented occupational health and safety procedures at all our locations, assuring an accident-free work environment all year. Accordingly, all necessary precautionary measures are implemented to reduce workplace hazards. Furthermore, in accordance with labour standards, all our employees are provided with fully-fledged insurance and accident coverage.

With respect to our female cadre, we follow all labour regulations, while supervising the welfare of our female employees who work in our factories and farms, ensuring they are well cared for and treated fairly. In terms of employee meals and cleanliness, we continue to follow industry-standard safety procedures.

MANAGEMENT DISCUSSION & ANALYSIS



We believe that encouraging healthy lifestyles among our employees is essential for maintaining a productive and happy workforce. Therefore, it is critical to promote mental and physical health stability, and the Group supports employees via indoor recreational activities and sports facilities, in addition to funding their external recreational activities.



Employee Engagement

Lanka Milk Foods is committed to fostering our employees' safety and well-being throughout their tenure of service within the company. The local communities surrounding our factories



Excerpt from Note 8.1 to the Financial Statements - Personnel Costs

Personnel Costs	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Defined Contribution Plan Costs - EPF and ETF	54,122	57,675	29,221	29,163
Defined Benefit Plan Cost - Retirement Benefit Obligation	19,341	26,132	10,379	13,691
Other Staff Costs	738,576	716,224	352,513	357,976
	812,039	800,031	392,113	282,019
Total Numbers of Employees as at Year End	741	752	299	299
Average cost per employee	1,095	1,064	1,311	1,341

have benefited greatly from the Group's role as an essential job creator, and via local recruitment the Group is empowered to indirectly improve the livelihoods of the youth in the vicinity who would otherwise have to relocate to satellite cities to find work. In recognition of the goals of its personnel, of which many are from rural towns and villages, the Group provides a broad range of employee perks that provide an optimal work-life balance that serve to foster a sense of peace and cooperation among staff members on a daily basis.

Our staff receive comprehensive healthcare benefits, in addition to a subsidized nutritious lunch and a quota of company products. They are further entitled to cash incentives that exceed industry standards, such as monthly sales incentives, attendance incentives for non-executive personnel, leave encashment for unused leave, ex gratia payments, and significant bonus payments during the holiday season. Leisure and recreational opportunities are provided on a regular basis to nurture harmony and camaraderie among staff members.

Work Culture

To foster a culture of learning and development, we encourage our workers to take advantage of the variety of training opportunities available to them in order to improve their competencies and abilities and thereby advance their careers. The Group continues to invest extensively in technical, sales, and marketing training programs for its workers, while a strong mentorship culture is in place, led by our experienced senior management team.

Workplace Health and Safety

The Group aspires towards an incident and injury-free operational flow, and we place a high focus on implementing procedures to avoid any regrettable mishaps or casualties. As an organisation that works closely in line with machinery and laboratory-based research, worker health and safety remain a top focus in our daily operations. Our employees continue to be vigilant and aware of their surroundings, ensuring the absence of injuries and environmental risks that could adversely impact the workforce.

Safety gear is essential for workers engaged in specific processes, and the entire workforce is trained on expected safety and hygienic requirements. Our

goods are well-known among our customers for their high cleanliness and safety requirements. We faithfully maintain this position by maintaining high standards of cleanliness at all operational levels.

Promoting a Sustainable Work Atmosphere

Our factory and farms continued to operate during the lockdown as the Company constitute to be an essential service whose priority to serve the people remained unchanged even amid adversity. As a result, it was of the utmost importance to create a safe working environment at every location under the Group's purview, as arriving at work posed a health risk to our employees. To protect employee health and workplace safety, health and safety procedures were developed and implemented in accordance with government-mandated guidelines.

The actions listed below aided in the creation of safe working conditions throughout the Group.

- All employees and visitors were subject to temperature checks when they enter.
- Random administration of PCR tests to workers who are more vulnerable to health and safety issues.
- Putting work schedules in place, adhering to government and health ministry safety regulations, and recording and reporting employee health and safety statistics
- Restricting farm visits to discourage travel and prevent disease spread
- Providing employees with transportation so they can avoid taking public transportation and allowing them to work from home when possible.
- Improving employees' understanding of COVID-19 prevention measures
- Commercial and industrial spaces were cleaned on a regular basis
- Carrying out a vaccination program for our employees

COVID-19 Prevention - Stop the Spread



Maintain a clean & hygienic environment



Individual equipment should be used



Cafeteria arrangements based on social distancing



Use hand sanitizers



Sanitize objects and surfaces used regularly



Maintain social distancing



Avoid social gatherings

MANAGEMENT DISCUSSION & ANALYSIS



MANUFACTURED CAPITAL

Relevant SDGs:



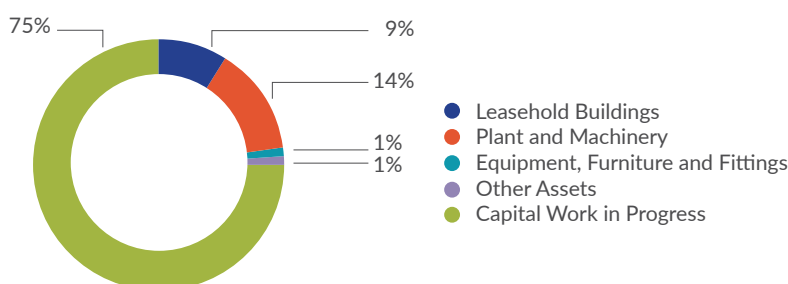
The capabilities and capacity created by our manufactured capital and its accompanying technologies enable optimal resource utilisation, enhancing both efficiency and sustainability.

The efficient use of the Group's manufactured capital, i.e., the available physical resources, enables Lanka Milk Foods to maintain leadership in terms of innovation and adaptability, while further improving the speed with which our new products are brought to market. The capabilities and capacity created by our manufactured capital and its accompanying technologies enable optimal resource utilisation, enhancing both efficiency and sustainability.

As the Group's manufactured capital expands, so does our contribution to national infrastructure and development. Every year, we advance closer towards our objective of national milk production self-sufficiency by sharing value across communities, enabling national growth, and increasing our position in the domestic market.



PPE Composition



The following is a valuation of our manufactured capital as at the conclusion of the fiscal year ended 31 March 2022.

	Gross Carrying Value (Rs. 000)	Net Carrying Value (Rs. 000)
Leasehold Buildings	912,574	426,386
Plant and Machinery	2,454,347	615,490
Equipment, Furniture and Fittings	324,813	46,277
Other Assets	372,765	25,682
	4,064,499	1,113,835
Capital Work in Progress		3,383,662

For more information, refer Note 12.1 to the Financial Statements on Property, Plant, and Equipment.

The following are the details of leasehold properties as of March 31, 2022.

Location	Extent (Hectares)	Building (Square feet)	No of Buildings	Cost of the Building
Welisara	3.275	140,800	3	434,416
Ambewela	458.47		131	478,158
				912,574

Capacity Expansion

United Dairies Lanka (Pvt) Ltd, built with the anticipation of expanding the herd to meet the expected demand for additional fresh milk will exceed the total investment of Rs. 4.5 billion. This company includes two cutting-edge cattle sheds and a state-of-the-art milking parlour at each of its two locations, Ambewela Farm and Pattipola Farm.

Our goal is to improve to the milk output up to 35 litres per cow per day. As per the revised plan, the Ambewela cattle farm commenced the commercial operations in April 2022, while the Pattipola farm will start operations on September 2022.

Advances in Technology and Innovation

We are pleased to be the first UHT manufacturer in Sri Lanka to implement the world-renowned Tetra Pak technology. In order to deliver safe, hygienic and

wholesome food items to the health-focused customer, the Corporation works closely with Tetra Pak, the world's leading food processing and packaging solutions company.

As a result of the pack's paper-based material composition, Tetra Pak cartons are lightweight, easy to carry, and 100% recyclable. Without the use of preservatives, the aseptic technique permits the goods within to remain fresh for longer. Additionally, the package does not require refrigeration until it is opened.

More than 75 percent of the weight of a Tetra Pak carton is made up of paperboard, which is made of wood. In order to produce paperboard, all wood fibre is obtained from forests that have been independently verified as being maintained in line with sustainable forest management principles.



MANAGEMENT DISCUSSION & ANALYSIS



INTELLECTUAL CAPITAL

Relevant SDGs:



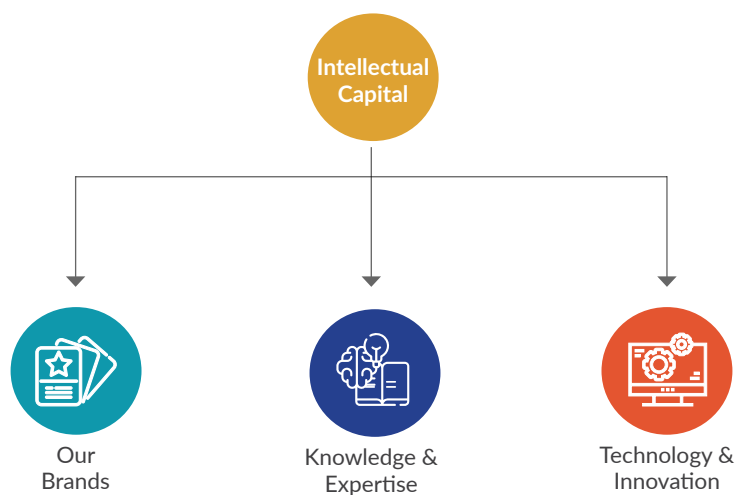
Our competitive advantage comes from the Group's collective understanding, which also gives us a unique positioning and capabilities drawn from Group systems, processes, and knowledge.

The intellectual capital of an organization, however intangible, has a significant impact on how much revenue it can generate in the present and in the future. Our competitive advantage comes from the Group's collective understanding, which also gives us a unique positioning and capabilities drawn from Group systems, processes, and knowledge.

Intellectual capital determines an organization's competitive edge because of the strong relationship and dependability that exist between the company and its investments in R&D, innovation, human resources, and external partnerships. Shareholder value is produced by means of the strategic unification of material, funds, and human resources.



As a result, the Lanka Milk Foods Group strives to improve and expand our intellectual capital to accomplish our goal of creating sustainable growth and long-term value across all business units. Our intellectual capital is comprised of three major components, as illustrated below:





Brands

Our brands are one of the Group's most significant assets, providing our business with a long-term competitive edge. Our well-known brands have built a reputation for trust and quality across the island with a portfolio of products that serve the people with flavour and wholesome goodness.

As a result, the Group continues to capitalise on this strategic advantage, building on our reputation for trust to expand into prospective growth paths and thereby unlock larger levels of value creation in the years ahead. Our pool of reputable brands adds significantly to the Group's performance each year, which is bolstered by the Group's continued efforts in advertising, sales promotions, direct marketing, marketing communication, and public relations. In an effort to augment our value proposition and appeal to the customers' tastes and preferences, the Group's products underwent a change in pack design during the year.

With a brand history spanning more than 50 years, Lakspray is the Group's founding brand. The range of brands that compose the Daily, Daily Activ and Ambewela ranges are classified under our flavoured milk segment. In addition, the Ambewela brand also represents our fresh milk range and includes both full cream and non-fat versions of UHT-treated ready-to-drink Tetra packs, which come in both 01 litre and 200 ml sizes. Ambewela set yoghurt has retained high levels of popularity in the market since its introduction due to its unique taste. My Juicee is the Group's fruit drink, which is offered in variations of mixed fruit, mango, orange, and apple.

In addition to the distribution of Happy Cow cheese, the Group introduced Dano instant milk powder to the market. It is a product imported from Denmark.



Knowledge & Expertise

As a pioneer in the local dairy industry, our industry-specific experience and knowledge span over 50 years. Our historical knowledge, driven by the modern talents and abilities of our informed staff, reinforces the continued success of this Group, as we continue to learn from recent advancements in the sector to ensure that we remain a robust forerunner in comparison to our competitors. Moreover, a fundamental aspect of protecting and preserving the quality of our products is the management of our livestock and ensuring its well-being. Our dairy companies have thus engaged a specialised nutritionist to develop the most nutritional feed additives for our cattle, with the backing of a veterinarian team with resident veterinary surgeons, in order that they may provide constant care while ensuring their availability at every stage.

Innovation and Technological Advancement

Lanka Milk Foods is an entity that remains relevant, progressive; ready to evolve and adapt to anticipate and meet changing consumer preferences. Therefore, each plant of the Group possesses a dedicated

R & D unit composed of state-of-the-art, modern laboratory facilities which are maintained according to the highest quality, hygiene and safety standards and powered by the talent and drive of our experienced personnel.

Our manufacturing locations at both Welisara and Ambewela are also equipped with sophisticated manufacturing technology and the latest modern machinery to fulfil our UHT packaging requirements.

Our new dairy project incorporates cutting-edge dairy technologies. This includes most modern cattle sheds with environmental control for better cow comfort and health, automated slurry removal and floor cleaning systems, state-of-the-art digitally controlled milking parlours where each cow is classified by the quantity of milk recorded and in the case of unhealthy cows, the identification of mastitis, early lactation, etc., is diverted and milk collected separately. The slurry processing system separates the dry matter, which is bio-fertilizer, from the liquid dispersed over the farm fields. As a Group, we aspire to deliver our best to our loyal customers, incorporating technology and innovation in a sustainable manner.



MANAGEMENT DISCUSSION & ANALYSIS



NATURAL CAPITAL

Relevant SDGs:



Sustainability, ensuring the future of life on Earth, is an infinite game, the endless expression of generosity on behalf of all.

Our surrounding environment is a vital component of our operations as a company known for and founded on natural goodness. We rely on our farms for our output, so all our farms use sustainable dairy farming practices. Furthermore, consumers are becoming more aware of their purchases and are making informed decisions about their favourite dairy products, preferring companies known for sustainable practices. We embrace this transformation and have implemented sustainable agricultural techniques that safeguard the environment while minimizing negative or damaging repercussions. The Group follows a variety of international dairy farming practices that prioritize environmental preservation and long-term sustainability.

We believe in the responsible use of our natural resources and have therefore put in place an effective water treatment plant that ensures all water utilized in our production process is treated prior to release into the environment. This practice of treating wastewater effluents prior to release ensures that we safeguard the environment from any inadvertent instances of pollution that may arise through our operations.



NATURAL CAPITAL

Ecosystem Assets

Biodiversity, soils for producing crops, surface fresh waters, the store of organic carbon & landscapes

Natural Resources

The recoverable stock of fossil fuels (coal, oil and gas), recoverable stock of minerals, aggregates, fossil water stores, deep ocean stores of carbon, ozone layer, solar energy and wind power



The Group is committed to using the most efficient technologies and processes to handle generated waste before it is released into the environment. Our manufacturing waste is disposed of responsibly, and the Group adheres to high-quality standards and criteria for returning said trash to the environment. A self-burning incinerator is utilized for solid waste, and a modern liquid wastewater treatment plant is dedicated towards the treatment of liquid waste.

Sustainability requires maintaining life-supporting natural capital in order for our socioeconomic goals to be met.

The Group complies fully with all applicable regulations and statutory requirements listed by the Central Environment Authority, while our packaging operations utilise aseptic recycled packaging material to minimise our impact. Furthermore, disposal of solid waste is conducted in a controlled manner, adhering to best practices in waste disposal. The water effluent treatment plant installed at Lanka Dairies (Pvt) Ltd engages in recycling water for safe reuse on the plant premises, thus protecting the environment and optimizing the use of natural resources.

As the market leader in the dairy sector, we consider that the Group should take responsibility for exhibiting environmental stewardship throughout the organization. As a result, every element of our operations is made more sustainable by maximising opportunities for recycling and renewal.

Dairy farming is a pure source of goodness that future generations will benefit from, and we plan to ensure that our farms remain sustainable and productive for the foreseeable future.

How we reduce our environmental impact

At our factory locations

- Water effluent treatment plant for liquid waste
- Responsible disposal of solid waste
- Reuse and recycle packing material

At our farms

- Fencing system to keep wild animals away from farmland
- Providing adequate garbage bins to avoid littering
- Vegetation belts on road sides to enhance scenic beauty
- Proper management of the grass cover in farm areas
- Manure production system - dry matter from cowshed waste sold as fertilizer and liquid matter injected into the soil and irrigation water as fertilizer.







GOVERNANCE

Our passion for perfection embodies the belief that we have a unique grasp on the current market.

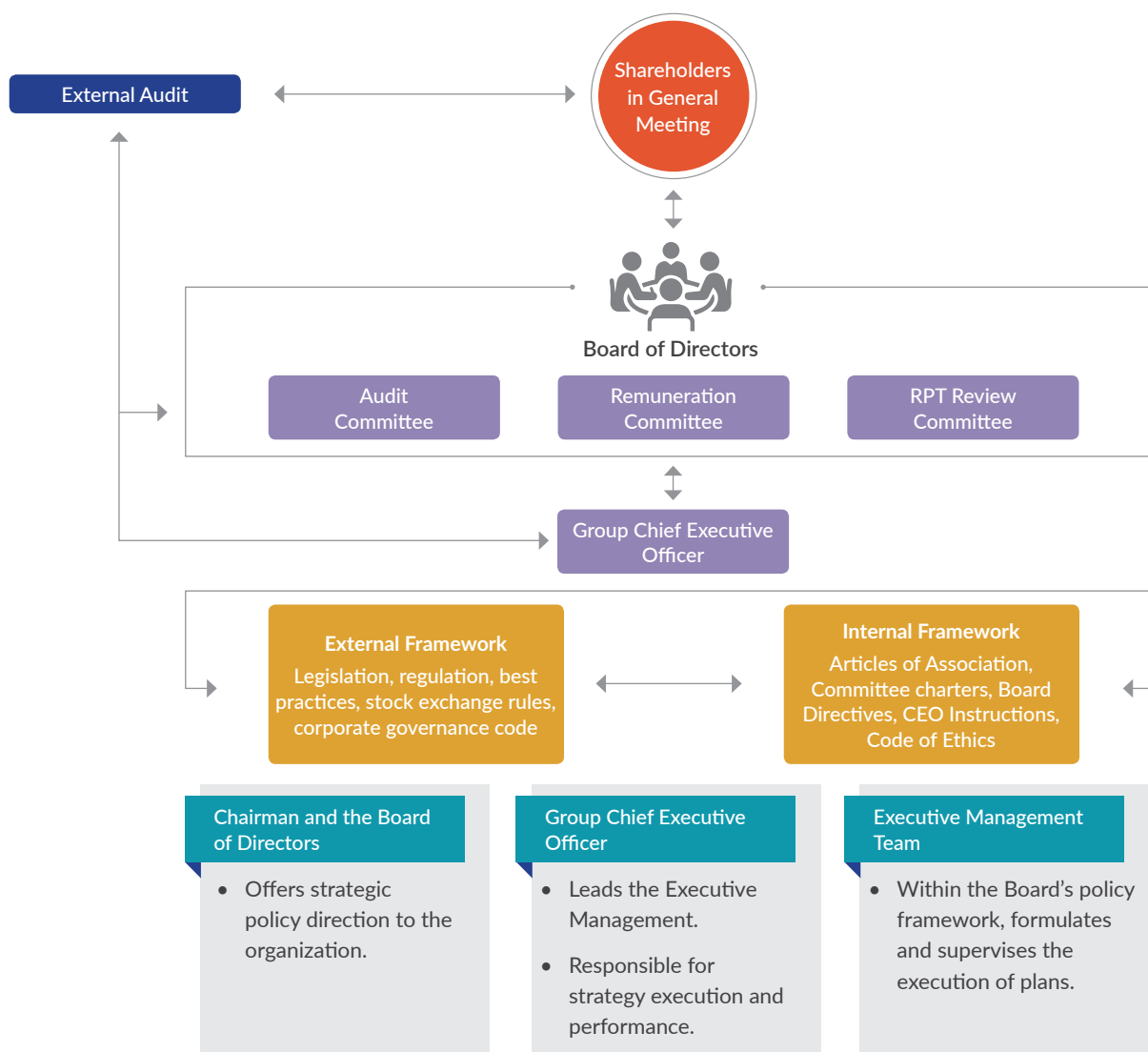


CORPORATE GOVERNANCE

The corporate governance structure of Lanka Milk Foods (CWE) PLC focuses on the core components of responsibility, participation, and transparency required to establish, strengthen, and sustain a resilient business through time, as well as to generate value for our stakeholders.

This report depicts the Company's implementation and compliance with all mandatory provisions of the Companies Act, the Colombo Stock Exchange Listing Rules (CSE), and the Sri Lanka Securities and Exchange Commission (SEC) Act, as well as any other provisions and rules applicable to the Group's businesses.

Governance Structure



Key legal enactments, codes and agreements complied with:

- Companies Act No. 07 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Continued Listing Requirements of Colombo Stock Exchange
- Employees Provident Fund Act
- Employees Trust Fund Act
- Payment of Gratuity Act
- Shop and Office Employees Act
- Factories Ordinance
- Wages Board Ordinance
- Maternity Benefits Ordinance
- Inland Revenue Act No. 38 of 2000
- Code of Best Practices on Corporate Governance
- Workmen's Compensation Ordinance
- Industrial Disputes Act
- Food Act

The Board of Directors

The Board of Directors of the Company is accountable for the governance of the Company in good faith, in a manner that protects the rights and interests of the shareholders and all other stakeholders. The shareholders' role in governance is to appoint Directors who adhere to appropriate corporate governance in the Company.

The Key Accountabilities of the Board of Directors

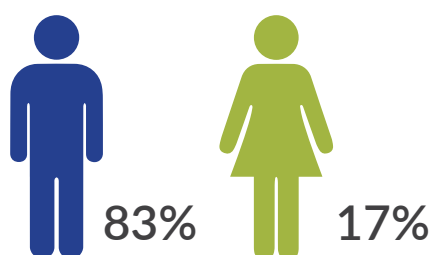
- Offer strategic guidance and monitor the strategy's implementation.
- Set the values of the corporation and promote ethical conduct.
- Formulation, review and reassessment of the long-term mission, objectives, policies and strategies.
- Develop the organizational structure for the mission, goals and policies of the enterprises.
- Choose the top managers who can formulate and implement the strategies.
- Be receptive to societal needs.
- Relationships with stakeholders and their improvement
- Internal controls, financial penalties and risk management systems and processes are screened.
- Periodic review of the Company's financial performance and revised financial policies.

Board Composition

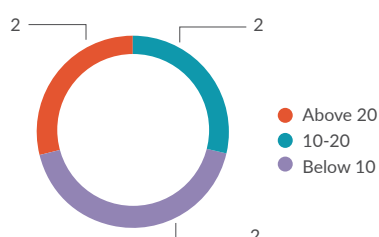
The Board comprises of the following Directors.

Name of the Director	Year Appointed	Status
Mr. D. H. S. Jayawardena	1991	Executive Chairman
Mr. C. R. Jansz	1992	Executive Director
Mr. D. S. K. Amarasekera	2008	Independent Non-Executive Director
Dr. A. Shakthevale	2008	Independent Non-Executive Director
Mr. D. Hasitha Stassen Jayawardena	2016	Non- Independent Non-Executive Director
Ms. D. S. T. Jayawardena	2019	Executive Director

Gender Composition



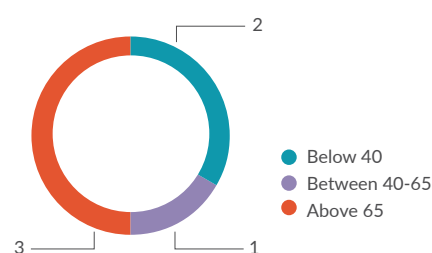
Tenure of Service



Board Composition



Age Composition



CORPORATE GOVERNANCE

Board Sub-Committees

The sub-committees appointed by the Board take on the responsibilities for management of affairs of the Group.

Audit Committee

The Audit Committee oversees the following areas.

- Examining the financial statements for consistency with Sri Lanka Financial Reporting Standards
- Ensuring that the Companies Act, as well as other applicable financial reporting-related legislation and procedures, are followed
- Assessing the independence and performance of the External Auditors
- Evaluating the sufficiency and efficacy of risk management

The Committee comprises of two Independent Non-Executive Directors. Mr. D.S.K. Amarasekera, Member of the Institute of Chartered Accountants of Sri Lanka is appointed as the Chairman of the Audit Committee.

The Audit Committee Report is given on page 64

Remuneration Committee

The Committee assists the Board in determining a suitable remuneration package. Two Independent Non-Executive Directors are appointed to the Remuneration Committee. Aggregate remuneration paid to the Board of Directors is declared in Note 8 of the Annual Report. The two Independent Non-Executive Directors are not paid any remuneration.

The Remuneration Committee Report is given on page 65

Related Party Transaction Review Committee

The Committee ensures on behalf of the Board, that the Group's Related Party Transactions comply with the SEC's Code of Best Practice on Related Party Transactions. The Committee comprises of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

The Related Party Transaction Review Committee report is given on page 66

Meetings

The Board Meetings for each subsidiary are held whenever they are required to review the performance of the Company, regarding the Financial Statements, investments proposals and any other important matters relating to the group.

Name of the Director	Board Meetings	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Mr. D. H. S. Jayawardena	1/1			
Mr. C. R. Jansz	1/1			
Mr. D. S. K. Amarasekera	0/1	4/4	4/4	4/4
Dr. A. Shakthevale	1/1	4/4	4/4	4/4
Mr. D. Hasitha Stassen Jayawardena	1/1			3/4
Ms. D. S. T. Jayawardena	1/1			

Company Secretary

The Company Secretary is qualified to act as per the provisions of the Companies Act No. 7 of 2007, and also functions as the Legal Advisor to the Company.

Non-Executive Directors

As per the Colombo Stock Exchange listing rules set out in Section 7, Lanka Milk Foods (CWE) PLC has appointed Mr. D. S. K. Amarasekera and Dr A Shakthevale as Independent Non-Executive Directors with effect from 1st May 2008. Mr. D. Hasitha Stassen Jayawardena was appointed as a non-executive director on 11th July 2016.

Independence of Directors

The Board has determined that two Non-Executive Directors – (Mr. D. S. K. Amarasekera and Dr. A. Shakthevale) are 'independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the said Directors have submitted signed declarations in this regard. Detail resume of each Director is

given in the Board of Directors section of this Annual Report from pages 21 to 23.

Mr. D. S. K. Amarasekera is a Director of a company in which a majority of the other Directors of the Company are Directors, and which holds a significant shareholding by the Company. However, in view of the fact that he is an Independent Non-Executive Director of the company, his position as a Director of the other company does not compromise his Independence and objectivity in discharging his functions as a Director of the Company. Hence, Mr. D. S. K. Amarasekera is determined by the Board to be an independent Director.

Dr. A. Shakthevale is a Director of a company in which a majority of the other Directors of the Company are Directors, and which holds a significant shareholding by the Company. However, in view of the fact that he is an Independent Non-Executive Director of the company, his position as a Director of the other

company does not compromise his Independence and objectivity in discharging his functions as a Director of the Company. Hence, Dr. A. Shakthevale is determined by the Board to be an independent Director.

The Directors' interests in the affairs of the Company are explained in pages 21, 23.

Disclosures

According to the Policy of the Company, all relevant information is disclosed to the shareholders.

Also, Financial Statements are prepared following the Sri Lanka Accounting Standards, Inland Revenue Act, Article of Association and Companies Act and in conformity with the CSE Listing Rules.

Internal Controls

The Board of Directors is of the unanimous view that the Company's internal control within the business as for publication purposes provides reasonable assurance of safeguarding assets, maintenance of proper accounting records and the reliability of financial information.

The Company has an Internal Audit Division, which reports to the Audit Committee that submits its reports regularly to the Chairman.

Future Company Assets

The Board of Directors after reviewing the Financial Statements and Cash Flow of the Group is extremely confident that for the reasonable future the Group has more than adequate resources to continue their customary operations.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes and duties are paid by the Company. All contributions, levies and all taxes payable on behalf of the employees of the Company, and also all other statutory duties as at the reporting date have been paid on behalf of the Company.

The Company's compliance with the CSE Listing rules and Companies' Act requirements is set out in the following pages.

Compliance with the Companies Act No. 07 of 2007

Section Ref.	Requirement	Compliance Status	Details of Compliance
168 (1) (a)	Any change during the accounting period in the nature of business of the Company or any of its subsidiaries, and the classes of business in which the Company has an interest, whether as a shareholder of another company or otherwise	Complied	Refer Annual Report of the Board of Directors on pages 67 to 70 of this Annual Report.
168 (1) (b)	Financial Statements of the Company and the Group for the accounting period completed and signed	Complied	Refer Financial Statements on pages 78 to 138 of this Annual Report.
168 (1) (c)	Auditor's Report on the Financial Statements of the Company and the Group	Complied	Refer Auditor's Report on Financial Statements section on pages 64 to 77 of this Annual Report.
168 (1) (d)	Change of accounting policies during the accounting period	Complied	Refer Annual Report of the Board of Directors on pages 67 to 70 of this Annual Report.
168 (1) (e)	Particulars of entries in the Interest Register made during the accounting period	Complied	Refer Annual Report of the Board of Directors on pages 67 to 70 of this Annual Report.
168 (1) (f)	Remuneration and other benefits paid to the Directors during the accounting period	Complied	Refer Annual Report of the Board of Directors on pages 67 to 70 of this Annual Report.
168 (1) (g)	Total amount of donations made by the Company and the Group during the accounting period	Complied	Refer Annual Report of the Board of Directors on pages 67 to 70 of this Annual Report.

CORPORATE GOVERNANCE

Section Ref.	Requirement	Compliance Status	Details of Compliance
168 (1) (h)	Directorate of the Company and the Group as at the end of the accounting period along with the changes that occurred during the accounting period	Complied	Refer Annual Report of the Board of Directors on pages 67 to 70 of this Annual Report.
168 (1) (i)	Amounts payable to the Auditors as audit fees and fees payable for other related services provided by them	Complied	Refer Annual Report of the Board of Directors on pages 67 to 70 of this Annual Report.
168 (1) (j)	Relationship or interest of the Auditors with the Company or any of its subsidiaries	Complied	Refer Annual Report of the Board of Directors on pages 67 to 70 of this Annual Report.
168 (1) (k)	The Annual Report of the Board of Directors be signed on behalf of the Board	Complied	Refer Annual Report of the Board of Directors on pages 67 to 70 of this Annual Report.

Compliance with the continuing listing requirements - Section 7.6 and section 7.10 on corporate governance rules for listed companies issued by the Colombo Stock Exchange.

Section Ref.	CSE Listing Rule	Compliance Status	Details of Compliance
7.6.(i)	Names of persons who during the financial year were Directors of the entity	Complied	Refer Corporate Information section at the end of this Annual Report
7.6.(ii)	Principal activities of the entity and its subsidiaries during the year and any changes therein	Complied	Refer Note 30 of the Financial Statements of this Annual Report
7.6.(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held.	Complied	Refer Investor Information on page 140 of this Annual Report
7.6.(iv)	The float adjusted market capitalization, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	Complied	Refer Investor Information on page 140 of this Annual Report
7.6.(v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year.	Complied	Refer Investor Information on page 139 of this Annual Report
7.6.(vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	Refer Risk Management Report on pages 60 to 63 of this Annual Report
7.6.(vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	Complied	Refer pages on 60 to 63 of this Annual Report
7.6.(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Complied	Refer Note 69 of the Financial Statements of this Annual Report

Section Ref.	CSE Listing Rule	Compliance Status	Details of Compliance
7.6.(ix)	Number of shares representing the Entity's stated capital.	Complied	Refer Investor Information on page 139 of this Annual Report
7.6.(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied	Refer Investor Information on page 139 of this Annual Report
7.6.(xi)	Ratios and market price information	Complied	Refer Investor Information on page 139 of this Annual Report
7.6.(xii)	Significant changes in the entity's or its subsidiaries' fixed assets and the market value of land.	Complied	Refer Note 12 of the Financial Statements of this Annual Report
7.6.(xiii)	If during the year the entity has raised funds either through a public issue, rights issue and private placement.	N/A	During the year the Company had no public issues, rights issues or private placements.
7.6.(xiv)	Employee share option/purchase schemes (if any)	N/A	There are no share options or purchase schemes available to the Company's directors or employees at this time.
7.6.(xv)	Corporate Governance Disclosures in terms of Sections 7.10.3, 7.10.5.c and 7.10.6. c.	Complied	Refer Corporate Governance Report on page 50 to 59 of this Annual Report
7.6.(xvi)	Related Party Transactions in terms of Sections 9	Complied	Refer Note 30 of the Financial Statements of this Annual Report
7.10	Compliance		
a/b/c.	Compliance with Corporate Governance Rules	Complied	The Group is in compliance with the Corporate Governance Rules and any deviations are explained where applicable.
7.10.1	Non-Executive Directors (NED)		
a/b/c.	At least two members or one third of the Board, whichever is higher should be Non-Executive Directors	Complied	Three out of six Directors are Non-Executive Directors at the conclusion of last AGM.
7.10.2	Independent Directors		
a.	Two or one third of Non-Executive Directors, whichever is higher shall be independent	Complied	Two out of three Non-Executive Directors are independent.

CORPORATE GOVERNANCE

Section Ref.	CSE Listing Rule	Compliance Status	Details of Compliance
b.	Each Non-Executive Director to submit a signed and dated declaration of his/her Independence or Non independence	Complied	Independence of the Directors has been determined in accordance with CSE Listing Rules and the two Independent Non-Executive Directors have submitted signed declarations of their independence. Mr. D. S. K. Amarasekera is a Director of a company in which a majority of the other Directors of the Company are Directors, and which holds a significant shareholding by the Company. However, in view of the fact that he is an independent Non-Executive Director of the company, his position as a Director of the other company does not compromise his Independence and objectivity in discharging his functions as a Director of the Company. Hence, Mr. D. S. K. Amarasekera is determined by the Board to be an independent Director. Dr. A. Shakthevale is a Director of a company in which a majority of the other Directors of the Company are Directors, and which holds a significant shareholding by the Company. However, in view of the fact that he is an independent Non-Executive Director of the company, his position as a Director of the other company does not compromise his Independence and objectivity in discharging his functions as a Director of the Company. Hence, Dr. A. Shakthevale is determined by the Board to be an independent Director.
7.10.3	Disclosure Relating to Directors		
a/b.	Board shall annually determine the independence or otherwise of Non-Executive Directors	Complied	The Board has made an annual determination as to the independence or non-independence of each Non-Executive Director based on a declaration made by the Non-Executive Directors and as per criteria set out by CASE Listing Rules.
c.	A brief resume of each Director should be included in the Annual Report including the area of expertise.	Complied	Refer Board of Directors on pages 21 - 23 of the Annual Report.
d.	Provide a resume of each new Director appointed to the Board along with the details	N/a	There were no new appointments during the year.

Section Ref.	CSE Listing Rule	Compliance Status	Details of Compliance
7.10.4	Criteria for Defining Independence		
a. to h.	Requirements for meeting the criteria to be an Independent Director	Complied	The Independent Non-Executive Directors have met the criteria on defining independence as per the Listing rules.
7.10.5	Remuneration Committee		
a. 1	The Remuneration Committee shall comprise a minimum of two Independent NEDs or a majority of Independent NEDs, whichever is higher. One NED shall be appointed as Chairman of the Committee by the Board of Directors	Complied	The Remuneration Committee comprises of two Independent, Non-Executive Directors.
a. 2	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors	Complied	An Independent Non-Executive Director is the Chairman of the Committee.
b.	Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors.	Complied	The Remuneration Committee recommends the remuneration of the CEO and the Executive Directors. The Board makes the final determination after considering such recommendations.
c. 1	Names of Remuneration Committee members	Complied	Composition of the Remuneration Committee is given on page 65.
c. 2	Statement of Remuneration Policy	Complied	Group's Remuneration Policy is given on the page 65.
c. 3	Aggregate Remuneration paid to Executive and Non-Executive Directors	Complied	Aggregate remuneration paid to Executive and Non-Executive Directors during the year under review appears on Note 8 to the Financial Statements.
7.10.6	Audit Committee		
a. 1	The Audit Committee shall comprise a minimum of two Independent NEDs, or a majority of Independent NEDs, whichever is higher.	Complied	The Audit Committee comprises of two Independent, Non-Executive Directors.
a. 2	A Non-Executive Director shall be the Chairman of the committee	Complied	Chairman of the Audit Committee is a Non-Executive Director.
a. 3	Chief Executive Officer and Chief Financial Officer should attend Audit Committee meetings.	Complied	Chief Executive Officer and Chief Financial Officer attended the Audit Committee meetings by invitation.
a. 4	The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Complied	The Chairman of the Audit Committee is a member of a professional accounting body.
b.	Functions of the Audit Committee	Complied	The Audit Committee carries out the functions prescribed in this section of the Audit Committee. Role of the Audit Committee is given on page 64.

CORPORATE GOVERNANCE

Section Ref.	CSE Listing Rule	Compliance Status	Details of Compliance
b. 1	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS	Complied	The Audit Committee assists the Board in fulfilling its responsibility through overseeing the integrity of the financial statements of the Group.
b. 2	Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations	Complied	The Audit Committee has the overall responsibility to oversee the preparation of financial statements in accordance with the laws and regulations of Sri Lanka and also to recommend to the Board on the adoption of best accounting policies.
b. 3	Ensuring the internal controls and risk management controls are adequate to meet the requirements of the SLFRS/LKAS	Complied	The Audit Committee assesses the effectiveness of the internal controls and risk management.
b. 4	Assessment of the independence and performance of the entity's external auditors	Complied	The Committee assesses the external auditor's performance and independence.
b. 5	Make recommendations to the Board pertaining to external auditors	Complied	The Committee is responsible for appointment, reappointments, removal of external auditors and also the approval of remuneration and terms of engagement.
c. 1	Names of the Audit Committee members shall be disclosed	Complied	Refer Audit Committee Report on page 64 of the Annual Report.
c. 2	Audit Committee shall make a determination of the independence of the external auditors	Complied	Refer Audit Committee Report on page 64 of the Annual Report.
c. 3	The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.	Complied	Refer Audit Committee Report on page 64 of the Annual Report.

Compliance details of Continuing Listing Requirements Section 9 on Related Party Transactions issued by the Colombo Stock Exchange (CSE)

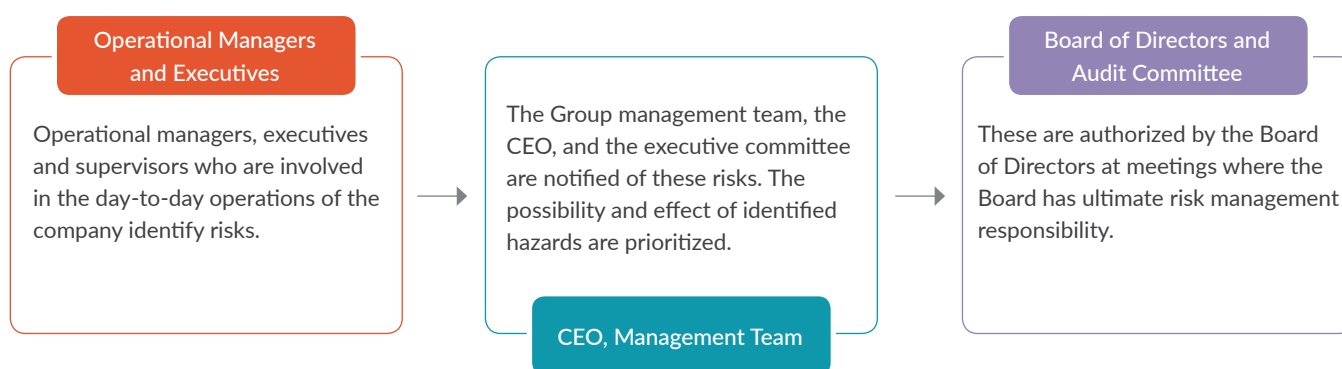
Section Ref.	Requirement	Compliance Status	Details of Compliance
9.2	Related Party Transactions Review Committee		
9.2.2	Composition	Complied	Related Party Transaction Review Committee consists of three Directors, out of which two are Independent, Non-Executive Directors; Chairman of the Committee is an independent, Non-Executive Director. Refer page 66.
9.3	Related Party Transactions Review Committee		
9.3.2	Disclosures in the Annual Report		
a.	Non- Recurrent Related Party Transactions	Complied	Company did not have any non-recurrent related party transactions, which require immediate disclosure to the Colombo Stock Exchange.
b.	Recurrent Related Party Transactions	Complied	Lanka Milk Foods (CWE) PLC carries out transactions with its subsidiaries and other related companies, anticipated to extend over a period which is carried out continuously and are in the ordinary course of the business of the Company. Details of the aggregate value of related party transactions as a % of revenue are disclosed in note 35 to the financial statements.
c.	Report of the Related Party Transactions Review Committee	Complied	Refer Report by the Related Party Transactions Review Committee on page 66.
d.	A declaration by the Board of Directors	Complied	Refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on page 66.

ENTERPRISE RISK MANAGEMENT

MANAGING RISKS AND OPPORTUNITIES

Lanka Milk Foods (CWE) PLC and its subsidiaries have given due consideration to its risk management practices in order to progress towards attainment of our desired objectives. We have embedded risk management to our daily management of the business to the best of the capabilities of the corporation. The Group's risk and opportunity strategy understands the intricate connection between threats and opportunities and comprehends risk management as an instrument for mitigating the adverse effects of internal and external variables and optimizing corporate value maximization to achieve long-term sustainability in operations.

Governance and Risk Management Process



Risk management is an ongoing and dynamic process. This comprises communication and collaboration with stakeholders, as well as continuous examination and monitoring. The procedure is integrated into our business and policy operations and comprises the following:



The following are the highlights of the primary risks encountered and identified as potential, as well as techniques for mitigating and managing such risks employed by LMF Group.



Principal risks indicators	Potential Impact	Risk Mitigation Strategies
 Financial Risks		
- Interest rate fluctuations - Exchange rate fluctuations - Current/quick ratio - Cash flow forecast - Capital structure - Gearing ratio - Limited foreign currency reserves in the country	- Cash management - Cost of imports - Financial position - Meeting obligations - Profitability of business - Limitation of imported raw material and packaging material	- Expected borrowings are covered by committed facilities, and an industry-related gearing ratio is kept at a healthy level. - Improved banking facilities with competitive rates - Advance payments to suppliers and early settlements to suppliers with favourable exchange rates - Monitoring exchange exposures and leading or lagging payments/receipts. - Striking a balance between short-term vs long-term borrowings, fixed vs floating rate borrowings and effective negotiation with bankers. - Systematic liquidity evaluations and assuring the Group's capacity to generate adequate resources for operations, financing, and investments.
 Health and Safety of our people		
- COVID-19 infection rate - Travel restrictions and lockdowns - Backlog of work	- Workforce health - Backlog of work - Spread of virus could affect business continuity - Administration costs - Hinder the supply of goods - Quality of products Reputation - Factory shut down	- Adherence to Government and Health Ministry guidelines at all our locations - Upon entering, all staff and guests are subjected to temperature checks. - To keep track of employee health and safety stats, all staff must fill out a weekly health declaration form. - Face masks are required in all of our facilities and PPE are provided to staff where needed. - Employees are asked to avoid taking public transportation and work from home, if possible, to help prevent the spread. - Sanitation of office and industry premises is done on a regular basis. During this time, farms were restricted to visitors in order to discourage travel and prevent the spread of the disease. - Randomly administering PCR tests to employees who are more susceptible to health and safety risks.
 Milk Price and Volume Volatility and related		
- Yield per cow - Cost per Litre - Price per Litre - Rising feed costs	The organization's revenues and profitability are directly affected by rising milk prices and shifting volume.	- Increasing the number of milking cows and the amount of milk produced per cow on a daily basis to increase our farm's milk output. - A consistent supply of raw milk for the production lines is ensured by increasing overall dairy production.
 Competitive Risk and Brand Image		
- Sales volumes - Market presence - Market share - Inventory turnover rate	- Turnover and sales volumes - Reputation - Overall profitability	- Product portfolio redevelopment and innovation - Investing in the growth of brands - Assuring product quality and focusing on worldwide trends such as healthy living and the usage of liquid milk - Assuring that our prices are reasonable.

ENTERPRISE RISK MANAGEMENT

Principal risks indicators	Potential Impact	Risk Mitigation Strategies
 Compliance, Regulatory and Legal Risks		
- Total external and internal expenses on solving legal and litigation matters - Number of litigations and cycle time to resolve them - Number of compliance related matters - Cycle time to resolve compliance, regulatory and legal matters	- Financial loss - Reputational loss - Time and administration efforts dealing with such matters	- To mitigate such vulnerabilities, preventive steps are conducted by adhering to all necessary legislation and regulatory matters. - Management evaluates regulatory changes on a regular basis and assesses the impact of new regulations on the business. - In the event that an agreement is breached the Company consults with internal and external legal professionals to limit the risk. - A complete compliance checklist is checked on a regular basis.
 Infrastructure Investment Risk		
Interest rate fluctuations	- Financial risk, interest rate risk - Effect of investment on business growth - Effect on cash flow	The infrastructure investments made by the organization are carefully evaluated and chosen for the long-term benefits they provide.
 Stakeholder Relationships		
- Customer complaints - Customer satisfaction - Raw material shortages	- Inventory and supply chain management - Market presence in B2B and B2C - Customer retention - Production hindrances - Revenues and profitability	- Addressing customer feedback and complaints regularly - Effective communication and being supportive of development and expansion of supplier sources - Reviewing supplier deliverables and performance - Rewarding loyal customers - Supplier partnerships are being strengthened.
 Technology Risk and Cyber Vulnerabilities		
- Leaked passwords - Malicious attacks - Spam and viruses - Stolen or lost devices - Suspicious emails - Technology failures	- Delays in tasks - Disruptions to business operations - Loss of sensitive data	- Information security is ensured by granting selected personnel varying levels of access permissions based on their operational demands and level of responsibility. - Taking cloud-based system backups and updating software to the latest versions on a regular basis. - To guard against viruses, the latest anti-spyware and anti-virus software is installed, while firewalls and other security measures, as well as passwords, are employed to prevent hacking and unauthorised computer invasions.

Principal risks indicators	Potential Impact	Risk Mitigation Strategies
 Quality Risk		
• Customer satisfaction • Product complains • Social proof of quality	• Impact on reputation • Repeated purchases • Total turnover and profitability	• Employees at all levels of production receive proper training and awareness about quality processes and output. • Maintaining the internationally recognized ISO 22000:2018-Food Safety Management System • Quality control is also implemented across the supply chain. • Revision of raw and powdered milk quality control and testing techniques in accordance with local and international standards • Testing conducted to check the presence of aflatoxins and harmful chemicals in feed and related supplies • To accomplish the quality goals, product and process improvements are developed and reviewed on a regular basis.
 Environmental Concerns		
• Waste disposal • Water supplies • Air pollution	• Reducing quality water supplies • Reduction in agricultural crops • Health effects and birth defects	• Acquiring relevant licenses. • Adopting more sustainable dairy farming practices • Conducting Initial Environmental Evaluations (IEE) and integrating Environmental Impact Assessments (EIA) by Central Environment Authority (CEA) to our projects and complying with National Environmental Act etc. • Reusing and recycling • Safe chemical handling • Sustainable agriculture approaches are being prioritized. • Waste management and eco-friendly waste disposals

REPORT OF THE AUDIT COMMITTEE

The Audit Committee designated by and responsible to the Board of Directors comprises two Independent Non-Executive Directors in line with the Listing Rules of the Colombo Stock Exchange. Mr. D S K Amarasekera, a member of the Institute of Chartered Accountants of Sri Lanka, an Attorney-at-Law of the Supreme Courts of Sri Lanka, an Independent Non-Executive Director, functions as the Chairman of the Audit Committee. The other member of the Audit Committee is Dr. A. Shakthevale, an Independent Non-Executive Director.

A brief profile of each member is presented on page 21-23 of this report under the section of the Board of Directors.

Objectives of Work

The roles, scope, and activities of the Audit Committee are consistent with the provisions of the Code of Best Practice on Corporate Governance, which was formed jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The Committee assists the Board in the execution of its responsibilities and oversees financial reporting, internal audit, internal controls, and external audits.

The Audit Committee's powers and responsibilities are governed by the Audit Committee Charter, which has been adopted and accepted by the Board. According to section 7.10.6 of the Colombo Stock Exchange's Listing Rules, the terms of reference comply with the Corporate Governance Rules.

Committee Meetings

The Audit Committee met four times during the year under review and the attendance of the committee members are given below.

Name	14/07/2021	10/11/2021	10/02/2022	20/05/2022
Mr. D S K Amarasekera	✓	✓	✓	✓
Dr. A Shakthevale	✓	✓	✓	✓

External Audit Representatives and Chief Financial Officer, Mr. W A Dharmathilaka attended the meetings by invitation and briefed the committee on related matters.

Function of the Committee

In order to protect the shareholders' and other stakeholders' interests, the Board Audit Committee reviews the Company's financial reporting system and its compliance with financial reporting standards and information obligations mandated by law. The Committee fulfils its responsibilities with respect to;

- Assisting the Board in timely and accurate oversight of the preparation, presentation, and adequacy of disclosures in the financial statements in accordance with the financial reporting standards of the Institute of the Chartered Accountants of Sri Lanka, the Companies Act No.07 of 2007, the Sri Lanka Accounting and Auditing Standards, and the Continuing Listing Rules of the Colombo Stock Exchange.
- Ensuring that suitable internal controls are in place to meet the SLFRS/LKAS standards and evaluating the efficacy of risk management strategies to mitigate risks.
- Evaluating the independence of internal and external auditors and monitoring their performance and functions.
- Determining the independence of the external auditors.
- Making suggestions regarding external auditors to the Board.
- Ensuring the Company complies with legal and regulatory standards, as well as performing the Company's compliance role.

Internal Audit

The Committee assessed the findings and recommendations of the Internal Audit Division, as well as management's responses, and monitored the implementation of these recommendations in order to strengthen the overall control environment. The Committee also assessed the effectiveness of the internal audit plan and determined that it was designed to provide reasonable assurance regarding the Financial Statements.

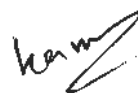
External Audit

The Audit Committee is convinced that the External Auditors' independence has not been harmed by any event or service that has resulted in a conflict of interest. The level of audit and non-audit fees received by the External Auditors has been carefully considered, and confirmation has been received from the External Auditors that they meet the independence criteria set forth in the Institute of Chartered Accountants of Sri Lanka's Code of Ethics.

The External Auditors' performance has been evaluated and discussed with the Company's senior management, and the Committee has recommended to the Board that KPMG be re-appointed as the External Auditors of Lanka Milk Foods (CWE) PLC for the financial year ending March 31, 2023, subject to shareholder approval at the Annual General Meeting.

Conclusion

The Audit Committee is confident that the Company's accounting rules, operational controls, and risk management systems provide reasonable assurance that the Company's affairs are managed in line with its policies, and that its assets are appropriately accounted for and adequately safeguarded. The Committee is furthermore satisfied that the Group's Internal and External Auditors performed well and were independent throughout the financial year under review.



D S K Amarasekera
Chairman - Audit Committee

26th August, 2022

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee appointed by and responsible to the Board of Directors comprise of two Independent Non-Executive Directors in compliance with the section 7.10.5 of listing rules of the Colombo Stock Exchange. Mr. D S K Amarasekera, a member of the Institute of Chartered Accountants of Sri Lanka, an Attorney-at-Law of the Supreme Courts of Sri Lanka, an Independent Non-Executive Director, acts as the Chairman of the Audit Committee. The other member of the Audit Committee is Dr. A. Shakthevale, an Independent Non-Executive Director. A brief profile of each member is presented on page 21-23 of this report.

Remuneration Committee is governed by the Remuneration Committee Charter and the Committee is responsible for determining the remuneration policy of the key management personnel of the Company and all employees.

Committee Meetings

The Committee met four times during the year. Members of the Company and the Finance Manager attended these meetings.

Name	14/07/2021	10/11/2021	10/02/2022	20/05/2022
Mr. D S K Amarasekera	✓	✓	✓	✓
Dr. A Shakthevale	✓	✓	✓	✓

The Remuneration Policy

The Group remuneration policy is to attract, motivate and retain the best professional and management talent of the Company and also to motivate and encourage them to perform at the highest possible level. A formal and transparent procedure is followed to determine the remuneration packages.

The Committee reviewed the Group remuneration policy which remained unchanged during the reporting year ended 31st March 2021.

The Committee also studied the present remuneration package for employees, reviewed the human resource policies, the process of annual increments and made recommendations to the Board of Directors.



D S K Amarasekera
Chairman - Remuneration Committee

26th August, 2022

RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

Purpose of the Committee

The Committee's purpose, as stated in Appendix 9A of the CSE Listing Rules, is to review all related Party Transactions, except those specified in Rule 9.5, either prior to the transaction being entered into or, if the transaction is expressly stated to be conditional on such review, prior to the transaction's completion.

Composition of the Committee

The Related Party Transaction Review Committee is responsible for the Board of Directors and comprises of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director. The Chairman of the Related Party Transaction Review Committee is Mr. D S K Amarasekera, a member of the Institute of Chartered Accountants of Sri Lanka and an Attorney-at-Law of the Supreme Courts of Sri Lanka. The other members of the Committee comprise of Dr. A Shakthevale, Independent Non-executive Director and Mr. D Hasitha S Jayawardena, Non-Independent Non-Executive Director.

A brief profile of each member is given on page 21-23 of this report.

Committee Meetings

As required by the applicable rules/regulations, the Committee analysed the transactions for the financial year, and a mechanism was put in place to make future compliance easier.

During the reporting year, the Related Party Transactions Review Committee met four times, and the attendance of committee members is listed in the table below.

Name	14/07/2021	10/11/2021	10/02/2022	20/05/2022
Mr. D S K Amarasekera	✓	✓	✓	✓
Dr. A Shakthevale	✓	✓	✓	✓
Mr. D Hasitha S Jayawardena	✓	Excused	✓	✓

Attendance by Invitation

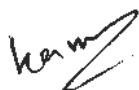
Mr. W A Dharmathilaka, Chief Financial Officer, was invited to the sessions and informed the committee on pertinent topics.

Disclosure

Related party transactions are disclosed to stakeholders through the Company's financial statements in accordance with current practice and to comply with the rules set forth in Appendix 9A of the CSE Listing Rules. The Committee established its functions with a view of further strengthening the internal procedures and policies with the requirements thereof and relevant disclosures are made in a timely and detailed manner.

Declaration

A declaration by the Board of Directors on compliance with the rule pertaining to the related party transactions appears on the report of Board of Directors on page 61-63 of this report.



D S K Amarasekera
Chairman - Related Party Transactions Review Committee

26th August, 2022

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Lanka Milk Foods (CWE) PLC is pleased to present the Company's and Group's 40th Annual Report and Audited Financial Statements for the financial year ending March 31, 2022. The information provided here fulfils the requirements of the Companies Act No. 07 of 2007, the Colombo Stock Exchange's Listing Rules, and best reporting practices.

The company was founded on November 12, 1981, as a public limited liability company, and it was listed on the Colombo Stock Exchange in 1983, under the requirements of the Companies Act No. 07 of 2007. The Company was controlled by the Cooperative Wholesale Establishment until it was privatised in 1991.

Principal Activities

The Group is in the business of manufacturing, importing, exporting, packing, marketing and distributing powdered milk, dairy and dairy allied products, fruit juice, rearing cattle and goats to produce milk and trading carbonated canned beverages.

Performance Review

A review of the financial and operational performance, comments on the financial results, future strategies and future prospects are shown in the Management Review section and Management Discussion section of this report.

Refer Note 13, Investment in Subsidiaries and Note 30, Principal Subsidiaries Details of Subsidiaries for more information. A segmental analysis of the activities of the Group is given in Note 34 to the Financial Statements.

Accounting Policies and Changes During the Year

The accounting policies adopted in the preparation of the financial statements are in accordance with Sri Lanka Accounting Standards and are presented on the pages 84 to 97. There have been no changes in the accounting policies adopted by the Group during the year.

Summary of the Income Statement of the Company and Group

Financial Statements and Auditors' Report

The Financial Statements of the Company and the Group for the year ended 31st March 2022 were prepared in accordance with SLFRSs/LKASs, the Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka. The Audited Financial Statements approved by the Board of Directors on 29th August 2022 are provided on pages 78 to 138. The Auditor's Report on the Financial Statements of the Company and the Group is set out on page 74-77.

Summary of Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31st March	Group 2022 Rs.000's	Group 2021 Rs.000's
Net profit/loss before tax	1,097,589	833,946
Provision for taxation including deferred tax	(33,086)	7,818
Net profit/loss after tax	1,064,503	841,764
Other comprehensive income	(697,180)	111,297
Total comprehensive income	367,323	953,061
Amount attributable to minority interest	(597)	(78)
Total comprehensive income attributable to the shareholders	367,920	953,139
Balance brought forward from previous year	10,265,687	9,412,543
Dividend paid	(199,990)	(99,995)
Amount available for appropriations	10,433,617	10,265,687
Stated capital	999,950	999,950
Balance attributable to shareholders at the end of the year	11,433,567	11,265,637

Group Revenue and Profits

The group revenue for the reporting year ended 31st March 2022 was Rs. 9,772 million (2020/21 - Rs. 7,597 million). Lanka Milk Foods (CWE) PLC, the Company recorded Rs. 3,424 million for the financial year (2020/21 - Rs. 3,101 million).

The profit after tax of the Group was Rs. 1,065 million (2020/21- Rs. 842 million). The Company reported a profit after tax of Rs. 467 million (2020/21- Rs. 293 million). The segmental profits are disclosed in Note 34 to the Financial Statements.

Donations

There were no donations during the year.

Taxation

The income tax expense of the Group, including the deferred tax charge for the reporting year amounted to Rs. 33 million (2020/21 - a tax credit of Rs. 7.8 million). The deferred tax charge of the Company, for reporting year amounted to Rs. 3.2 million (2020/21 - deferred tax credit of Rs. 14.4 million). Tax expenses of the Group and Company are elaborated in Note 9 to the financial statements.

Dividends (Interim)

In respect of the year ended 31st March 2022, the Directors have declared and paid a first and a second interim dividend of Rs. 5.00 and Rs. 2.50 per share respectively.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Summary of the Statement of Financial Position of the Company and Group

Stated Capital

The stated capital of the Company is Rs. 999,950,000 and it consists of 39,998,000 Ordinary Shares. There was no change in the stated capital during the year.

Reserves

The total Group Reserves as at 31st March 2022 amounted to Rs.10.4 billion (2020/21 – Rs. 10.3 billion) The movements of reserves during the period are given under the Statement of Changes in Equity on pages 80-81.

Property, Plant & Equipment

Details and movements of Property, Plant and Equipment owned by the Company are given in Note 12 to the Financial Statements on page 102.

Land Holdings

Details of leasehold land owned by the Company are given in Note 24 to the Financial Statements on page 118.

Investments

Details of quoted and unquoted investments made by the Company as at 31st March 2022 are given in Note 14 to the Financial Statements on page 106.

Contingent Liabilities

Except as disclosed in Note 31 to the Financial Statements on page 121, there were no material contingent liabilities as at the reporting date.

Events after the Reporting Period

There have been no events subsequent to the reporting period, which would have any material effect on the Group or the Company other than those disclosed in Note 32 to the Financial Statements

Going Concern

The Board has examined the current and prospective implications of COVID-19 on the Group Companies, as well as the appropriateness of using the going

concern basis, in determining the basis for preparing the financial statements for the year ended 31st March 2022. The Board is satisfied that the Company and the subsidiaries have adequate resources to continue their operations in the foreseeable future.

Information on the Board of Directors

Directorate

The Directors of Lanka Milk Foods (CWE) PLC who served during the year are given below.

Name of Director	Status
Mr. D. H. S. Jayawardena	Executive Chairman
Mr. C. R. Jansz	Executive Director
Mr. D. S. K Amarasekara	Independent Non-Executive Director
Dr. A. Shakthevale	Independent Non-Executive Director
Mr. D. Hasitha. S. Jayawardena	Non-Independent Non-Executive Director
Ms. D. S. T. Jayawardena	Executive Director

Brief profiles of the Director's as at 31st March 2022; appear on pages 21 –23 of this report.

Directors' Shareholdings

The Directors' shareholdings in the Company were as follows:

	As at 31st March 2022	As at 31st March 2021
Mr. D H S Jayawardena	Nil	Nil
Mr. C. R. Jansz	Nil	Nil
Mr. D. S. K Amarasekera	Nil	Nil
Dr. A. Shakthevale	Nil	Nil
Mr. D. Hasitha Stassen Jayawardena	Nil	Nil
Ms. D. S. T. Jayawardena	2,934	2,934

Interests Register

The Company maintains an Interests Register conforming to the Provisions of the Companies Act No. 07 of 2007. All related party transactions, with the Company during the accounting period, are recorded in the Interest Register in accordance with the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant interests of Directors in the Company's shares as of March 31, 2022 are recorded in the Interest Register, and details are provided in this Report under Directors' Shareholding.

Directors' Remuneration

The remuneration of the Directors is given in note 08 on page 99 to the consolidated financial statements.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of its affairs.

Related Party Disclosures

Transactions with entities that are controlled, jointly controlled or significantly influenced by key managerial personnel or their close members of family or shareholders who have either control, significant influence or joint control over entity are set out in Note 35 to the Financial Statements. The Directors confirm that transactions with Related Parties in terms of the Sri Lanka Accounting Standard LKAS 24- Related Party Disclosures have been detailed in Note 35 to the Financial Statements, as well as that the requirements as per the listing rules of the Colombo Stock Exchange has been complied with.

Employees

The number of persons employed by the Company as at 31st March 2022 was 234 (299 as at 31st March 2021) and by the Group 741 (752 as at 31st March 2021).

Employment Policies

The Company promotes a culture of teamwork, integrity and dedication and remuneration linked to performance by annual appraisals of both quantitative and qualitative performance of all employees. There were no significant material issues pertaining to employees and industrial relations of the entity during the year under review.

Other Information

Shareholder Information

Information on the twenty five largest shareholders of the Company, the distribution of shareholding, percentage of shares held by the public, market values per share as per the requirements of the Listing Rules of the Colombo Stock Exchange are given on pages 139 - 140 under Investor Information.

There were 4787, registered shareholders, holding ordinary voting share at the year-end. (2020/21 - 4601)

Share Information

An Ordinary share of the Company (LMF. N0000) was quoted on the Colombo Stock Exchange at Rs. 132.75 as at 31st March 2022 (2020/21 - Rs. 150.25). During the year the share price fluctuated between Rs. 130.00 and Rs. 295.00.

Information in relation to earnings, dividends, net assets and market value per share is given in the Ten-Year Summary on pages 141-142 of this report.

Auditors

The Financial Statements have been audited by Messrs. KPMG Chartered Accountants who served as the Auditors during the year under review. The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The details of fees paid to the Auditors for the Company and its subsidiaries are set out in Note 8 to the Financial Statements. The Auditors do not have any interest in the Company other than as Auditors.

Statutory Payments

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company and contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the reporting date, have been paid or, where relevant, provided for.

Risk Management

The Risk Management processes currently practiced by the Company to identify and manage potential risks are given on page 129 - 135.

Internal Controls

The Board of Directors has taken adequate steps to ensure the implementation of an effective and comprehensive system of internal controls covering aspects of financial, operational and compliance controls within the group.

Environmental Protection

The Company has not engaged in any activity that was detrimental to the environment and has been in due compliance with all applicable laws and regulations of the country to the best of its ability.

Corporate Governance

The Company aspires to adhere to the best practices in Corporate Governance and the applicable Governance Rules of the Colombo Stock Exchange. The Corporate Governance practices are presented on pages 50 - 59.

The Board of Directors confirm that the Company is compliant with section 7.10 of the Listing Rules of the CSE.

Board sub-committees include an Audit Committee, Remuneration Committee, and Related Party Transaction Review Committee with Directors who possess the requisite qualifications and experience.

Audit Committee

Mr. D. S. K Amarasekara - *Chairman*
Dr. A. Shakthevale

Remuneration Committee

Mr. D. S. K Amarasekara - *Chairman*
Dr. A. Shakthevale

Related Party Transaction Review Committee

Mr. D. S. K Amarasekara - *Chairman*
Dr. A. Shakthevale
Mr. D. Hasitha. S. Jayawardena

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Annual General Meeting

The 40th Annual General meeting of the Company will be held at Lanka Milk Foods (CWE) PLC as a virtual/hybrid meeting on Tuesday, 20th of September 2022 at 10.00 a.m. The Notice of Meeting appears on page 146 of the report.

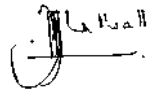
This Annual Report is signed for and on behalf of the Board of Directors by:



Mr. C. R. Jansz
Director



Dr. A. Shakthevale
Director



Ms. H. K. Bulathwatte
Company Secretary
Lanka Milk Foods (CWE) PLC

26th August 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors of the Company are entrusted by the Companies Act No. 7 of 2007 with ensuring that the provisions outlined therein are followed in order to prepare Financial Statements and other statutory reports for each financial year that provide a true and fair view of the state of affairs, including profit and loss for the Company and its subsidiaries as of the reporting date. This report outlines the duties of the Directors with regard to the financial statements of Lanka Milk Foods (CWE) PLC, the Company, and the Group.

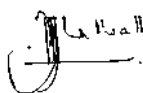
The Board of Directors accepts the responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that proper accounting records and policies have been maintained in the preparation of the Financial Statements which have been prepared and presented in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and comply with the requirements in the Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange. Additionally, the Directors confirm that the Financial Statements have been prepared on an ongoing basis and are of the view that sufficient funds and other resources are available within the Group to continue its operations, which in the long run will enable the Company to facilitate planned future expansions and capital commitments.

The Directors have established sufficient internal control systems and taken the necessary precautions to protect the Group's assets in order to prevent and identify fraud and other irregularities.

The External Auditors were provided with all the necessary information and explanations to enable them to form their opinion on the Company financial statements.

The Directors certify that, to the best of their knowledge, all statutory payments related to the government and the employees that were due in respect of the company and its subsidiaries have been either paid or sufficiently provided for in the financial statements as of the reporting date.

On behalf of the Board of Directors



Ms. H. K. Bulathwatte
Company Secretary

26th August 2022





FINANCIAL STATEMENTS

Today we are at the top of our game delivering great taste and trusted quality to our customers, even as we create value for every stakeholder we serve.



INDEPENDENT AUDITOR'S REPORT



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF LANKA MILK FOODS (CWE) PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Lanka Milk Foods (CWE) PLC ("the Company") and the Consolidated Financial Statements of the Company and its Subsidiaries ("the Group"), which comprise the Statement of Financial Position as at 31 March 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 Notes to the Financial Statements, including a Summary of Significant Accounting Policies and other explanatory information set out on page 78 to 138 of this Annual Report.

In our opinion, the accompanying Financial Statements give a true and fair view of the Financial Position of the Company and the Group as at 31 March 2022, and of their Financial Performance and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the 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 Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Company Financial Statements and Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of Biological Assets

Refer Note 15 to the Financial Statements

Risk Description

The Group's Livestock biological assets comprise of Goats, Rabbits and Dairy Cattle, which are further categorized into calves, heifers, milking cows, dry cows and culled animals.

The balance of the Group's Livestock biological assets, which are measured at fair value less cost to sell, was Rs. 1,279.2 Mn, as at 31 March 2022, with a gain arising from changes in fair value less costs to sell of biological assets for the year ended 31 March 2022 recorded in the Statement of Profit or Loss and Other Comprehensive Income of Rs. 327.7 Mn. Management has used a valuation method developed based on past information, assumptions, market prices of livestock of similar age, weight, pregnancy, lactations and milk production.

Our response

Our audit procedures included,

- understanding management's process for collecting the information to support the key assumptions and inputs adopted in the valuation of biological assets and assessing the information based on our knowledge of the Group and other audit procedures performed.
- assessing the methodologies adopted in the valuation of biological assets with reference to the requirements of the prevailing accounting standards with the consultation from our internal technical team.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

P.Y.S. Perera FCA C.P. Jayatilake FCA T.J.S. Rajakarier FCA
W.J.C. Perera FCA Ms. S. Joseph FCA Ms. S.M.B. Jayasekara FCA
W.K.D.C. Abeyrathne FCA S.T.D.L. Perera FCA G.A.U. Karunaratne FCA
R.M.D.B. Rajapakse FCA Ms. B.K.D.T.N. Rodrigo FCA R.H. Rajan FCA
M.N.M. Shameel FCA Ms. C.T.K.N. Perera ACA A.M.R.P. Alahakoon ACA
Ms. P.M.K. Sumanasekara FCA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA,
W.A.A. Weerasekara CFA, ACMA, MRICS



Measurement of Biological Assets

Refer Note 15 to the Financial Statements

Risk Description

The calculation of the fair value of biological assets involves a significant degree of judgement, particularly in respect of market prices for calves, heifers, goats and rabbits estimated culling rates, and raw milk market prices. Consequently, we have determined the measurement of biological assets to be a key audit matter because the valuation is dependent on certain key assumptions, which require the exercise of significant judgement and are subject to an inherent risk of error or potential management bias.

Our response

- On a sample basis, assessing the input data used in the valuations of biological assets, including breeding costs, milk production volumes and culling rates, based on available historical data.
- Evaluating the adequacy of the disclosure in Financial Statements, including disclosures of key assumptions, judgments and sensitivities.

Impairment of Investments in Subsidiaries

Refer Note 13 to the Financial Statements

Risk Description

The Company has recorded Rs. 1,065 Mn as investments in subsidiaries as at 31st March 2022.

The carrying amount of each investments in Subsidiaries have been tested for impairment as individual Cash Generating Units. The carrying amount of these investments could be materially misstated if inappropriate judgments and estimates were used by the Directors in calculating the recoverable amount for each cash generating unit ('CGU') as part of their impairment assessment.

Investments which does not generate adequate returns may be an indication of impairment. Due to the investments being material it will have a significant impact on financial performance of the Company.

We have identified the impairment of investments in Subsidiaries as a key audit matter since that is based on assessment of recoverability amount, which are inherently judgmental.

Our response

Our audit procedures included,

- Assessing the impairment indications of investments made in Subsidiaries.
- Reviewing of recoverable computations based on net assets attributable to Parent Company for investments with impairment indications and discussion with management of group/ component.
- Obtaining the forecasted cash flows of the subsidiaries and assessing the reasonableness of the discounted cash flow models, principles and accuracy of the forecasts and challenging the assumptions used and the valuation technique applied.
- Assessing the adequacy of disclosures made in the Financial Statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include 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.

INDEPENDENT AUDITOR'S REPORT



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

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as 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, 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's 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 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's 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 ethical requirements in accordance with the Code of Ethics regarding independence, and to 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 charged 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. 07 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 2599.

A handwritten signature in black ink, appearing to be 'K. M.' followed by a long, sweeping horizontal line.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

29th August 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March	Note	Group		Company	
		2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Revenue	5	9,771,539	7,597,192	3,423,954	3,101,450
Cost of Sales		(8,311,332)	(6,519,974)	(3,253,007)	(2,981,161)
Gross Profit		1,460,207	1,077,218	170,947	120,289
Other Operating Income	6	1,274,373	835,427	1,124,093	558,303
Administrative Expenses		(620,162)	(564,467)	(265,910)	(259,605)
Distribution Expenses		(380,706)	(362,199)	(112,875)	(149,389)
Other Operating Expenses		(145,508)	(109,214)	(54,858)	-
Profit from Operations		1,588,204	876,765	861,397	269,598
Finance Income	7.1	18,526	77,535	29,697	73,996
Finance Expense	7.2	(509,141)	(120,354)	(427,476)	(36,108)
Net Finance Expense	7	(490,615)	(42,819)	(397,779)	37,888
Profit Before Taxation	8	1,097,589	833,946	463,618	307,486
Income Tax Expense	9	(33,086)	7,818	3,261	(14,436)
Profit for the Year		1,064,503	841,764	466,879	293,050
Other Comprehensive Income					
Items that will never be reclassified to profit or loss					
Net Change in Fair Value of Equity Securities - at FVOCI	14	(723,799)	138,911	(723,799)	138,911
Actuarial Gain/(Loss) on Defined Benefit Obligation		33,090	(32,767)	25,387	(16,403)
Tax on Other Comprehensive Income/(Expense)		(6,471)	5,153	(4,570)	2,953
Other Comprehensive Income/(Expense) for the Year		(697,180)	111,297	(702,982)	125,461
Total Comprehensive Income		367,323	953,061	(236,103)	418,511
Profit Attributable to :					
Owners of the company		1,065,100	841,842	466,879	293,050
Non controlling interest		(597)	(78)	-	-
Profit for the Year		1,064,503	841,764	466,879	293,050
Total Comprehensive Income Attributable to					
Owners of the company		367,920	953,139	(236,103)	418,511
Non controlling interest		(597)	(78)	-	-
Total Comprehensive Income for the Year		367,323	953,061	(236,103)	418,511
Figures in brackets indicate deductions.					
Earnings Per Share	10				
Basic Earnings Per Share	10.1	26.63	21.05	11.67	7.33
Diluted Earnings Per Share	10.2	26.63	21.05	11.67	7.33

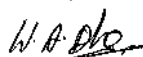
The Financial Statements are to be read in conjunction with related notes, which form a part of the Financial Statements of the Group set out in pages 84 to 138.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group		Company	
		2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Assets					
Non Current Assets					
Property, Plant and Equipment	12	4,497,497	3,050,465	125,751	143,283
Investment in Subsidiaries	13	-	-	1,065,000	1,065,000
Other Investments	14.1	6,852,754	7,576,553	6,852,754	7,576,553
Biological Assets	15.1	1,279,229	1,121,110	-	-
Deferred Tax Asset	23.1	10,750	12,059	10,750	12,059
Right of use assets	29.1	308,854	283,388	307	335
Net Investment	29.2	-	-	-	-
Total Non Current Assets		12,949,084	12,043,575	8,054,562	8,797,230
Current Assets					
Inventories	16	1,486,956	1,206,992	398,066	439,541
Biological Assets	15.2	40,772	28,700	-	-
Other Investments	14.2	153,778	197,002	153,778	197,002
Trade Receivables	17	787,959	646,109	194,871	228,608
Other Receivables	18	68,705	86,905	25,369	53,253
Amounts Due from Related Parties	19	24,721	24,995	1,404,537	728,200
Income Tax Receivables		8,820	29,132	9,167	20,322
Cash and Cash Equivalents	20	1,212,879	237,740	1,002,342	228,851
Total Current Assets		3,784,590	2,457,575	3,188,130	1,895,777
Total Assets		16,733,674	14,501,150	11,242,692	10,693,007
Equity and Liabilities					
Equity					
Stated Capital	21	999,950	999,950	999,950	999,950
Capital Reserves		105,116	105,116	105,116	105,116
Fair Value through Other Comprehensive Income Reserve		6,281,668	7,005,467	6,281,668	7,005,467
Revenue Reserves		4,046,833	3,155,104	2,211,943	1,924,237
Total Equity attributable to Equity Holders of the Company		11,433,567	11,265,637	9,598,677	10,034,770
Non Controlling Interests		(235)	362	-	-
Total Equity		11,433,332	11,265,999	9,598,677	10,034,770
Liabilities					
Non Current Liabilities					
Loans and Borrowings	25	1,753,646	1,207,551	-	-
Lease Liability	29.3	319,814	277,014	290	306
Deferred Tax Liability	23.1	87,030	152,612	-	-
Retirement Benefit Obligations	24	141,410	161,972	69,507	86,153
Total Non Current Liabilities		2,301,900	1,799,149	69,797	86,459
Current Liabilities					
Trade and Other Payables	26	1,518,264	349,208	1,182,122	95,516
Amounts Due to Related Parties	27	175,187	164,090	169,346	139,566
Income Tax Payable		35,857	33,704	-	-
Loans and Borrowings	25	375,000	338,953	-	300,000
Lease Liability	29	34,376	34,376	60	59
Bank Overdraft	20	859,758	515,671	222,690	36,637
Total Current Liabilities		2,998,442	1,436,002	1,574,218	571,778
Total Liabilities		5,300,342	3,235,151	1,644,015	658,237
Total Equity and Liabilities		16,733,674	14,501,150	11,242,692	10,693,007

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Group set out on pages 84 to 138.

I certify that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



W.A. Dharmathilaka

Group Chief Financial Officer

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

Approved and signed for and on behalf of the Board;



C.R. Jansz

Director

29th August 2022

Colombo



Dr. A. Shakthevale

Director

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March Group	Attributable to Equity Holders of the Company							
	Stated Capital	Revaluation Reserve	Dairy Development Project Reserve	FVOCI Reserve	Retained Earnings	Total	Non- Controlling Interest	Total Equity
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Balance as at 1st April 2020	999,950	105,116	110,000	6,866,556	2,330,871	10,412,493	440	10,412,933
Total Comprehensive Income								
Profit for the year	-	-	-	-	841,842	841,842	(78)	841,764
Other Comprehensive Income								
Net change in Fair Value of Available for Sale Investments	-	-	-	138,911		138,911	-	138,911
Actuarial Gain on Retirement Benefit Obligations	-	-	-	-	(32,767)	(32,767)	-	(32,767)
Tax on Other Comprehensive Income					5,153	5,153	-	5,153
Total Comprehensive income	-	-	-	138,911	814,228	953,139	(78)	953,061
Dividend Paid	-	-	-	-	(99,995)	(99,995)	-	(99,995)
Balance as at 31st March 2021	999,950	105,116	110,000	7,005,467	3,045,104	11,265,637	362	11,265,999
Balance as at 1st April 2021	999,950	105,116	110,000	7,005,467	3,045,104	11,265,637	362	11,265,999
Total Comprehensive Income								
Profit for the year	-	-	-	-	1,065,100	1,065,100	(597)	1,064,503
Other Comprehensive Income								
Net change in Financial instrument measured at FVOCI	-	-	-	(723,799)		(723,799)	-	(723,799)
Actuarial Gain on Retirement Benefit Obligations	-	-	-	-	33,090	33,090	-	33,090
Tax on Other Comprehensive Income					(6,471)	(6,471)	-	(6,471)
Total Comprehensive income	-	-	-	(723,799)	1,091,719	367,920	(597)	367,323
Dividend Paid	-	-	-	-	(199,990)	(199,990)	-	(199,990)
Balance as at 31st March 2022	999,950	105,116	110,000	6,281,668	3,936,833	11,433,567	(235)	11,433,332

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with related notes, which form a part of the Financial Statements of the Group set out in pages 84 to 138.

For the Year Ended 31 March Company	Stated Capital	Revaluation Reserve	Dairy Development Project Reserve	FVOCI Reserve	Retained Earnings	Total Equity
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Balance as at 1st April 2020	999,950	105,116	110,000	6,866,556	1,634,632	9,716,254
Total Comprehensive Income						
Profit for the year	-	-	-	-	293,050	293,050
Other Comprehensive Income						
Net change in Fair Value of Available for Sale Investments	-	-	-	138,911	-	138,911
Actuarial Gain on Retirement Benefit Obligations	-	-	-	-	(16,403)	(16,403)
Tax on Other Comprehensive Income					2,953	2,953
Total Comprehensive income	-	-	-	138,911	279,600	418,511
Dividend Paid	-	-	-	-	(99,995)	(99,995)
Balance as at 31st March 2021	999,950	105,116	110,000	7,005,467	1,814,237	10,034,770
Balance as at 1st April 2021	999,950	105,116	110,000	7,005,467	1,814,237	10,034,770
Total Comprehensive Income						
Profit for the year	-	-	-	-	466,879	466,879
Other Comprehensive Income						
Net change in Fair Value of Available for Sale Investments	-	-	-	(723,799)	-	(723,799)
Actuarial Gain on Retirement Benefit Obligations	-	-	-	-	25,387	25,387
Tax on Other Comprehensive Income					(4,570)	(4,570)
Total Comprehensive income	-	-	-	(723,799)	487,696	(236,103)
Dividend Paid	-	-	-	-	(199,990)	(199,990)
Balance as at 31st March 2022	999,950	105,116	110,000	6,281,668	2,101,943	9,598,677

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with related notes, which form a part of the Financial Statements of the Group set out in pages 84 to 138.

STATEMENT OF CASH FLOWS

For the Year Ended 31 March		Group		Company	
		2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Note					
Cash Flow from Operating Activities					
Profit Before Income Tax Expenses		1,097,589	833,946	463,618	307,486
Adjustments for;					
Depreciation on Property, Plant and Equipment	12.1/12.2	208,892	198,212	19,024	18,406
Amortisation of Right to Use of Asset	29.1	9,898	12,242	28	28
Changes in Fair Value of Equity Securities at FVTPL	7.2	47,166	17,933	47,166	17,933
Provision of Impairment for Amounts due from Related Companies		-	222	54,857	-
ESC Written-off		20,313	26,752	11,155	10,059
Provision / (Reversal) of Impairment of Trade Receivables	17.1	(270)	(8,163)	310	(3,393)
Provision on Impairment of Other Receivables	18	6,357	3,648	6,357	-
Gain on Disposal of Property, Plant and Equipment	6	(2,900)	(148)	(2,900)	-
Loss on Translation of Foreign Currency	7.2	382,788	-	375,090	-
Provision for Retirement Benefit Obligation	24	19,341	26,132	10,379	13,691
Provision for Obsolete Inventories	16.1	4,142	6,313	3,000	915
Change in Fair Gain of Biological Assets	15.1	(327,742)	(345,073)	-	-
Loss/ (Gain) on Disposal of Biological Assets	6	(7,008)	(13,374)	-	-
Lease Rental Income	6	(5,500)	(5,000)	-	-
Loss on Disposal of Net Investment on Sub Lease		-	1,599	-	-
Dividend Income	6	(910,558)	(427,108)	(1,110,558)	(527,108)
Interest Income	7.1	(18,526)	(2,693)	(29,697)	(11,380)
Interest Expense on Lease Liability	7.2	44,289	45,369	52	53
Interest Expense	7.2	34,898	57,052	5,168	18,122
Operating Profit/(Loss) Before Working Capital Changes		603,169	427,861	(146,951)	(155,188)
(Increase)/Decrease in Inventories		(284,106)	(187,591)	38,475	(81,909)
(Increase)/Decrease in Trade and Other Receivables		(129,737)	119,901	54,954	116,812
(Increase)/Decrease in Amounts due from Related Companies		274	48,278	(731,194)	(183,221)
(Increase)/Decrease in Amounts due to Related Companies		11,097	154,035	29,780	135,925
Increase/(Decrease) in Trade and Other Payables		786,268	(7,335)	711,516	22,012
Cash Flows Generated from/(Used in) Operations		986,965	555,149	(43,420)	(145,569)
Interest Paid		(34,898)	(57,052)	(5,168)	(18,122)
Income Tax Paid		(101,678)	-	-	-
Retiring Gratuity Paid	24	(6,813)	(12,404)	(1,638)	(7,316)
Net Cash Flows Generated from/(Used in) Operations		843,575	485,693	(50,226)	(171,007)

For the Year Ended 31 March	Note	Group		Company	
		2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Cash Flow from Investing Activities					
Interest Received	7.2	18,526	2,693	29,697	11,380
Dividend Received		906,616	423,256	1,106,616	523,256
Investment in Equity Securities at FVTPL		-	(2,022)	-	(2,022)
Acquisition of Biological Assets	15.2	(40,772)	(28,700)	-	-
Income from Lease Hold Premises		5,500	5,000	-	-
Proceeds from Disposal of Property, Plant and Equipment		3,626	338	2,900	-
Proceeds from Sale of Biological Assets		205,331	83,249	-	-
Purchase and Construction of Property, Plant and Equipment	12.1	(1,656,650)	(1,221,870)	(1,492)	(24,725)
Net Cash Flows Generated from/(Used in) Investing Activities		(557,823)	(738,056)	1,137,721	507,889
Cash Flow from Financing Activities					
Repayment of Borrowings During the year	25	(693,750)	(383,735)	(600,000)	(200,000)
Lease Payment made During the year	29.3	(36,853)	(35,642)	(67)	(67)
Loan Obtained During the year	25	1,275,892	1,575,408	300,000	500,000
Dividend Paid		(199,990)	(99,995)	(199,990)	(99,995)
Net Cash Flows Generated from/(Used in) Financing Activities		345,299	1,056,036	(500,057)	199,938
Net increase/(Decrease) in Cash and Cash Equivalents		631,052	803,673	587,438	536,820
Cash and Cash Equivalents at the Beginning of the year		(277,926)	(1,081,599)	192,219	(344,601)
Cash and Cash Equivalents at the End of the year (Note 20)		353,126	(277,926)	779,657	192,219
Note A					
Analysis of Cash and Cash Equivalents at the End of the year					
Cash and Cash Equivalents		1,212,884	237,745	1,002,347	228,856
Bank Overdraft		(859,758)	(515,671)	(222,690)	(36,637)
		353,126	(277,926)	779,657	192,219

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with related notes, which form a part of the Financial Statements of the Group set out in pages 84 to 138.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

Lanka Milk Foods (CWE) PLC ("the Company") is a quoted public limited liability Company incorporated and domiciled in Sri Lanka. The Company has been registered under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007. The registered office of the Company is located at No 579/1, Welisara, Ragama.

The Consolidated Financial Statements of Lanka Milk Foods (CWE) PLC as at and for the year ended 31 March 2022 comprise of the financial information of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

1.1 Principal Activities And Nature Of Operations

The principal activity of the Company is importing, packaging and distribution of milk allied products. Description of the nature of the operation and principal activities of the subsidiaries are given in Note 30 to the Financial Statements.

There were no significant changes in the nature of the principal business activities of the Companies in the Group during the financial year.

The Company does not have an identifiable Parent of its own. The Company is the Ultimate Parent of the Group.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and Financial Statements of the Company, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down 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 include the following components:

- Statement of Profit or Loss and Other Comprehensive Income providing information on the Financial Performance of the Company and the Group for the year under review.
- Statement of Financial Position providing the information on the Financial Position of the Company and the Group as at the year end.

- Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Company and the Group.
- Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and utilization of those cash flows.
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.2 Directors Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of Consolidated Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards (SLFRSs/ LKASs).

2.3 Approval of Financial Statements

The Consolidated Financial Statements of the Company and Group for the year ended 31 March 2022 were approved and authorized for issue by the Board of Directors in accordance with Resolution of the Directors on 29 August 2022.

2.4 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following material items, which are measured on an alternative basis on each reporting date.

- | | |
|--|---|
| i. Fair Value Through Other Comprehensive Income (FVOCI) (Note 14.1) | Fair value |
| ii. Defined Benefit Obligation (Note 24) | Actuarially valued and recognized at Present value of the defined benefit obligation. |
| iii. Biological assets (Note 15) | Fair value less costs to sell |
| iv. Fair Value Through Profit or Loss (FVTPL) (Note 14.2) | Fair value |

No adjustments have been made for inflationary factors affecting the Financial Statements.

2.5 Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). The Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.6 Materiality and Aggregation

Each material class of similar item is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.7 Use of Judgements and Estimations

In preparing these Financial Statements, management has made judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

2.7.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Financial Statements is included in the following notes:

- Note 15 – Biological Assets;
- Note 23 – Deferred Tax Assets; availability of future taxable profit against which Tax losses carried forward can be used;
- Note 17 – Impairment loss; key assumptions underlying recoverable amounts; and
- Note 29 – Lease Term: whether the Group is reasonably certain to exercise extension options.

2.7.2 Assumption

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2022 is included in the following notes:

- Note 15 – Valuation of biological assets.
- Note 16.1 – Provision for inventory;
- Note 24 – Retirement Benefit Obligations; key actuarial assumptions; and
- Note 31 – Provisions and contingencies; key assumptions about likelihood and magnitude of an outflow of resources.

2.7.3 Impact of COVID-19 and economic uncertainties

The Group's 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 a foreseeable future.

The management has also assessed the existing and anticipated effects of COVID-19 and economic uncertainties on the Group and the appropriateness of the use of the going concern basis. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

2.8 Going Concern

The Group's 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 a foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.9 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 realized or intended to be sold or consumed in the normal operating cycle and held primarily for the purpose of trading or expected to be realized within twelve months after the reporting period or is Cash or Cash Equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

All other assets are classified as Non-Current Assets.

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 date.

All other liabilities are classified as Non-Current Liabilities.

2.10 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the Significant Accounting Policies of the Company and Group.

2.11 Determination of fair values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

The fair value of a liability reflects its non-performance risk. Several of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

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

Level 1:

inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2:

inputs are inputs other than quoted prices included within 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 are inputs that are not based on observable market data (unobservable inputs).

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out from Note 3.1 onwards have been applied consistently for all periods presented in the financial statements by the Group and Company.

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 outputs.

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 consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Group measures goodwill at the acquisition date as:

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

In the Company’s Financial Statements, investments in subsidiaries are carried at cost less impairment if any, in net recoverable value.

The details of subsidiaries principal activities and domicile as follows,

Company	Principal Activities	Domicile
Lanka Dairies (Private) Limited	Fresh milk, flavoured milk and fruit juices are produced and packed in Tetra Pak packaging.	Sri Lanka
Ambewela Products (Private) Limited	Manufacturing and selling of fresh milk and milk related products.	Sri Lanka
Ambewela Livestock Company Limited	Rearing of cattle to produce and sale of Cow milk.	Sri Lanka
Pattipola Livestock Company Limited	Rearing of cattle to produce and sale of Cow milk.	Sri Lanka
United Dairies Lanka (Private) Limited	Dairy farming and Company under construction not in operation yet.	Sri Lanka
Indo Lanka Exports (Private)Limited	Manufacturing and exporting Fruit Juices, currently not in operation.	Sri Lanka

The Consolidated Financial Statements are prepared to a common financial year end of 31 March.

3.1.3 Non-Controlling Interests (“NCI”)

NCI are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.1.4 Loss of Control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Subsequently at retained interest is accounted for as an equity accounted investee or as an available for sale financial asset depending on the level of influence retained.

3.1.5 Transactions eliminated on Consolidation

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intragroup transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

3.2 Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

3.3 Statement of Financial Position

3.3.1 Property, Plant and Equipment

3.3.1.1 Freehold Assets Recognition

3.3.1.1.1 Recognition

Property, plant & equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period. Property, Plant & Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

3.3.1.1.2 Measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. This also includes costs of dismantling and removing the items and restoring the site on which they are located. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property plant and equipment.

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

3.3.1.1.3 Subsequent Cost

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in the profit or loss.

3.3.1.1.4 De-recognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognized.

3.3.1.1.5 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using straight line method over their estimated useful lives, and is generally recognized in profit or loss. This most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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 derecognized.

Leased assets are depreciated over the shorter of the lease term or the useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows.

Class of Assets	Useful Lifetime
Plant and Machinery	10 years
Laboratory Equipment	10 years
Factory Equipment	10 years
Canteen Equipment	10 years
Office Equipment	5 years
Fire Fighting Equipment	5 years
Furniture and Fittings	5 years
Fixtures	5 years
Computers	5 years
Motor Vehicles	5 years
Milk Collection Equipment	5 years
Motor Roads and Others	5 years

Buildings on leasehold land are depreciated over the unexpired period of lease. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

e. Capital Work-In-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery, awaiting capitalization.

3.3.1.2 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

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

An impairment loss is recognized in profit or loss.

3.3.2 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16. This definition is applicable for leases entered after 1st April 2019.

3.3.2.1 As a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset 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 costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-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 value 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 analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset 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 the commencement date;
- amounts expected to be payable under a residual value guarantee; 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 an 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 the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, 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 payment.

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When the lease liability is re-measured 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.

3.3.2.2 *Short term leases and leases of low-value assets*

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

3.3.2.3 *As a Lessor*

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

3.3.3 *Inventories*

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

The cost of milk powder inventories is based on weighted average principle and cost of packing material and engineering spares are based on first in first out (FIFO) method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

3.3.4 *Biological Assets*

Biological assets comprise male cows and dairy cows which are divided into calves, heifers and milking cows,

which are raised or grown by the Group for the purposes of producing raw milk.

Biological assets are measured at the end of the year at their fair values less costs to sell. Any resultant gain or loss arising on initial recognition and from changes in fair value less costs to sell is charged to the profit or loss for the period in which the gain or loss arises.

Fair value of biological assets has been calculated using discounted cash flows. The livestock of similar age, weight, pregnancy, lactations, milk production and relevant costs have been considered in the fair value calculation.

Farming costs such as feeding, labour costs, pasture maintenance, veterinary services are expensed as incurred. The cost of purchase of cattle are capitalized as part of livestock.

Non Perennial Crops have been valued at cost since the cost is approximate to fair value, due to little biological transformation has taken place since initial cost incurred.

3.3.5 *Financial Instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.3.5.1 *Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability 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.

3.3.5.2 *Classification and subsequent measurement*

Financial assets

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 reclassified 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; and
- 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; and
- 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 election 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 Company and 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; and
- 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 derecognition 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).

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A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	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 derecognition is recognised in profit or loss.
Debt investments at FVOCI	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 reclassified to profit or loss.
Equity investments at FVOCI	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.

3.3.5.3 Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

3.3.5.4 Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

3.3.5.5 Offsetting

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

3.3.5.6 Impairment of Financial Assets

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets 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 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 Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's or BBB- or higher per Fitch/S&P.

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.

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.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

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 365 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 for recovery of amounts due.

3.3.6 Stated Capital

Ordinary Shares

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

3.3.7 Employee Benefits

a. Defined Contribution Plans

Defined contribution plan is a postemployment benefit plan under which contributions are made into a separate fund and the entity will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plan are recognized as an employee benefit expense in profit or loss in the periods during services is rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payment is available.

Employees' Provident Fund (EPF):

The Group entities and employees contribute 12% and 10% respectively on the basic salary of each employee to the above mentioned fund.

Employees' Trust Fund (ETF):

The Group entities contributes 3% of the basic salary of each employee to the Employees' Trust Fund.

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b. Defined Benefit Plans

A defined benefit plan is a postemployment 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.

Provision for gratuity on the employees of the Group are based on actuarial valuation as recommended by Sri Lanka Accounting Standard No.19 'Employee Benefits' (LKAS - 19). The actuarial valuation was carried out by professionally qualified firm of actuaries, as at 31 March 2021. The valuation method used by the actuary is "Projected Unit Credit Method". The Group recognizes any actuarial gains & losses arising from defined benefit plan immediately in Other Comprehensive income and all expenses related to defined benefit plan in personnel expenses in the Statement of Profit or Loss and Other Comprehensive Income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gain or losses on the settlement of a defined plan when the settlement occurs.

The Group provide for Gratuity under the payment of Gratuity Act No. 12 of 1983. Provision for Gratuity has been made for employees who have completed 5 year of services with the Group.

The liability is not externally funded.

b.Short Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.3.8 Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognized, 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.

A Contingent Liability is:

a) a possible obligation that arises from past events

and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the entity; or

b) a present obligation that arises from past events but is not recognized because:

I. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

II. the amount of the obligation cannot be measured with sufficient reliability.

A Contingent Asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity All the contingent liabilities are disclosed, as Notes to the Financial Statements unless the outflow of resources is made contingent assets if exits are disclosed when inflow of economic benefit is probable.

All the contingent liabilities are disclosed, as Notes to the Financial Statements unless the outflow of resources is made contingent assets if exits are disclosed when inflow of economic benefit is probable.

3.3.9 Commitments

All material commitments as at the reporting date have been identified and disclosed in the Notes to the Financial Statements.

3.3.10 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique.

3.4 Statement of Profit or Loss and Other Comprehensive Income

3.4.1 Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises

revenue when it transfers control over a good or service to a customer. Revenue is presented net of value added tax (VAT), rebates and discounts and after eliminating intra-group sales

3.4.1.1 SLFRS 15- Revenue from contracts with Customers

A. Revenue streams

The Group's revenue comprises only the revenue from contracts with customers. Revenue from contract with customers generates primarily from importing, packaging and distribution of milk allied products.

B. Contract balances

B.i Contract Assets

a. Cost to obtain contract

The Group capitalizes incremental costs to obtain a contract with a customer for the assets with more than one year amortization period and if it expects to recover those costs. The Costs that will be incurred regardless of whether the contract is obtained – including costs that are incremental to trying to obtain a contract, are expensed as they are incurred. The cost to obtain contract will be amortized over the contract period on a systematic basis.

b. Cost of fulfilling a contract

The Group capitalizes the costs incurred in fulfilling a contract with a customer for which are not in the scope of other guidance and only if the fulfillment costs meet the following criteria:

- relate directly to an existing contract or specific anticipated contract;
- generate or enhance resources that will be used to satisfy performance obligations in the future; and
- are expected to be recovered.

The cost of fulfilling a contract will be amortized over the contract period on a systematic basis.

B.ii Contract Liabilities

The Group recognize a contract liability for the deferred revenue on the material right provided for the customers in the future events.

The Contract liability shall be realized on the basis of realizing the material right or on a systematic basis accordingly.

C. Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or services to a contract.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product / service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15
Sales of milk allied products	The Group sells products through their distributors in several locations. The goods are realized when the goods are transported out, and the invoice is raised afterwards.	Revenue from milk sales are recognized at the dispatch point.
Export Revenue	If the export is on FOB (Free On Board) terms, the performance obligation is satisfied when the goods are cleared at the port of shipment and the documents of title are delivered to buyer (or handed over to the local bank). If the export is on CIF (Cost, Insurance and Freight) terms, the Group delivers the goods to the port of shipment, providing export clearance while arranging and paying for the carriage and insurance. Hence performance obligation is satisfied on delivery to the buyer or transfer of the documents of title to the goods, whichever is later.	Revenue is recognized once the performance obligations are fulfilled based on the trade terms.
Sale of farm products	The Group sells products through their distributors in several locations. The performance obligation is satisfied when the goods are transported out, and the invoice is raised afterwards.	Revenue from farm product sales are recognized at the dispatch point.

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3.4.1.2 Other Revenue

3.4.1.2.1 Dividend Income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

3.4.1.2.2 Rent Income

Rental Income is recognized in profit and loss as it accrues.

3.4.2 Other Operating Income

Gains and losses on the disposal of investments held by the Group have been accounted for in the Statement of profit or loss.

Gains and losses on the disposal of property, plant & equipment are determined by comparing the net sales proceeds with carrying amount. These are included in profit and loss.

Gain or loss arising from changes in fair value of biological assets is dealt in the Statement of Profit or Loss.

3.4.3 Borrowing Cost

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale is capitalized as part of that asset.

Borrowing costs that are not capitalized are recognized as expenses in the period which they are incurred and charged to the Statement of Profit or Loss.

The amounts of the borrowing costs which are eligible for capitalization are determined in accordance with the in LKAS 23 – 'Borrowing Costs'.

3.4.4 Finance Income and Expense

Finance income comprises interest income on fixed deposits, interest on amounts due from related companies and gain on translation of foreign currency. Interest income is recognized as it accrues in the profit or loss, using the effective interest method.

Finance cost comprise interest expenses on borrowings, interest on overdraft and gain or loss on changes in fair value of financial assets held for trading.

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

Foreign currency gains or losses and gain or loss on changes in fair value of financial assets held for trading are reported on a net basis as either finance income or finance expense depending on whether foreign currency movements and market prices are in a net gain or net loss position.

3.4.5 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity, or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

a. Current Tax Expense

Current tax expenses for the current and comparative periods are measured at the amount paid or expected to be payable to the Commissioner General of Inland Revenue on taxable income for the respective year of assessment computed in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017 as amended by subsequent legislation enacted or substantively enacted by the reporting date.

c. Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3.4.6 Earnings per Share (EPS)

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 Group 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.

3.4.7 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (Business Segment) or in providing products or services within a particular economic environment (Geographical Segment), which is subject to risks and rewards that are different from those of other segments.

The activities of the segments are described in Note 33 to the Financial Statements.

3.4.8 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged.

3.4.9 Comparative Information

The Group accounting policies have been consistently applied by the Group and are consistent with those of the previous year's figures and phrases which have been re-arranged wherever necessary to conform to the current presentation.

3.4.10 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard - LKAS 7 'Statement of Cash Flows.' Cash and cash equivalents comprise 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.

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

4.1 Standards issued but not yet effective

A number of new standards and amendments to standards and amendments are effective for annual periods beginning after the current financial year and earlier application is permitted; however, the Group has not early adopted them in preparing these financial statements.

The following amended standards are not expected to have a significant impact on the Group's financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)
- Reference of Conceptual Framework (Amendments to SLFRS 3 – Business Combination)
- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)
- Onerous Contracts - Cost of fulfilling the contract (Amendments to LKAS 37)
- COVID-19 related concessions beyond June 2021 (Amendments to SLFRS 16)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to LKAS 12)
- Disclosure of accounting policies (Amendments to LKAS 1)
- Definition of accounting estimates (Amendments to LKAS 8)
- Annual Improvements to SLFRS Standards issued during 2018-2020

4.2 Changes in accounting standards

The following amendments and improvements do not have a significant impact on the Group's financial statements.

- Amendments to SLFRS 3: Definition of a Business.
- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)
- Reference to Conceptual Framework (Amendments to SLFRS 3).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
5 REVENUE				
Gross Revenue	9,771,539	7,597,192	3,423,954	3,101,450
	9,771,539	7,597,192	3,423,954	3,101,450
6 OTHER OPERATING INCOME				
Gain on Disposal of Property, Plant and Equipment	2,900	148	2,900	-
Gain on Disposal of Biological Assets	7,008	13,374	-	-
Change in Fair Value of Biological Assets	327,742	345,073	-	-
Commission Income	-	16,218	-	16,218
Dividend Income	910,558	427,108	1,110,558	527,108
Reversal of Related Party Payable balance	-	1,285	-	-
Sundry Income	7,208	6,298	635	1,584
Reversal of Inventory Provision	848	-	-	-
Storage Income	10,000	10,000	10,000	10,000
Other Income	2,029	2,760	-	-
Lease Rental Income	5,500	5,000	-	-
Reversal of Provision for Impairment of Trade Receivable	580	8,163	-	3,393
	1,274,373	835,427	1,124,093	558,303
7 NET FINANCE EXPENSE				
7.1 Finance Income				
Interest on Fixed Deposits	17,839	1,760	13,878	1,552
Interest on Loans and Receivables	605	761	439	603
Interest from Trade Receivables	82	172	-	163
Gain on Translation of Foreign Currency	-	74,842	-	62,616
Interest on Amount due from Related Companies	-	-	15,380	9,062
	18,526	77,535	29,697	73,996
7.2 Finance Expense				
Interest on Bank Overdraft	(30,579)	(38,964)	(849)	(10,797)
Interest on Lease Liability	(44,289)	(45,369)	(52)	(53)
Interest on Long Term Borrowings	(4,180)	(18,088)	(4,180)	(7,325)
Interest on Trade Receivables	(139)	-	(139)	-
Loss on Changes in Equity Securities at FVTPL	(47,166)	(17,933)	(47,166)	(17,933)
Loss on Translation of Foreign Currency	(382,788)	-	(375,090)	-
	(509,141)	(120,354)	(427,476)	(36,108)
Net Finance Expense	(490,615)	(42,819)	(397,779)	37,888

For the Year Ended 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
8 PROFIT BEFORE TAXATION				
Profit is stated after charging all the expenses including the followings.				
Directors' Emoluments	1,500	1,500	1,500	1,500
Auditors' Remuneration				
- Audit Services	6,018	5,236	3,626	2,918
- Audit Related Services	1,206	760	641	690
Non Audit Services Fees	1,073	898	405	430
Depreciation on Property, Plant and Equipment	208,892	198,212	19,024	18,406
Amortisation of Right of Use Assets	9,898	12,242	28	28
Provision (Reversal) for Impairment Loss on Trade Receivables	(270)	(8,163)	310	(3,393)
Management Fees	1,000	1,000	1,000	1,000
Provision for Obsolete Inventory	4,142	6,313	3,000	915
Personnel Costs (Note 8.1)	812,039	800,031	392,113	400,830
8.1 Personnel Costs				
Defined Contribution Plan Costs - EPF and ETF	54,122	57,675	29,221	29,163
Defined Benefit Plan Cost - Retirement Benefit Obligation	19,341	26,132	10,379	13,691
Other Staff Costs	738,576	716,224	352,513	357,976
	812,039	800,031	392,113	400,830
Total Number of Employees as at Year End	741	752	234	299
9 INCOME TAX				
Current Tax Expense				
Income Tax for the year (Note 9.1.1)	103,830	63,848	-	-
Over/Under provision of Income Tax	-	(5,731)	-	-
	103,830	58,117	-	-
Deferred Tax Expense				
Deferred Tax Charge /(Credit) for the Year (Note 23)	(70,744)	(12,182)	(3,261)	7,737
Impact on Deferred Tax from Rate Change	-	(53,753)	-	6,699
	(70,744)	(65,935)	(3,261)	14,436
Total Income Tax Expense	33,086	(7,818)	(3,261)	14,436
Effective Tax Rate (%)-including Deferred Tax	3%	-	-	5%
Effective Tax Rate (%)-excluding Deferred Tax	9%	7%	-	-

NOTES TO THE FINANCIAL STATEMENTS

9 INCOME TAX (CONTINUED)

- a) The profits and income of Lanka Milk Foods (CWE) PLC is liable for income tax at the rate 18% (2021-18%) in terms of the Provisions of the Inland Revenue Act No.24 of 2017 and subsequent amendments thereto.
- b) In terms of the provisions of Inland Revenue Act No.24 of 2017 and subsequent amendments thereto, the profits and income of Lanka Dairies (Private) Limited, that generated from agro processing are taxed at the rate of 14% , manufacturing income taxed at the rate of 18% and other income are liable for income tax at the rate of 24%. (2021-24%) and Indo Lanka Exports (Private) Limited is taxed at the rate of 14%. (2021- 14%)
- c) The profits and income of Ambewela Livestock Company Limited and Pattipola Livestock Company Limited is exempt for income tax in terms of the Provisions of the Inland Revenue Act No.24 of 2017

For the Year Ended 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
9.1 Numerical Reconciliation of Accounting Profit to Income Tax Expense				
Profit before Income Tax Expenses	1,097,589	833,946	463,618	307,486
Consolidation Adjustments	145,514	89,454	-	-
	1,243,103	923,400	463,618	307,486
Disallowable Expenses	474,024	389,239	153,081	61,945
Tax Deductible Expenses	(299,406)	(313,881)	(12,231)	(17,899)
Tax Exempt Income	(1,497,727)	(921,495)	(1,147,865)	(541,719)
Gain/Loss Asset Disposal/Sale of Livestock	304,061	196,344	-	-
Business Income	224,054	273,607	(543,398)	(190,187)
9.1.1 Business Income	823,500	446,134	-	-
Business Income Exempted	187,541	261,167	-	-
Business Loss	(786,987)	(433,694)	(543,398)	(190,187)
	224,054	273,607	(543,398)	(190,187)
Business Profit	823,500	446,134	-	-
Non Business Income	315,594	161,508	311,638	157,740
Tax loss claimed during the year	(405,567)	(157,744)	(311,638)	(157,740)
Taxable Income	733,527	449,898	-	-
Income Tax @ 28%	-	-	-	-
Income Tax @ 24%	949	879	-	-
Income Tax @ 18%	3,335	2,232	-	-
Income Tax @ 14%	99,546	60,737	-	-
	103,830	63,848	-	-

9 INCOME TAX (REVERSAL) (CONTINUED)

For the Year Ended 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
9.2 Accumulated Tax Losses				
Tax loss brought forward	2,207,686	2,000,776	776,303	790,595
Adjustments related to prior years	(159)	(69,040)	-	(46,739)
Loss for the Year	786,987	433,694	543,398	190,187
Tax loss claimed during the Year	(405,567)	(157,744)	(311,638)	(157,740)
Tax loss carried forward	2,588,947	2,207,686	1,008,063	776,303

10 EARNINGS PER SHARE

10.1 Basic Earnings Per Share

The calculation of basic earnings per share is based on the profit after tax attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

For the Year Ended 31 March	Group		Company	
	2022	2021	2022	2021
Profit Attributable to Ordinary Shareholders (Rs.'000)	1,065,102	841,842	466,880	293,050
Weighted Average Number of Ordinary Shares ('000)	39,998	39,998	39,998	39,998
Basic Earnings Per Share (Rs.)	26.63	21.05	11.67	7.33

10.2 Diluted Earnings Per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted earning per share is same as Basic earnings per share.

11 DIVIDENDS PER SHARE

	Group		Company	
	2022	2021	2022	2021
Dividend per share (Rs.)	7.50	5.00	7.50	5.00

*The Directors have recommended a Interim Dividend payment of Rs. 7.50 per share for the year ended 31st March 2022.

1st Interim Dividend Rs.5.00 per Share - Rs.199,990,000

2nd Interim Dividend Rs.2.50 per Share - Rs.99,995,000

In compliance with Sri Lanka Accounting Standard LKAS 10 - Events after the reporting period, the Interim Dividend recommended is not recognised as a liability in the financial statements as at 31st March 2022.

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT

12.1 Group

	As at 01/04/2021 Rs.000's	Additions/ Transfers Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2022 Rs.000's	As at 31/03/2021 Rs.000's
Cost /Deemed Cost					
Leasehold Buildings	860,718	51,856	-	912,574	860,718
Plant And Machinery	2,403,005	51,343	-	2,454,347	2,403,005
Laboratory Equipment	11,730	45	-	11,775	11,730
Factory Equipment	273,663	3,598	(1,525)	275,736	273,663
Canteen Equipment	8,573	231	-	8,804	8,573
Office Equipment	10,887	251	-	11,138	10,887
Fire Fighting Equipment	4,255	-	-	4,255	4,255
Furniture and Fittings	12,232	852	-	13,084	12,232
Fixtures	20	-	-	20	20
Computers	34,249	1,708	-	35,957	34,249
Motor Vehicles	268,292	-	(1,830)	266,462	268,292
Milk Collection Equipment	3,318	-	-	3,318	3,318
Motor Roads and Others	67,028	-	-	67,028	67,028
	3,957,970	109,884	(3,355)	4,064,499	3,957,970
Capital Work in Progress	1,836,896	1,633,103	(86,337)	3,383,662	1,836,896
	5,794,866	1,742,987	(86,032)	7,451,821	5,794,866

12.1 Group (Continued)

	As at 01/04/2021 Rs.000's	Charge for the Year Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2022 Rs.000's	As at 31/03/2021 Rs.000's
Accumulated Depreciation					
Leasehold Buildings	464,058	22,130	-	486,188	464,058
Plant And Machinery	1,677,235	161,623	-	1,838,858	1,677,235
Laboratory Equipment	7,677	245	-	7,922	7,677
Factory Equipment	230,630	9,863	(799)	239,694	230,630
Canteen Equipment	3,890	608	-	4,498	3,890
Office Equipment	10,269	178	-	10,447	10,269
Fire Fighting Equipment	4,255	-	-	4,255	4,255
Furniture and Fittings	11,332	377	-	11,709	11,332
Fixtures	10	-	-	10	10
Computers	20,617	4,154	-	24,771	20,617
Motor Vehicles	248,070	8,916	(1,830)	255,156	248,070
Milk Collection Equipment	3,318	-	-	3,318	3,318
Motor Roads and Others	63,040	798	-	63,838	63,040
	2,744,401	208,892	(2,629)	2,950,664	2,744,401
Written Down Value	3,050,465			4,497,497	3,050,465

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.1 Group (Continued)

As at 31 March	2022 Rs.000's	2021 Rs.000's
Written Down Value		
Leasehold Buildings	426,386	396,660
Plant And Machinery	615,490	725,770
Laboratory Equipment	3,853	4,053
Factory Equipment	36,042	43,033
Canteen Equipment	4,306	4,683
Office Equipment	691	618
Fire Fighting Equipment	-	-
Furniture and Fittings	1,375	900
Fixtures	10	10
Computers	11,186	13,632
Motor Vehicles	11,306	20,222
Milk Collection Equipment	-	-
Motor Roads and Others	3,190	3,988
	1,113,835	1,213,569
Capital Work in Progress	3,383,662	1,836,896
	4,497,497	3,050,465

- (a) The cost of fully depreciated property, plant and equipment as at the reporting date are as follows;

As at 31 March	2022 Rs.000's	2021 Rs.000's
Lanka Milk Foods (CWE) PLC	298,063	286,281
Lanka Dairies (Private) Limited	194,750	199,655
Ambewela Livestock Company Limited	108,646	104,761
Pattipola Livestock Company Limited	80,750	71,741
Ambewela Products (Private) Limited	730,103	725,446
	1,412,312	1,387,884

- (b) The Company carried out a valuation of buildings during the financial year ended 31st March 1990 in order to incorporate the value of buildings prior to privatization of the Company. The corresponding increase in the carrying amount was credited to revaluation reserve. The resulting carrying amount has been deemed to be the cost of buildings which have been subsequently measured at cost less accumulated depreciation and accumulated impairment losses.
- (c) The lease hold rights of land and buildings and immovable plant and machinery amounting to Rs.900 Mn. have been pledged as security against letter of credit facility obtained from Hatton National Bank PLC.
- (d) During the year, United Dairies Lanka (Private) Limited has capitalised borrowing cost amounting to Rs.(NIL)Mn (2021 - Rs. 64.1 Mn). Relating to constructing Property,Plant and Equipments.
- (e) Ambewela Farm Lease Land Buildings was pledged to Obtained the Loan of 3 billion from the Commercial Bank of Ceylon PLC.
- (f) Capital work-in progress includes,

As at 31 March	2022 Rs.000's	2021 Rs.000's
Building Construction	2,735,438	1,087,885
Milking Parlour Machines	648,224	648,224
Yoghurt Machine	-	45,935
Agricultural and Electrical Equipment		54,852
	3,383,662	1,836,896

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.1 Group (Continued)

(f) The details of buildings on leasehold lands as at 31 March 2022 are as follows

Name of Premises and address	Extent (Hectares)	Building (Square feet)	No of Buildings	Cost of the Building Rs.000's	Accumulated Depreciation Rs.000's	Written down value Rs.000's
Welisara	3.275	140,800	3	434,416	314,152	120,264
Ambewela	458.47		131	478,158	172,036	306,122
				912,574	486,188	426,386

12.2 Company

	As at 01/04/2022 Rs.000's	Additions/ Transfers Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2022 Rs.000's	As at 31/03/2021 Rs.000's
Cost /Deemed Cost					
Leasehold Buildings	358,951	-	-	358,951	358,951
Plant and Machinery	198,941	377	-	199,318	198,941
Laboratory Equipment	2,863	-	-	2,863	2,863
Factory Equipment	9,562	94	-	9,656	9,562
Canteen Equipment	8,573	231	-	8,804	8,573
Office Equipment	8,606	75	-	8,681	8,606
Fire Fighting Equipment	4,223	-	-	4,223	4,223
Furniture and Fittings	4,100	78	-	4,178	4,100
Computers	25,972	637	-	26,609	25,972
Motor Vehicles	116,855	-	1,830	118,685	116,855
	738,646	1,492	1,830	741,968	738,646

	As at 01/04/2021 Rs.000's	Charge for the Year Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2022 Rs.000's	As at 31/03/2021 Rs.000's
Accumulated Depreciation					
Leasehold Buildings	264,914	8,548	-	273,462	264,914
Plant and Machinery	172,392	4,380	-	176,772	172,392
Laboratory Equipment	2,846	3	-	2,849	2,846
Factory Equipment	8,778	419	-	9,197	8,778
Canteen Equipment	3,891	608	-	4,499	3,891
Office Equipment	8,250	68	-	8,318	8,250
Fire Fighting Equipment	4,223	-	-	4,223	4,223
Furniture and Fittings	3,974	53	-	4,027	3,974
Computers	14,850	3,320	-	18,170	14,850
Motor Vehicles	111,245	1,625	1,830	114,700	111,245
	595,363	19,024	1,830	616,217	595,363
Written Down Value	143,283			125,751	143,283

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**12.2 Company (Continued)**

As at 31 March	2022 Rs.000's	2021 Rs.000's
Written Down Value		
Leasehold Buildings	85,489	94,037
Plant and Machinery	22,546	26,549
Laboratory Equipment	14	17
Factory Equipment	459	784
Canteen Equipment	4,305	4,682
Office Equipment	363	356
Fire Fighting Equipment	-	-
Furniture and Fittings	151	126
Computers	8,439	11,122
Motor Vehicles	3,985	5,610
	125,751	143,283

- (b) There were no borrowing costs capitalised on interest-bearing loans and borrowings and lease liabilities by the Company on qualifying assets during the financial years 2021/22 and 2020/21.
- (c) Property plant and equipment as at 31st March 2022 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 298.1 million that are still in use (2020/21 - Rs. 286.3 million).

13 INVESTMENT IN SUBSIDIARIES**Company**

As at 31 March	2022			2021	
	Holding Percentage	No. of Shares	Cost Rs.000's	No. of Shares	Cost Rs.000's
Lanka Dairies (Private) Limited	100%	500,000	5,000	500,000	5,000
Ambewela Livestock Company Limited	100%	3,000,000	51,137	3,000,000	51,137
Pattipola Livestock Company Limited	100%	1,000,000	46,815	1,000,000	46,815
Ambewela Products (Private) Limited	100%	1,000,000	1,010,000	1,000,000	1,010,000
United Dairies Lanka (Private) Limited	100%	5,000,000	50,000	5,000,000	50,000
Indo Lanka Exports (Private) Limited	51%	306,000	30,600	306,000	30,600
			1,193,552		1,193,552
Provision for Impairment of Investments			(128,552)		(128,552)
			1,065,000		1,065,000

13.1 Provision for Impairment of Investments

As at 31 March	2022 Rs.000's	2021 Rs.000's
Balance as at 1st April	128,552	128,552
Charge for the year	-	-
Balance As at 31 March	128,552	128,552

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

13.1 Provision for Impairment of Investments (Continued)

- 13.1.1 The Company has made provision for impairment of Rs. 128,552,000/- (2021-Rs. 128,552,000) on the investment in subsidiaries as at 31 March 2022 due to the adverse business environment in which the subsidiary companies are operated. This has resulted in continuous operating losses and negative operating cash flows in subsidiary companies and adjusted net asset basis has been considered as the recoverable amount for the calculation of provision for impairment as at the each reporting date. The breakup of the impairment provision is as follows;

As at 31 March	2022 Rs.000's	2021 Rs.000's
Ambewela Livestock Company Limited	(51,137)	(51,137)
Pattipola Livestock Company Limited	(46,815)	(46,815)
Indo Lanka Exports (Private) Limited	(30,600)	(30,600)
	(128,552)	(128,552)

14 INVESTMENT IN SHARES

As at 31 March	2022 Rs.000's	2021 Rs.000's
Equity securities – at FVOCI (Note 14.1)	6,852,754	7,576,553
Equity securities – mandatorily at FVTPL (Note 14.2)	153,778	197,002

As at 31 March	2022		2021	
	No. of Shares	Fair Value Rs.000's	No. of Shares	Fair Value Rs.000's
14.1 Equity securities – at FVOCI				
Group/Company				
Distilleries Company of Sri Lanka PLC	44,991,407	611,883	44,991,407	895,329
Melstacorp PLC	151,846,000	6,240,871	151,846,000	6,681,224
		6,852,754		7,576,553

The Group/Company designated the equity securities shown above as at FVOCI because these investments represent that the Group/Company intends to hold for the long term for strategic purposes.

- 14.1.1 Net change in fair value gain/ (loss) in equity securities - at FVOCI during the year was Rs. (723,799,264) (2020/21 - gain Rs. 138,911,320)
- 14.1.2 The value of shares pledged by the Group/ Company as securities for facilities obtained from banks amounted to Rs. 6,241 Mn (2021 - Rs.6,681 Mn).

Non strategic investments were disposed of during 2021/22, and there were no transfer of any cumulative gain or loss within equity relating to these investments.

As at 31 March	2022		2021	
	No. of Shares	Fair Value Rs.000's	No. of Shares	Fair Value Rs.000's
14.2 Equity securities – at FVTPL				
Group/Company				
Browns Beach Hotels PLC	1,251,558	11,264	1,251,558	12,766
Colombo Dockyard PLC	219,948	16,122	219,948	15,726
Commercial Bank of Sri Lanka PLC - Voting	2,015,823	126,392	1,970,878	168,510
		153,778		197,002

15 BIOLOGICAL ASSETS

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
15.1 Livestock				
Balance as at the beginning	1,121,110	845,912	-	-
Changes in Fair Value during the year	327,742	345,073	-	-
Disposals during the year	(169,623)	(69,875)	-	-
Balance as at the end	1,279,229	1,121,110	-	-
15.2 Non Perennial Crops - At Cost				
Balance as at the beginning	28,700	21,322	-	-
Additions during the year	40,772	28,700	-	-
Disposals during the year	(28,700)	(21,322)	-	-
Balance as at the end	40,772	28,700	-	-

The Group has used the following significant criteria in determining the fair value of the biological assets as at 31 March 2022.

Milk Production	21 - 27 litres
Lactations	1 - 4 lactation
Discount Rate	29.21%
Market Price of Milk	Rs.140 per litre

Weight, pregnancy and age also considered when determining the fair value of biological assets.

15.3 Measurement of Fair Values**a) Fair Value Hierarchy**

The fair value measurements of the standing livestock have been categorized as Level 3 in the valuation hierarchy.

b) Level 3 Fair Values

The break down of the total gains / (losses) in respect of Level 3 fair values is shown below.

As at 31 March Group	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Gain included in other income				
Change in fair value (realized)	7,008	13,374	-	-
Change in fair value (unrealized) (Note 15.1)	327,742	345,073	-	-
	334,750	358,447	-	-

15.4 Valuation Techniques Used

Type	Valuation Technique
Livestock comprises cattle characterised as commercial or breeders	Discounted Cash Flow:
	Fair value of biological assets has been calculated using discounted cash flows. The livestock of similar age, weight, pregnancy, lactations, milk production and relevant costs have been considered in the fair value calculation.

NOTES TO THE FINANCIAL STATEMENTS

15 BIOLOGICAL ASSETS (CONTINUED)

15.5 Sensitivity Analysis

Sensitivity Variation on Selling Price

Values as appearing in the statement of Financial Position are sensitive to sales price changes with regard to the average price applied. Simulations made for Livestock show that an increase or a decrease by 10% of the estimated future selling price has the following effect on the net present value of Biological Assets.

As at 31 March Group	-10% Rs.000's	2022 Rs.000's	+ 10% Rs.000's
Livestock	1,271,915	1,279,229	1,286,542
Total	1,271,915	1,279,229	1,286,542

Sensitivity Variation on Average Animal Weight

Values as appearing in the Statement of Financial Position are sensitive to average animal weight changes. Simulations made for Livestock show that an increase or a decrease by 10kg of average animal weight has the following effect on the Net Present Value of Biological Assets.

As at 31 March Group	-10kg Rs.000's	2022 Rs.000's	+10kg Rs.000's
Livestock	1,277,827	1,279,229	1,280,631
Total	1,277,827	1,279,229	1,280,631

Sensitivity Variation on Discount Rate

Values as appearing in the Statement of Financial Position are sensitive to Change in Discount Rate. Simulations made for Livestock show that an increase or a decrease by 1% of Discount Rate has the following effect on the Net Present Value of Biological Assets.

As at 31 March Group	-1% Rs.000's	2022 Rs.000's	+ 1% Rs.000's
Livestock	1,304,310	1,279,229	1,251,912
Total	1,304,310	1,279,229	1,251,912

There were no biological assets pledged by the Group as security for facilities obtained from banks (2020/21 - nil).

There were no borrowing cost capitalised under biological assets on interest-bearing loans and borrowings and lease liabilities by the Group during the financial years 2021/22 and 2020/21.

16 INVENTORIES

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Raw Materials and Consumables	1,346,845	1,001,149	347,690	297,085
Finished Goods	156,672	221,345	70,139	156,011
Working in progress	5,845	5,532	-	-
Goods in Transit	31,962	29,192	520	3,728
	1,541,324	1,257,218	418,349	456,824
Provision for Obsolete Inventories	(54,368)	(50,226)	(20,283)	(17,283)
	1,486,956	1,206,992	398,066	439,541

16.1 Provision for Obsolete Inventories

Balance as at 1st April	50,226	43,913	17,283	16,368
Charge/(Reversal) for the year	4,142	6,313	3,000	915
Balance As at 31st March	54,368	50,226	20,283	17,283

17 TRADE RECEIVABLES

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Trade Receivables	861,908	720,328	238,822	272,249
Provision for Impairment Loss	(73,949)	(74,219)	(43,951)	(43,641)
	787,959	646,109	194,871	228,608

17.1 Provision for Impairment Loss

Balance as at 1st April	74,219	82,382	43,641	47,034
Charge / (reversal) for the year	(270)	(8,163)	310	(3,393)
Balance As at 31st March	73,949	74,219	43,951	43,641

18 OTHER RECEIVABLES

Deposits and Prepayments	46,338	35,948	4,537	5,962
Provision for Impairment	(3,560)	(9)	-	-
	42,778	35,939	4,537	5,962
Insurance Receivables	-	318	-	-
Other Taxes Recoverable (Note 18.1)	22,430	41,971	21,134	39,647
Sundry Receivables	1,311	1,275	454	491
Staff Loans and Advances	8,642	11,050	5,601	7,153
Provision for other receivables	(6,454)	(3,648)	(6,357)	-
	68,705	86,905	25,369	53,253

18.1 Other Taxes Recoverable

With holding Tax	1,019	1,019	-	-
Nation Building tax	6,357	6,357	6,357	6,357
Value Added Tax	15,054	34,595	14,777	33,290
	22,430	41,971	21,134	39,647

19 AMOUNT DUE FROM RELATED PARTIES

Lanka Dairies (Private) Limited	-	-	35,844	9,743
Stassen Exports (Private) Ltd	17,958	12,528	1,602	92
Stassen Foods (Private) Limited	1,565	607	1,565	607
Ambewela Products (Private) Limited	-	-	223,187	104,335
Ambewela Livestock Company Limited	-	-	310,838	309,369
Aitken Spence PLC	4,602	2,280	2,983	1,126
Distilleries Company of Sri Lanka PLC	-	8,315	-	8,315
Maudulsima Plantation PLC	68	-	68	-
Balangoda Plantation	750	1,410	750	1,410
Browns Beach Hotels PLC	-	77	-	74
United Dairies (Private) Ltd.	-	-	1,000,000	411,000
Indo Lanka Exports (Private)Limited	-	-	621	284
Pattipola Livestock Company Limited	-	-	146,885	146,794
	24,943	25,217	1,724,343	993,149
Less : Provision for Impairment	(222)	(222)	(319,806)	(264,949)
	24,721	24,995	1,404,537	728,200

The Company charged interest based on market rates (AWPLR) against short term loans provided to related parties.

NOTES TO THE FINANCIAL STATEMENTS

19 AMOUNT DUE FROM RELATED COMPANIES (CONTINUED)

19.1 Provision for Impairment Losses

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Ambewela Livestock Company Limited	-	-	219,883	200,485
Pattipola Livestock Company Limited	-	-	19,500	32,958
Lanka Diaries (Private) Limited	-	-	154	154
Ambewela Products (Private) Limited	-	-	763	763
Indo Lanka Exports (Private) Ltd	-	-	284	284
United Dairies (Private) Ltd.	-	-	79,000	30,083
Other related parties	222	222	222	222
	222	222	319,806	264,949

20 CASH AND CASH EQUIVALENTS

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Cash at Bank	1,198,212	223,395	990,187	216,959
Cash in Hand	3,948	3,935	1,436	1,481
Fixed Deposits	10,724	10,415	10,724	10,415
Expected Credit loss	(5)	(5)	(5)	(5)
	1,212,879	237,740	1,002,342	228,851
Bank Overdraft	(859,758)	(515,671)	(222,690)	(36,637)
Cash and cash equivalents for the purpose of cash flow statement	353,121	(277,931)	779,652	192,214

20.1 Security details over bank over draft facilities

Name of the Company	Bank	Facility Value (Rs.Mn)	Nature of Assets Pledged
Lanka Milk Foods (CWE) PLC	HNB	500	Investment in quoted shares of Melstacorp PLC
	HSBC	100	Inventories and Trade Receivables
Lanka Diaries (Private) Limited	HNB	300	Corporate Guarantor from Lanka Milk Foods(CWE) PLC
Ambewela Products (Private) Limited	HNB	200	Corporate Guarantor from Lanka Milk Foods(CWE) PLC
Ambewela Livestock Company Limited	HNB -WATTALA	40	Corporate Guarantor from Lanka Milk Foods(CWE) PLC
	HNB -Nuwara Eliya	10	
Pattipola Livestock (Private) Limited	HNB-WATTALA	90	Corporate Guarantor from Lanka Milk Foods(CWE) PLC
	HNB -Nuwara Eliya	10	

21 STATED CAPITAL

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
39,998,000 Ordinary Shares	999,950	999,950	999,950	999,950

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

22 RESERVES**22.1 Capital reserve on revaluation of property**

The capital reserve on revaluation of property represents difference between the revalued amount and the carrying value of Property, Plant and Equipment at the date of revaluation. The revaluation was carried out during the financial year ended 31st March 1990 in order to incorporate the value of the buildings on leasehold land prior to the privatization of the company. The revalued amounts of Property plant and equipment were considered as deemed cost at the date of acquisition.

22.2 Revenue Reserves

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Dairy Development Project Reserve	110,000	110,000	110,000	110,000
Retained Earnings	3,936,835	3,045,104	2,101,944	1,814,237
	4,046,835	3,155,104	2,211,944	1,924,237

Dairy Development Project Reserve

The dairy development project reserve relates to amount set aside out of retained earnings for the development of dairy project.

Retained Earnings

This represents the undistributed earnings held by the Group and Company to be used in the Group's and Company's operations. This could be used to absorb future possible losses or dividends payable.

NOTES TO THE FINANCIAL STATEMENTS

23 NET DEFERRED TAX ASSETS / (LIABILITIES)

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Balance as at the beginning	(140,553)	(211,641)	12,059	23,542
Recognised in the profit or loss				
Amounts Reversed / (Charged) during the year	70,744	12,182	3,261	(7,737)
Impact from changes in tax rate	-	53,753	-	(6,699)
Recognised in the Other Comprehensive income				
Amounts Reversed / (Charged) during the year	(6,471)	5,153	(4,570)	2,953
Balance as at the end	(76,280)	(140,553)	10,750	12,059
Deferred tax asset	57,848	37,785	24,081	26,479
Deferred tax liability	(134,128)	(178,338)	(13,331)	(14,420)
	(76,280)	(140,553)	10,750	12,059

23.1 The amounts shown in the statement of financial position represents the followings;

Group

As at 31 March	2022			2021		
	Deferred tax assets	Deferred tax liabilities	Net deferred tax assets / (liabilities)	Deferred tax assets	Deferred tax liabilities	Net deferred tax assets / (liabilities)
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Lanka Milk Foods (CWE) PLC	24,081	(13,331)	10,750	26,479	(14,420)	12,059
Net Deferred Tax Assets			10,750			12,059
Lanka Dairies (Private) Limited	5,458	(45,658)	(40,200)	6,207	(60,949)	(54,742)
Ambewela Products (Private) Limited	28,309	(75,139)	(46,830)	5,099	(102,969)	(97,870)
Net Deferred Tax Liabilities			(87,030)			(152,612)
	57,848	(134,128)	(76,280)	37,785	(178,338)	(140,553)

Company

As at 31 March	2022			2021		
	Deferred tax assets	Deferred tax liabilities	Net deferred tax assets / (liabilities)	Deferred tax assets	Deferred tax liabilities	Net deferred tax assets / (liabilities)
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Lanka Milk Foods (CWE) PLC	24,081	(13,331)	10,750	26,479	(14,420)	12,059
Net Deferred Tax Assets	24,081	(13,331)	10,750	26,479	(14,420)	12,059

23 NET DEFERRED TAX ASSETS / (LIABILITIES) (CONTINUED)**23.2 Reconciliation of Net Deferred Tax Liabilities - Group**

The reconciliation to Tax effect arising from the temporary differences related to carrying amounts of assets and liabilities of the Statement of Financial Position is Follows:

As at 31 March	2022		2021	
	Temporary Differences Rs.000's	Tax Effect Rs.000's	Temporary Differences Rs.000's	Tax Effect Rs.000's
Deferred tax liabilities On :				
On Property, plant and Equipment	(707,042)	(101,949)	(787,406)	(129,757)
On Biological Assets	(229,852)	(32,179)	(242,903)	(48,581)
	(936,894)	(134,128)	(1,030,309)	(178,338)
Deferred tax assets On :				
On Retirement Benefit Obligations	102,484	17,128	129,225	22,646
On Lease Liability	9,058	1,270	6,688	1,337
On Inventory provision	30,521	5,085	25,531	4,288
On Trade debtor provision	51,663	8,991	51,934	9,017
On Other receivable provision	-	-	3,551	497
Unused Tax Losses	181,243	25,374	-	-
	374,969	57,848	216,929	37,785
	(561,925)	(76,280)	(813,380)	(140,553)

Reconciliation of Net Deferred Tax Liabilities -Company

Deferred tax liabilities On :				
On Property, plant and Equipment	(74,060)	(13,331)	(80,113)	(14,420)
	(74,060)	(13,331)	(80,113)	(14,420)
Deferred tax assets On :				
On Retirement Benefit Obligations	69,507	12,511	86,153	15,508
On Lease Liability	43	8	30	5
On Inventory provision	20,283	3,651	17,283	3,111
On Trade debtor provision	43,950	7,911	43,641	7,855
	133,783	24,081	147,107	26,479
	59,723	10,750	66,994	12,059

NOTES TO THE FINANCIAL STATEMENTS

23 NET DEFERRED TAX ASSETS / (LIABILITIES) (CONTINUED)

23.3 Movement of Net Deferred Tax Liabilities - Group

	As at 01 April 2021	(Charged) / Credit in		As at 31 March 2022	As at 01 April 2020	(Charged) / Credit in		As at 31 March 2021
	Rs. 000's	P&L Rs. 000's	OCI Rs. 000's	Rs. 000's	Rs. 000's	P&L Rs. 000's	OCI Rs. 000's	Rs. 000's
Property, Plant and Equipment	(129,757)	27,808	-	(101,949)	(231,242)	101,485	-	(129,757)
Biological Assets	(48,581)	16,402	-	(32,179)	(130,213)	81,632	-	(48,581)
Employee Benefits	22,646	953	(6,471)	17,128	27,710	(10,217)	5,153	22,646
Unused Tax Losses	-	25,374	-	25,374	118,502	(118,502)	-	-
Inventory provision	4,288	797	-	5,085	-	4,288	-	4,288
Trade debtor provision	9,017	(26)	-	8,991	-	9,017	-	9,017
Other receivable provision	497	(497)	-	-	-	497	-	497
Lease Liability	1,337	(67)	-	1,270	3,602	(2,265)	-	1,337
	(140,553)	70,744	(6,471)	(76,280)	(211,641)	65,935	5,153	(140,553)

Movement of Net Deferred Tax Assets - Company

	As at 01 April 2021	(Charged) / Credit in		As at 31 March 2022	As at 01 April 2020	(Charged) / Credit in		As at 31 March 2021
	Rs. 000's	P&L Rs. 000's	OCI Rs. 000's	Rs. 000's	Rs. 000's	P&L Rs. 000's	OCI Rs. 000's	Rs. 000's
Property, Plant and Equipment	(14,420)	1,089	-	(13,331)	(23,958)	9,538	-	(14,420)
Employee Benefits	15,508	1,573	(4,570)	12,511	17,745	(5,190)	2,953	15,508
Unused Tax Losses	-	-	-	-	29,751	(29,751)	-	-
Inventory provision	3,111	540	-	3,651	-	3,111	-	3,111
Trade debtor provision	7,855	56	-	7,911	-	7,855	-	7,855
On Lease Liability	5	3	-	8	4	1	-	5
	12,059	3,261	(4,570)	10,750	23,542	(14,436)	2,953	12,059

23 NET DEFERRED TAX ASSETS / (LIABILITIES) (CONTINUED)

- 23.4 The Company has not been recognized deferred tax assets of Rs. 181,451,169/- as at 31 March 2022 (31 March 2021 - Rs. 139,734,540/-), arising on unused tax losses of Rs. 1,008,062,053/- (31 March 2021 - Rs. 776,303,000), since there is an uncertainty that future taxable profit will be available against which the Company can utilize the benefit there from.

Group / Company	Deductible Temporary Difference Rs.	Unrecognized Deferred Tax Assets Rs.
Lanka Milk Foods (CWE) PLC	1,008,062	181,451
	1,008,062	181,451

- 23.5 Deferred tax assets and liabilities shall be measured based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. In accordance with the Inland Revenue Act No 24 of 2017, the Group has used following tax rates in assessing the deferred tax asset/liability for the current financial year.

Group / Company	Tax Rate (%)	
	2022	2021
Lanka Milk Foods (CWE) PLC	18%	18%
Lanka Dairies (Private) Limited	14%	14%
Ambewela Livestock Company Limited	Exempt	Exempt
Pattipola Livestock Company Limited	Exempt	Exempt
Ambewela Products (Private) Limited	14%	20%

24 RETIREMENT BENEFIT OBLIGATIONS

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Balance as at the Beginning	161,972	115,477	86,153	63,375
Interest cost	7,639	8,804	6,117	6,337
Current service cost	13,510	17,328	5,548	7,354
Past service cost	(1,808)	-	(1,286)	-
Actuarial (gain)/loss	(33,090)	32,767	(25,387)	16,403
Payments during the year	(6,813)	(12,404)	(1,638)	(7,316)
Balance as at the end	141,410	161,972	69,507	86,153

NOTES TO THE FINANCIAL STATEMENTS

- 24.1 The total amount charged to Statement of Profit or Loss and other Comprehensive Income in respect of Retirement Benefit Obligations made up as follows;

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Interest cost	7,639	8,804	6,117	6,337
Current service cost	13,510	17,328	5,548	7,354
Past service cost	(1,808)	-	(1,286)	-
Expense recognized in Profit or Loss	19,341	26,132	10,379	13,691
Actuarial (Gain) / Loss	(33,090)	32,767	(25,387)	16,403
Expense recognized in Other Comprehensive Income	(33,090)	32,767	(25,387)	16,403

The Retirement Benefit Obligations of the Group is based on the Actuarial Valuation carried out by Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries as at 31 March 2022.

LKAS 19 - Employee Benefit requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligation as at the reporting date. The following key assumptions were made in computing the retirement gratuity obligation as at the reporting date.

During 2021/22, the pension arrangements were adjusted to reflect new legal requirements in the country regarding the retirement age. As a result of the plan amendment, the Group and Company's defined benefit obligation decreased by Rs. 1.81 Mn. and Rs. 1.29 Mn. respectively. A corresponding past service credit was recognised in profit or loss during 2021/22.

As at 31 March	2022	2021
i.) Discount rate	14%	7.1% - 8.7%
ii.) Annual salary increment rate	10%	5% - 12%
iii) Retirement Age	60 years	55 years
iv) Staff Turnover Rate	6%-18%	6%-17%

The calculation of the retirement benefit obligation is sensitive to the assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	Group		Company	
	Defined benefit obligation		Defined benefit obligation	
	One percentage point increase Rs.000's	One percentage point decrease Rs.000's	One percentage point increase Rs.000's	One percentage point increase Rs.000's
Effect on the discounting rate	(9,485)	5,189	(2,016)	2,182
Effect on the salary escalation rate	5,569	(6,911)	2,321	(2,175)

25 LOANS AND BORROWINGS

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Term Loans - Secured				
Balance as at beginning	1,546,504	354,831	300,000	-
Loans obtained during the year	1,275,892	1,575,408	300,000	500,000
	2,822,396	1,930,239	600,000	500,000
Repayments during the year	(693,750)	(383,735)	(600,000)	(200,000)
Balance as at end	2,128,646	1,546,504	-	300,000
Amount payable within one year	375,000	338,953	-	300,000
Amount Payable after one year	1,753,646	1,207,551	-	-
	2,128,646	1,546,504	-	300,000

25.1 Terms and Conditions of the loan obtained by the Group/ Company

Financial Institution	Purpose	Assets Pledged	Interest Rate
Hatton National Bank PLC	Company Operation	Investment in quoted shares of Melstacorp PLC	AWPLR
Commercial Bank of Ceylon PLC	To part finance the new farm project at Ambewela.	Corporate Guarantee provided by Lanka Milk Foods (CWE) PLC	AWPLR + 1.0

26 TRADE AND OTHER PAYABLES

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Trade and Other Payables	345,740	309,134	74,599	86,279
Accrued Expenses	65,588	31,783	1,224	1,311
Outstanding letters of credit	1,100,612	3,761	1,100,612	3,761
Unclaimed Dividend	3,928	2,929	3,928	2,929
Other Taxes Payable (Note 26.1)	2,396	1,601	1,759	1,236
	1,518,264	349,208	1,182,122	95,516
26.1 Other Taxes Payable				
Value Added Tax	684	516	684	516
APIT	1,645	1,027	1,019	662
Stamp Duty	67	58	56	58
	2,396	1,601	1,759	1,236

NOTES TO THE FINANCIAL STATEMENTS

27 AMOUNTS DUE TO RELATED PARTIES

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Stassen Exports (Private) Limited	169,797	139,914	168,543	138,887
Aitken Spence PLC	2,992	276	296	249
Aitken Spence Cargo (Private) Limited	-	80	-	-
Distilleries Company of Sri Lanka PLC	1,867	6,112	15	-
Maudulsima Plantation PLC	492	409	492	409
Lanka Bell (Private) Limited	13	28	-	19
Pattipola Livestock Company Limited	-	-	-	2
Splendor Media (Private) Limited	-	17,271	-	-
Browns Beach Hotels PLC	26	-	-	-
	175,187	164,090	169,346	139,566

28 COMMITMENTS

28.1 Capital Commitments

There are no other material capital commitments at Group and Company as at the reporting date except for the following commitments disclosed below of a subsidiary, United Dairies Lanka (Private) Limited:

As at 31 March	Group	
	2022 Rs. Mn	2021 Rs. Mn
Capital commitments approved and contracted	3,373	1,091

29 LEASES

The Group /Company leases building premises for operating activities. Lease payments are made based on pre- agreed rate which are specified in the respective lease contracts.

The value of the Right-of-use assets is presented as a separate line item in the Statement of Financial Position and the correspondent lease liability has presented under 'Current liabilities and Non current liabilities' in the Statement of Financial Position as at 31 March 2022.

Further, the amortisation charge on Right-of-use asset is presented as a separate line item under 'Depreciation & Amortization' and the interest cost on lease liability is presented as a component of the finance cost of the Group/Company in the Statement of Profit or Loss for the year ended 31st March 2022.

The relevant disclosures to be made under "Notes to the Financial Statements" in the Annual Financial Statements for the year ended 31 March 2022 are illustrated below.

29 LEASES (CONTINUED)

29.1 The carrying amounts of right-of-use assets recognised and its movements during the year:

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Cost				
Balance as at beginning	307,049	328,252	391	391
Recognition of ROU asset due to termination of net investment	-	44,264	-	-
Remeasurement	35,364	(65,467)	-	-
Balance as at end	342,413	307,049	391	391
Accumulated amortisation				
Balance as at beginning	23,661	11,419	56	28
Charge for the year	9,898	12,242	28	28
Balance as at end	33,559	23,661	84	56
Net book value as at 31 March 2022	308,854	283,388	307	335

29.2 Net Investment

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Balance as at beginning	-	45,863	-	-
Disposal	-	(45,863)	-	-
Balance as at end	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

29 LEASES (CONTINUED)

29.3 The carrying amounts of lease liability (included under current and non current liabilities) and its movements during the year:

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Balance as at beginning	311,390	367,130	365	379
Remeasurement adjustment	35,364	(65,467)	-	-
Accretion of interest	44,289	45,369	52	53
Payments	(36,853)	(35,642)	(67)	(67)
Balance as at end	354,190	311,390	350	365
Current	34,376	34,376	60	59
Non- current	319,814	277,014	290	306
Balance as at 31 March	354,190	311,390	350	365

29.4 Maturity analysis - contractual undiscounted cash flows

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Less than one year	40,784	36,425	67	67
One to five years	203,920	194,480	335	335
More than five years	1,296,075	1,332,500	335	402
Total undiscounted liabilities as at 31 March	1,540,779	1,563,405	737	804

29.5 Amounts Recognised in Statement of Profit or Loss

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Leases under SLFRS 16				
Depreciation of Right-of-use assets	9,898	12,242	28	28
Interest expense on lease liabilities	44,289	45,369	52	53
	54,187	57,611	80	81

29.6 Amounts Recognised in Statement of Cash Flows

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Total cash outflow for leases	(36,853)	(35,642)	(67)	(67)
	(36,853)	(35,642)	(67)	(67)

30. PRINCIPAL SUBSIDIARIES

Company	Principal Activities	Domicile	Class of shares held	Group Interest	Non-controlling Interest
Lanka Dairies (Private) Limited	Packing and selling of UHT products, "Daily", Ambewela Farm Fresh Milk" and fruit juice.		Ordinary	100%	-
Ambewela Livestock Company Limited	Rearing of cattle to produce and sale of cow milk and agricultural development of the farm.		Ordinary	100%	-
Pattipola Livestock Company Limited	Rearing cattle, goats, rabbits to produce and sell milk and milk allied products such as natural cheeses, yoghurt, goat milk and meat and agricultural development of the farm.		Ordinary	100%	-
Ambewela Products (Private) Limited	Rearing of cattle to produce and sale of cow milk, processing and packaging of processed fat and liquid milk and milk allied products such as yoghurt.		Ordinary	100%	-
Indo Lanka Exports (Private) Limited	Manufacturing and exporting fruit juices.		Ordinary	51%	49%
United Dairies Lanka (Private) Limited	Diary Farming		Ordinary	100%	-

31. CONTINGENT LIABILITIES

There are no significant contingent liabilities as at the reporting date, which require adjustments to or disclosures in the financial statements except for the following.

The Company has provided corporate guarantees to the following companies for the financial facilities obtained by those companies.

Name of the company	Name of the Bank	Amount of the guarantee Rs. Mn
Lanka Dairies (Private) Limited	HNB	425
Ambewela Products (Private) Limited	HNB	250
Ambewela Livestock Company Limited	HNB	60
Pattipola Livestock Company Limited	HNB	110
United Dairies Lanka (Private) Limited	HNB	900
United Dairies Lanka (Private) Limited	COMB	3,000

The Directors do not expect any claim on these guarantees. Accordingly, no provision has been made in the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

32. EVENTS OCCURRING AFTER THE REPORTING DATE

(a) Changes to tax laws

According to the Gazette No 2282/26 enacted on 31st May 2022, Value Added Tax (VAT) charged based on the Value Added Tax Act No 14 of 2002 as amended by Act No 6 of 2005, has been increased from 8% to 12% effective from 1st June 2022.

(b) The Board of Directors has recommended a Interim of Rs. 7.50 per share amounting to Rs.299,985,000 for the year ended 31 March 2022.

Other than the above mentioned events, no material events have occurred since the reporting date which require adjustments to or disclosure in the Financial Statements.

33. ECONOMIC UNCERTAINTY

The macro level issues on reserves and the free floating of the USD caused a sharp depreciation of the rupee which resulted in a steep increase in costs of imports and other products. The inflationary pressures could further intensify in the period ahead, driven by the build-up of aggregate demand, Power and fuel shortages, domestic supply disruptions, and the elevated prices of commodities globally, which could also have an impact on the Group's businesses.

The Management has considered the consequences of the current economic & political uncertainty in the country and based on its strategic plans has determined that it is not expected to have a significant impact on the Group's operations in the foreseeable future.

34. SEGMENTAL REPORTING

Reportable segment

Powdered Milk

Liquid Milk and Others

Agriculture

Trading

Operations

Importing, packaging and distribution of milk allied products

Operating Chain of Packing and selling of UHT products, "Daily", "Ambewela Farm Fresh Milk" and fruit juice.

Rearing of cattle to produce and sale of cow milk and agricultural development of the farm.

Distribution of Happy Cow Cheese, Red Bull and Blue Energy Drink.

As at 31 March	Powdered Milk		Trading		Liquid Milk and Others		Agriculture		Elimination		Group	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Total Revenue	1,979,541	2,375,711	1,444,413	725,739	7,771,941	5,335,679	1,108,178	823,427	(2,532,534)	(1,663,364)	9,771,539	7,597,192
Profit or Loss from Operation	498,012	206,512	363,385	63,086	930,573	682,618	(58,252)	13,993	(145,514)	(89,444)	1,588,204	876,765
Financing Income/(Cost)	(229,974)	29,022	(167,805)	8,866	(30,602)	(29,523)	(62,234)	(51,184)	-	-	(490,615)	(42,819)
Income Tax Expenses	1,885	(11,058)	1,376	(3,378)	(36,347)	16,544	-	5,710	-	-	(33,086)	7,818
Profit/(Loss) for the Year	269,923	224,476	196,956	68,574	863,624	669,639	(120,486)	(31,481)	(145,514)	(89,444)	1,064,503	841,764
Segment Asset	6,499,904	8,190,843	4,742,788	2,502,164	3,970,115	3,202,783	5,275,502	3,357,664	(3,754,635)	(2,752,304)	16,733,674	14,501,150
Segment Liabilities	950,479	504,210	693,536	154,027	934,502	842,475	5,676,637	3,632,436	(2,954,812)	(1,897,997)	5,300,342	3,235,151
Segment Net Assets	5,549,425	7,686,634	4,049,252	2,348,136	3,035,613	2,360,308	(401,135)	(274,770)	(799,823)	(854,309)	11,433,332	11,265,999
Segment Capital Expenditure	863	18,939	629	5,786	73,646	267,367	1,667,849	1,132,796	-	-	1,742,987	1,424,888
Depreciation on Property, Plant and Equipment	10,999	14,099	8,025	4,307	177,144	168,181	12,724	11,625	-	-	208,892	198,212

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY DISCLOSURES

35.1 Transactions with Subsidiary Companies

For the Year Ended 31 March Name of the Company	Name of Common Directors	Nature of Transaction	Amount	
			2022 Rs.	2021 Rs.
Lanka Dairies (Pvt) Ltd.	Mr.D.H.S.Jayawardena	Sale of Goods & Other	519,660,619	207,323,054
	Mr.C.R.Jansz	Settlement of Goods Sales	491,367,340	231,522,000
	Ms.D.S.C.Jayawardena**	Expense Reimbursement	672,974	304,450
	Mr.D.Hasitha S.Jayawardena	Received of Opening Balance Settlement	-	36,815,476
	Ms.D.S.T. Jayawardena	Settlement of Short Term Loan	-	325,000,000
		Granted Short Term Loan	-	325,000,000
		Other Purchase	-	732,362
		Settlement of Other Purchase	-	732,861
		Dividend Received	100,000,000	100,000,000
		Charged Short Term Loan Interest	-	2,908,082
		Services Rendered and Others	4,235,280	-
		Other Sales	1,370,693	-
		Bank Guarantees Provided	425,000,000	425,000,000
Ambewela Livestock Company Limited	Mr.D.H.S.Jayawardena	Expense Reimbursement	133,531	140,887
	Mr.C.R.Jansz	Sale of Goods & Other	5,937,211	1,859,178
	Ms.D.S.C.Jayawardena**	Settlement of Goods Sales	5,101,922	1,659,365
	Mr.D.Hasitha S.Jayawardena	Fund Transfers	500,000	7,522,942
	Ms.D.S.T. Jayawardena	Bank Guarantees Provided	60,000,000	60,000,000
Pattipola Livestock Company Limited	Mr.D.H.S.Jayawardena	Expense Reimbursement	91,044	115,754
	Mr.C.R.Jansz	Sale of Goods & Other	1,873,474	705,356
	Ms.D.S.C.Jayawardena**	Settlement of Goods Sales	1,877,422	754,398
	Mr.D.Hasitha S.Jayawardena	Purchases of Goods	21,448	246,204
	Ms.D.S.T. Jayawardena	Settlement of Goods Purchases	23,898	246,804
		Received of Opening Balance Settlement	-	1,754,713
		Bank Guarantees Provided	110,000,000	110,000,000
Ambewela Products (Private) Limited	Mr.D.H.S.Jayawardena	Sale of Goods & Other	153,475,048	97,304,018
	Mr.C.R.Jansz	Expense Reimbursement	1,291,670	604,207
	Ms.D.S.C.Jayawardena**	Settlement of Goods & Other Sales	136,572,090	141,510,843
	Mr.D.Hasitha S.Jayawardena	Granted Short Term Loan	150,000,000	150,000,000
	Ms.D.S.T. Jayawardena	Charged Short Term Loan Interest	15,380,233	6,154,167
		Received Loan Interest Settlement	14,722,644	5,624,331
		Settlement of Short Term Loan	50,000,000	100,000,000
		Dividend Received	100,000,000	-
		Bank Guarantees Provided	250,000,000	250,000,000

35. RELATED PARTY DISCLOSURES (CONTINUED)

35.1 Transactions with Subsidiary Companies

For the Year Ended 31 March Name of the Company	Name of Common Directors	Nature of Transaction	Amount	
			2022 Rs.	2021 Rs.
Indo Lanka Exports (Private) Limited	Mr.D.H.S.Jayawardena	Expense Reimbursement	336,461	284,347
	Mr.C.R.Jansz	Bank Guarantees Provided		31,600,000
	Ms.D.S.C.Jayawardena**			
United Dairies Lanka (Private) Limited	Mr.D.H.S.Jayawardena	Fund Transfers	589,000,000	248,086,504
	Mr.C.R.Jansz	Bank Guarantees Provided	3,900,000,000	3,900,000,000
	Ms.D.S.C.Jayawardena**			
	Mr.D S K Amarasekara			
	Dr.A Shakthevale			
	Mr.D.Hasitha S.Jayawardena			
	Ms.D.S.T. Jayawardena			
Aggregate Value of Non Recurrent Related Party Transactions	Lanka Dairies (Private) Limited		425,000,000	750,000,000
	United Dairies Lanka (Private) Limited		4,489,000,000	4,148,086,504
Aggregate Value of Non Recurrent Transactions as a% of Equity	Lanka Dairies (Private) Limited		4%	7%
	United Dairies Lanka (Private) Limited		47%	41%
Aggregate Value of Non Recurrent Transactions as a% of Total Assets	Lanka Dairies (Private) Limited		4%	7%
	United Dairies Lanka (Private) Limited		40%	39%

** Directress resigned from 30.09.2021

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY DISCLOSURES (CONTINUED)

35.2 Transaction with Other Related Companies:

For the Year Ended 31 March Name of the Company	Name of Common Directors	Nature of Transaction	Amount	
			2022 Rs.	2021 Rs.
Milford Exports (Ceylon) (Private) Limited	Mr.D.H.S.Jayawardena	Management Fee	1,000,000	1,000,000
		Directors' Fee	1,500,000	1,500,000
	Mr.D.Hasitha S.Jayawardena	Related Party Settlement	2,500,000	2,500,000
	Mr.C.R.Jansz	Dividend Paid	67,132,700	33,566,350
	Ms.D.S.T. Jayawardena			
Stassen Exports (Private) Limited	Mr.D.H.S.Jayawardena	Reimbursement Expenses	6,888,205	11,805,528
		Services Obtained & Others	20,809,367	8,405,074
	Mr.D.Hasitha S.Jayawardena	Sale of Goods	18,005,330	8,696,103
	Ms.D.S.T. Jayawardena	Purchase Happy Cow & Energy Drinks	1,427,635,057	779,614,197
	Mr.C.R.Jansz	Services Rendered and Others	10,800,000	28,315,604
		Related Party Settlement	33,225,796	62,568,661
		Settlement of Purchases & Other	1,418,788,381	649,258,859
Distilleries Company of Sri Lanka PLC	Mr.D.H.S.Jayawardena	Sale of Milk Foods & Energy Drinks	9,438,954	22,312,720
	Mr.C.R.Jansz	Dividend Received	70,186,595	43,641,665
	Mr.D.Hasitha S.Jayawardena	Services Obtained & Others	839,500	721,018
		Related Party Settlement	17,753,647	14,850,795
		Settlement of Services Obtained	854,500	721,018
Aitken Spence PLC	Mr.D.H.S.Jayawardena	Sale of Goods	10,030,662	4,851,174
	Ms.D.S.T. Jayawardena	Settlement of Goods Sales	8,674,314	5,086,550
		Services Obtained & Others	12,354,349	19,453,871
		Related Party Settlement	12,307,786	19,204,615
Madulsima Plantation PLC	Mr.D.H.S.Jayawardena	Sale of Goods	477,050	-
	Mr.D S K Amarasekara	Services Obtained & Others	1,869,540	1,356,423
	Mr.D.Hasitha S.Jayawardena	Settlement of Goods Sales	408,948	1,954,436
	Dr.A Shakthevale	Related Party Settlement	1,786,690	53,298
Lanka Bell Limited	Mr.D.H.S.Jayawardena	Telephone Charges	316,313	1,023,948
	Mr.C.R.Jansz	Related Party Settlement	335,658	1,064,433

35. RELATED PARTY DISCLOSURES (CONTINUED)

35.2 Transaction with Other Related Companies: (Continued)

For the Year Ended 31 March	Name of the Company	Name of Common Directors	Nature of Transaction	Amount	
				2022 Rs.	2021 Rs.
Melstacorp PLC	Mr.D.H.S.Jayawardena	Dividend Paid	33,578,920	16,789,460	
	Mr.C.R.Jansz	Dividend Received	827,560,700	379,615,000	
	Mr.D.Hasitha S.Jayawardena				
Browns Beach Hotels PLC	Mr.D.H.S.Jayawardena	Sale of Milk Foods & Energy Drinks	1,349,533	399,000	
	Ms.D.S.T. Jayawardena	Settlement of Goods Sales	974,906	430,500	
Balangoda Plantation PLC	Mr.D.H.S.Jayawardena	Services Provided & Other	1,052,417	2,691,266	
	Mr.C.R.Jansz	Settlement of Service Rended	1,712,199	1,487,299	
	Mr.D.Hasitha S.Jayawardena				
	Dr.A Shakthevale				
	Mr.D S K Amarasekara				
Splendor Media (Private) Ltd	Ms.D.S.T. Jayawardena	Services Obtained & Others	51,300	5,551,956	
		Related Party Settlement	51,300	5,551,956	
		Sale of Goods	45,216	26,649	
		Settlement of Goods Sales	17,208	26,649	
Aggregate Value of Recurrent Related Party Transactions During the Year;		Stassen Exports (Private) Limited	1,484,137,959	836,836,505	
Aggregate Value of Recurrent Related Party Transactions as a % of Revenue:		Stassen Exports (Private) Limited	15%	11%	

35.3 Terms and conditions of transactions with related party

Transactions with related parties are carried out in the ordinary course of business. The pricing applicable to related party transactions is based on the assessment of risk and pricing model of the Company and is comparable with that is applicable to transactions between the company and its unrelated customers.

Transactions with related parties were made on the basis of the price lists in force with non-related parties (at Arm's Length). Outstanding balances with related parties other than balances relating to investment related transactions as at the reporting date are unsecured. Settlement will take place in cash. Such outstanding balances have been included under respective assets and liabilities. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

35.4 Recurrent Related Party Transactions

There were instances where aggregated recurrent related party transactions exceeded 10% of the consolidated revenue of the Group which required the disclosure in Financial Statements as per Section 9 of the Listing Requirements of the Colombo Stock Exchange. Accordingly, the required disclosure is given in Note 35 to the Financial Statements. There were no other recurrent related party transactions which exceeded the threshold stipulated in section 9 of the listing requirements, other than individual transaction disclosed in the note 35.2 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY DISCLOSURES (CONTINUED)

35.5 Non-recurrent Related Party Transactions

There were instances where non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2022 audited financial statements, which required additional disclosures in the 2021/22 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act. Accordingly, the required disclosure is given in Note 35 to the Financial Statements. There were no other non recurrent related party transactions which exceeded the threshold stipulated in section 9 of the listing requirements, other than individual transaction disclosed in the note 35.1 to the Financial Statements.

35.6 Transactions with Key Management Personnel

Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company. Such KMPs include the Board of Directors of the Group.

35.7 Transactions with Key Management Personnel

Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company. Such KMPs include the Board of Directors of the Group.

a) Loans to Directors

There are no loans have been granted to the Directors of the Company

b) Key Management Personnel Compensation

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Short-term employee benefits	1,500	1,500	1,500	1,500
Post employment benefits		-		
	1,500	1,500	1,500	1,500

c) Other Transactions with Key Management Personnel

There were no other transactions with key management personnel during the year.

36 FINANCIAL RISK MANAGEMENT**Overview**

The Group has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market 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 risks, and the Group's management of capital. Further, quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

36.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

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 as follows;

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Trade Receivables	861,908	720,328	238,822	272,249
Other Receivables (Note a.)	9,951	12,643	6,055	7,644
Amounts Due from Related Parties	24,943	25,217	1,724,343	993,149
Cash and cash equivalents (Note b.)	1,208,936	233,810	1,000,911	227,375
	2,105,738	991,998	2,970,131	1,500,417

Note a.

The other assets exclude Insurance Receivables, Other Taxes Receivables and advances, deposits and prepayments balance as at each year end.

Note b.

Cash in Hand Balance has been excluded.

36.1.1 Trade and Other Receivables and Contract Asset

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Management also considers the demographics of the Group's customer base, including the country in which customers operate, as these factors may have an influence on credit risk. However, geographically there is no concentration of credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

NOTES TO THE FINANCIAL STATEMENTS

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1.2 Expected credit loss

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement.

Exposures within each credit risk grade are segmented by geographic region and industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past seven years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables for customers as at 31 March 2022.

As at 31 March 2022 Group	Weighted Average Loss Rate	Gross Carrying Amount Rs.000's	Impairment Loss Allowance Rs.000's	Credit Impaired
Past due 0-60 days	0.01%	580,715	55	No
Past due 60-180 days	6.41%	11,591	743	No
Past due 180-365 days	0.26%	196,954	503	No
More than one year	100.00%	72,648	72,648	YES
		861,908	73,949	

As at 31 March 2022 Company	Weighted Average Loss Rate	Gross Carrying Amount Rs.000's	Impairment Loss Allowance Rs.000's	Credit Impaired
Past due 0-60 days	0.01%	186,535	27	No
Past due 60-180 days	3.63%	8,294	301	No
Past due 180-365 days	52.07%	772	402	No
More than one year	100.00%	43,221	43,221	YES
		238,822	43,951	

Loss rates are based on actual credit loss experience over the past seven years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance for impairment of trade receivables

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows.

As at 31 March	2022 Rs.000's	2021 Rs.000's
Balance at 1st April	74,219	82,382
Provision for the year	(270)	(8,163)
Balance at 31st March	73,949	74,219

36 FINANCIAL RISK MANAGEMENT (CONTINUED)**36.1 Credit Risk (Continued)****36.1.3 Investments**

The Group limits its exposure to credit risk by investing only in liquid securities which are listed in Colombo stock exchange.

36.1.4 Cash and Cash Equivalents

The Group has a number of bank deposits in Sri Lankan rupees as at 31 March 2022. These deposits have been placed in several banks in order to minimise the credit risk. In order to further minimise the credit risk, the Group's exposure and credit ratings of banks are regularly monitored and a diversified investment portfolio is maintained.

As at 31 March	2022			
	Group		Company	
	Rs.'000 Rs.'000	Rating % of Total	Rs.'000 Rs.'000	Rating % of Total
AA-(Ika)	1,196,375	99%	988,574	99%
AA-	1,475	0%	1,475	0%
A+	272	0%	48	0%
BBB+(Ika)	10,724	1%	10,724	1%
RD	90	0%	90	0%
	1,208,936	100.00%	1,000,911	100.00%

36.1.5 Guarantees

The Group's policy is to provide corporate guarantees to its subsidiaries. Following represents all the corporate guarantees provided by the parent to its subsidiaries as at the reporting date (Refer Note 31)

Name of the Company	Name of the Bank	Amount of the Guarantee Rs.Mn
Lanka Dairies (Private) Limited	Hatton National Bank	425
Ambewela Products (Private) limited	Hatton National Bank	250
Ambewela Livestock Company Limited	Hatton National Bank	60
Pattipola Livestock Company Limited	Hatton National Bank	110
United Dairies Lanka (Private) Limited	Hatton National Bank	900
United Dairies Lanka (Private) Limited	Commercial Bank	3,000

NOTES TO THE FINANCIAL STATEMENTS

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

36.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities.

Group

As at 31 March	2022					
	Carrying amount Rs.000's	Total Rs.000's	0-2 months Rs.000's	2-6 months Rs.000's	6-12 months Rs.000's	More than 1 year Rs.000's
Financial Liabilities (Non Derivatives)						
Trade and Other Payables	1,450,280	1,450,280	1,450,280	-	-	-
Amounts Due to Related Parties	175,187	175,187	175,187	-	-	-
Interest bearing loans and borrowings	2,128,646	4,962,822	-	187,500	187,500	4,587,822
Lease Liabilities	354,190	1,540,779	-	40,717	67	1,499,995
Bank Overdraft	859,758	859,758	495,042	208,170	156,546	-
	4,968,061	8,988,826	2,120,509	436,387	344,113	6,087,817

Company

As at 31 March	2022					
	Carrying amount Rs.000's	Total Rs.000's	0-2 months Rs.000's	2-6 months Rs.000's	6-12 months Rs.000's	More than 1 year Rs.000's
Financial Liabilities (Non Derivatives)						
Trade and Other Payables	1,179,139	1,179,139	1,179,139	-	-	-
Amounts Due to Related parties	169,346	169,346	169,346	-	-	-
Lease Liabilities	350	737	-	-	67	670
Bank Overdraft	222,690	222,690	222,690	-	-	-
	1,571,525	1,571,912	1,571,175	-	67	670

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The contractual maturity of Interest bearing loans and borrowings includes the future interest calculated based on Average Weighted Prime Lending Rate (AWPLR) and company risk premium.

36 FINANCIAL RISK MANAGEMENT (CONTINUED)**36.3 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

36.3.1 Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than Sri Lankan Rupees (LKR). The foreign currencies in which the set transactions primarily denominated are United States Dollars (USD) and Euro.

36.3.1.1 Exposure to currency risk

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

Group

As at 31 March	Currency	2022	2021
Trade and Other Receivables	USD	(93,166)	-
Trade and Other Payables	USD	3,160,512	1,403
Trade and Other Payables	EUR	485,098	15,777
Gross statement of financial position exposure		3,552,444	17,180

Company

As at 31 March	Currency	2022	2021
Trade and Other Payables	USD	3,100,900	-
Trade and Other Payables	EUR	485,098	15,777
Gross statement of financial position exposure		3,585,998	15,777

During the year LKR has been significantly depreciated against the USD and EUR and the impact is disclosed below.

As at 31 March	Average rate		Reporting date spot rate	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
USD	205.10	188.39	299.00	199.04
EUR	239.05	219.87	335.99	233.09

NOTES TO THE FINANCIAL STATEMENTS

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

36.3 Market risk (Continued)

36.3.1.2 Sensitivity Analysis

A strengthening of the LKR, as indicated below, against the USD/ EUR at 31st March 2022 would have increased/ (decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

As at 31 March 2022	Strengthening		Weakening	
	Profit or Loss Rs. 000	Equity Rs. 000	Profit or Loss Rs. 000	Equity Rs. 000
31 March 2022				
USD (15% movement)	(137,570)	(137,570)	137,570	137,570
EUR (15% movement)	(24,448)	(24,448)	149,133	149,133
31 March 2021				
USD (10% movement)	(27,932)	(27,932)	27,932	27,932
EUR (10% movement)	(367,746)	(367,746)	367,746	367,746

36.3.2 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's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Central Bank of Sri Lanka adopted a tightening monetary policy stance during the latter half of the financial year, resulting in an upward trend in interest rates. Elevated pressures on inflation on account of many factors including increases in global commodity prices, food supply and the sharp depreciation of the currency in March 2022 have resulted in strong policy actions by the CBSL on monetary policy post the end of the reporting period. Such actions have raised monetary policy rates significantly and helped bridge the gap between policy and market interest rates

The Group is exposed to interest rate risk for loans obtained from HNB and Commercial Bank. However, management monitors the sensitivities on regular basis and ensure risks are managed on a timely manner.

At the reporting date, the Group's interest-bearing financial instruments were as follows;

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Variable Rate Instruments				
Financial Liabilities				
Interest bearing loans and borrowings	2,128,646	1,546,504	-	300,000
Bank Overdraft	859,758	515,671	222,690	36,637
	2,988,404	2,062,175	222,690	336,637

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and Company's profit before tax (through the impact on floating rate borrowings).

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
+800 basis points	(3,736)	(2,578)	(278)	(421)
-800 basis points	3,736	2,578	278	421

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

36.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

36.5 Equity Price Risk

Values as appearing in the statement of Financial Position are sensitive to quoted price of the investment. Simulations made for available for sale investments and financial assets held for trading that an increase and decrease of Rs.10 has the following effect on the fair value of available for sale investments.

As at 31 March 2022 Group/Company	-10% Rs. Rs.000's	2022 Rs. Rs.000's	+ 10% Rs. Rs.000's
Financial Assets measured at FVTOCI	6,167,478	6,852,754	7,538,029
Financial Assets measured at FVTPL	138,400	153,778	169,156
	6,305,878	7,006,532	7,707,185

36.6 Capital management

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows;

As at 31 March	Group		Company	
	2022 Rs.000's	2021 Rs.000's	2022 Rs.000's	2021 Rs.000's
Total liabilities	5,300,342	3,235,151	1,644,015	658,237
Less:				
Cash and cash equivalents	(1,212,879)	(237,740)	(1,002,342)	(228,851)
Net debts	4,087,463	2,997,411	641,673	429,386
Total equity	11,433,332	11,265,999	9,598,677	10,034,770
Net debt to equity ratio	0.36	0.27	0.07	0.04

There were no changes in the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

37 FAIR VALUE MEASUREMENT

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 : Valuation techniques based on observable inputs.

Level 3 : Valuation techniques using significant unobservable inputs

37.1 Financial Instruments carried at Fair Value and Valuation Bases

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized.

As at 31 March 2022	Group/Company			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Financial Assets measured at FVTOCI	6,852,754	-	-	6,852,754
Financial Assets measured at FVTPL	153,778	-	-	153,778
	7,006,532	-	-	7,006,532

As at 31 March 2021	Group/Company			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Financial Assets measured at FVTOCI	7,576,553	-	-	7,576,553
Financial Assets measured at FVTPL	197,002	-	-	197,002
	7,773,555	-	-	7,773,555

37.2 Fair value of Financial Instruments carried at amortized cost

The following table summarizes the carrying amounts and the Company's estimate of fair values of those financial assets and liabilities not presented on the Company/Group's Statement of Financial Position at fair value.

As at 31 March 2022	Group		Company	
	Carrying Amount Rs.'000	Fair Value Rs.'000	Carrying Amount Rs.'000	Fair Value Rs.'000
Assets				
Cash and cash equivalents	1,212,879	1,212,879	1,002,342	1,002,342
Trade and Other receivables	834,234	834,234	199,106	199,106
Amounts due from Related Companies	24,721	24,721	1,404,537	1,404,537
Liabilities				
Bank Overdraft	859,758	859,758	222,690	222,690
Trade and Other Payables	1,515,868	1,515,868	1,180,363	1,180,363
Amounts Due to Related Parties	175,187	175,187	169,346	169,346
Lease Liabilities	354,190	354,190	350	350
Loans and Borrowings	2,128,646	2,128,646	-	-

37 FAIR VALUE MEASUREMENT (CONTINUED)**37.2 Fair value of Financial Instruments carried at amortized cost (Continued)****Cash and cash equivalents**

The carrying amount of the cash and cash equivalents and balances with banks approximate the fair value as these are short term in nature.

Trade and other Receivables/Amount due from Related Parties

Trade and other receivables are expected to be settled within one year from the reporting date and hence the discounting impact would be immaterial. Therefore carrying amount approximate the fair value as at the reporting date.

Trade and other Payables/Amount due to Related Parties

Trade and other payables are expected to be settled within one year from the reporting date and hence the discounting impact would be immaterial. Therefore carrying amount approximate the fair value as at the reporting date.

Loans and Borrowings/Bank Overdraft

Long term borrowings are repriced either monthly, quarterly or semi annually in line with the changes in the market rates. Hence carrying value of these borrowings approximate the fair value. Other borrowings are short term in nature and hence carrying value approximate the fair value.

38 ACCOUNTING CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES AS AT THE REPORTING DATE**Group**

Financial liabilities	Classification		
	Amortised Cost Rs.000's	Fair Value Through Profit or Loss Rs.000's	Fair Value Through Other Comprehensive Rs.000's
Trade and Other Receivables	834,234	-	-
Amount due from Related Parties	24,721	-	-
Cash and Cash Equivalent	1,212,879	-	-
Financial Assets measured at FVTOCI	-	-	6,852,754
Financial Assets measured at FVTPL	-	153,778	-

Financial liabilities	Classification	
	Fair Value Through Profit or Loss Rs.000's	Amortized Cos Rs.000's
Trade and Other Payables	-	1,515,868
Interest Bearing Borrowings	-	2,128,646
Amounts Due to Related Parties	-	175,187
Bank Overdraft	-	859,758
Lease Liabilities	-	354,190

NOTES TO THE FINANCIAL STATEMENTS

39 ACCOUNTING CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES AS AT THE REPORTING DATE (CONTINUED)

Company

Financial Instrument	Classification		
	Amortised Cost	Fair Value Through Profit or Loss Investments	Fair Value Through Other Comprehensive Income Investments
	Rs.000's	Rs.000's	Rs.000's
Trade and Other Receivables	199,106	-	-
Amount due from Related Parties	1,404,537	-	-
Cash and Cash Equipment's	1,002,342	-	-
Financial Assets measured at FVTOCI		-	6,852,754
Financial Assets measured at FVTPL	-	153,778	-

Financial liabilities	Classification	
	Fair Value Through Profit or Loss Investments	Amortized Cost
	Rs.000's	Rs.000's
Trade and Other Payables	-	1,180,363
Amounts Due to Related Parties	-	169,346
Bank Overdraft	-	222,690
Lease Liabilities	-	350

40 COMPARATIVE INFORMATION

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The presentation and classification of the financial statements of the previous period, have been adjusted, where relevant, for better presentation.

SHAREHOLDER AND INVESTOR INFORMATION

1 STOCK EXCHANGE LISTING

The issued ordinary shares of the Company are listed with Colombo Stock Exchange

Date of listing Colombo Stock Exchange (CSE)-01.01.1983

Abbreviation in Colombo Stock Exchange (CSE)-"LMF.N."

Ticker symbol - LMF - N0000

ISIN - LK0112N00009

Stated Capital No.of Ordinary Shares -39,998,000

2 COMPOSITION ORDINARY SHAREHOLDERS

Category	No of Share Holders 31/03/2022	Total Shares 31/03/2022	Percentage (%) 31/03/2022	No of Share Holders 31/03/2021	Total Shares 31/03/2021	Percentage (%) 31/03/2021
1-1000	3,783	844,399	2.11	3,593	856,030	2.14
1001-10000	833	2,926,998	7.32	827	2,849,695	7.13
10001-100000	152	4,064,414	10.16	159	4,448,249	11.12
100001-1000000	16	4,820,062	12.05	19	5,581,412	13.95
1,000,001 & Over	3	27,342,127	68.36	3	26,262,614	65.66
Total	4,787	39,998,000	100.00	4,601	39,998,000	100.00

3 ANALYSIS OF ORDINARY SHARES

Category	No of Share Holders 31/03/2022	Total Shares 31/03/2022	Percentage (%) 31/03/2022	No of Share Holders 31/03/2021	Total Shares 31/03/2021	Percentage (%) 31/03/2021
Individuals -Local	4,403	7,492,615	18.73	4,303	8,908,622	22.27
Individuals - Overseas	44	368,310	0.92	46	405,055	1.02
Companies - Local	337	31,541,437	78.86	249	23,851,604	59.63
Companies - Overseas	3	595,638	1.49	3	6,832,719	17.08
Total	4,787	39,998,000	100.00	4,601	39,998,000	100.00

4 DIRECTORS' AND CEO'S SHAREHOLDINGS

The Directors' and CEO'S shareholdings in the Company were as follows.

As at 31 March Name of the Directors and CEO	Company	
	2022 No Of Shares	2021 No Of Shares
Mr. D. H. S. Jayawardena	Nil	Nil
Mr. C. R. Jansz	Nil	Nil
Mr. D. S. K. Amarasekera	Nil	Nil
Dr. A. Shakthevale	Nil	Nil
Mr. D. Hasitha Stassen Jayawardena	Nil	Nil
Ms. D. S. T Jayawardena	2934	2934
Mr. M. Dahanayake (CEO)	Nil	Nil

5 VALUE PER SHARE

		Company	
		2021/22 Rs.	2020/21 Rs.
Earnings	Rs.	11.67	7.33
Dividend	Rs.	7.50	5.00
Net Assets	Rs.	239.98	250.88

SHAREHOLDER AND INVESTOR INFORMATION

6 MARKET VALUE PER SHARE

		Company	
		2021/22 Rs.	2020/21 Rs.
Highest Price during the year	Rs.	295.00	165.50
Lowest Price during the year	Rs.	130.00	70.40
Value as at last trading date	Rs.	132.75	150.25

7 TWENTY FIVE MAJOR SHARE HOLDERS

	NAME	As at 31 March 2022		NAME	As at 31 March 2021	
		No of Shares	% On Total Issued Capital		No of Shares	% On Total Issued Capital
1	Milford Exports (Ceylon) (Pvt) Limited	13,426,540	33.57	Milford Exports (Ceylon) (Pvt) Limited	13,426,540	33.57
2	Melstacorp PLC	12,836,074	32.09	Melstacorp PLC	6,715,784	16.79
3	Seylan Bank PLC/Arrc Capital (Pvt) Ltd	1,079,513	2.70	Mills Enterprises Limited	6,120,290	15.30
4	Employees Trust Fund Board	575,787	1.44	E.W. Balasuriya & Co. (Pvt) Ltd	619,212	1.55
5	Vasudevan Saraswathi	513,007	1.28	Rukaiya Husseinally Abdulhussein	507,000	1.27
6	E.W. Balasuriya & Co. (Pvt) Ltd	457,547	1.14	Yusuf Husseinally Abdulhussein	483,333	1.21
7	Rukaiya Husseinally Abdulhussein	410,000	1.03	Wijekoon Mudiyansele Chanuka Hasith Umayanga	480,000	1.20
8	Yusuf Husseinally Abdulhussein	397,637	0.99	Pershing LLC S/A Averbach Grauson & Co.	463,208	1.16
9	Amana Bank PLC/Hi-Line Trading Pvt Ltd	371,533	0.93	People's Leasing & Finance PLC/Mr.H.M. Abdulhussein	377,146	0.94
10	Pershing Llc S/A Averbach Grauson & Co.	299,531	0.75	Vasudevan Saraswathi	328,898	0.82
11	Hatton National Bank Plc-Senfin Growth Fund	285,589	0.71	Husseinally Mohsinally Abdulhussein	280,266	0.70
12	Commercial Bank Of Ceylon Plc A/C No. 04	250,000	0.63	People'S Leasing & Finance PLC/Hi Line Trading (Pvt) Ltd	271,482	0.68
13	Hallsville Trading Group Inc.	249,221	0.62	Commercial Bank Of Ceylon PLC A/C No. 04	250,000	0.63
14	Husseinally Mohsinally Abdulhussein	217,660	0.54	Hallsville Trading Group Inc.	249,221	0.62
15	People's Leasing & Finance PLC/Mr.H.M. Abdulhussein	200,000	0.50	Seylan Bank PLC/Symphony Capital Ltd	232,565	0.58
16	Dinesh Nagendra Sellamuttu	183,502	0.46	Dinesh Nagendra Sellamuttu	183,502	0.46
17	Manickam Vallipuram Theagarajah	140,933	0.35	Essajee Carimjee Insurance Brokers (Pvt) Ltd	157,595	0.39
18	Mark Anthony Theodoor Raaymakers	135,493	0.34	Hatton National Bank PLC-Senfin Growth Fund	150,000	0.38
19	Gulamhussein Moshinally Abdulhussein	132,622	0.33	Mark Anthony Theodoor Raaymakers	148,593	0.37
20	Meenambigai Priyadarshini Radhakrishnan	95,337	0.24	Manickam Vallipuram Theagarajah	140,933	0.35
21	Andal Radhakrishnan	94,468	0.24	Gulamhussein Moshinally Abdulhussein	132,622	0.33
22	Sakuvi Investment Trust (Private) Limited	92,000	0.23	Ratten Gulamhussein Abdulhussein	125,836	0.31
23	Arunasalam Sithampalam	91,160	0.23	Commercial Bank Of Ceylon PLC/ H.M.Dawoodbhoy	95,000	0.24
24	Essajee Carimjee Insurance Brokers (Pvt) Ltd	90,000	0.23	National Development Bank PLC./ Sakuvi Investment Trust (Pvt) Ltd.	92,000	0.23
25	Commercial Bank Of Ceylon Plc/H.M.Dawoodbhoy	80,000	0.20	Abdul Sattar Ashraf	84,353	0.21
	Sub Total	32,705,154	81.77	Sub Total	32,115,379	80.29
	Other Shareholders	7,292,846	18.23	Other Shareholders	7,882,621	19.71
	Grand Total	39,998,000	100.00	Grand Total	39,998,000	100.00

8 PUBLIC SHAREHOLDINGS

	2022.03.31	2021.03.31
Number of Shares held by Public	13,731,313	13,731,313
Numbers of Public Shareholders	4784	4597
Percentage of Shares held by Public	34.33%	34.33%
Float Adjusted market Capitalisation (Rs.000)	1,822,832	1,016,117

Company Complies with Minimum Public Holdings Requirement Under option 5 as set out in the listing rules 7.13.1

TEN YEAR SUMMARY

Group - Rs.000	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
OPERATING RESULT										
Revenue	9,771,539	7,597,192	6,703,854	5,385,534	5,416,547	5,250,208	5,048,510	3,952,277	4,571,997	5,436,654
Gross Profit	1,460,207	1,077,218	663,230	487,442	938,579	789,861	733,442	310,735	472,593	913,858
Profit /(Loss) before Tax	1,097,589	833,946	400,368	(44,712)	631,766	548,704	119,483	(33,302)	26,524	411,480
Taxation	(33,086)	7,818	(109,705)	(81,915)	(51,235)	(6,748)	1,114	31,571	21,903	(44,091)
Profit/(Loss) after Tax	1,064,503	841,764	290,663	(126,627)	580,531	541,956	120,597	(1,731)	48,427	367,389
Profit/(Loss) Attributable to Equity Holder	1,065,100	841,842	301,252	(126,312)	580,784	542,179	126,988	2,885	61,059	374,929
Dividends	299,985	199,990	99,995	49,998	99,995	99,995	49,998	49,998	-	59,998
STATEMENT OF FINANCIAL POSITION										
Property, Plant and Equipment	4,497,497	3,050,465	2,026,997	1,287,633	1,473,279	1,564,886	1,584,723	1,789,252	1,962,797	1,786,025
Short-term Investment	153,778	197,002	209,061	209,839	270,283	244,838	247,029	305,929	236,453	227,893
Current Assets	3,784,590	2,457,575	2,257,454	2,448,635	2,195,399	1,838,876	1,790,653	1,968,720	1,611,624	2,199,028
Total Assets	16,733,674	14,501,150	12,954,243	10,617,378	13,793,479	12,958,922	11,656,394	13,306,902	11,587,053	10,572,349
Total Equity	11,433,332	11,265,999	10,412,933	8,856,988	12,470,426	11,811,602	10,158,993	11,394,013	9,993,200	8,625,489
Non Current Liabilities	2,301,900	1,799,149	971,784	476,154	494,501	514,450	556,378	594,848	622,506	400,198
Current Liabilities	2,998,442	1,436,002	1,569,526	1,284,236	828,552	632,870	941,023	1,318,041	971,347	1,546,662
RATIOS										
Earnings per shares(Rs)	26.63	21.05	7.53	(3.16)	14.52	13.56	3.17	0.07	1.53	9.37
Dividend per shares (Rs)	7.50	5.00	2.50	1.25	2.50	2.50	1.25	1.25	-	1.50
Dividend cover (Times)	3.55	4.21	3.01	(2.53)	5.81	5.42	2.54	0.06	-	6.25
Dividend payout Ratio %	28.17	23.75	33.20	(39.58)	17.22	18.44	39.43	1,785.71	-	16.01
Price earning ratio (Times)	4.98	7.14	9.83	(34.81)	10.89	8.63	36.12	2,000.00	70.16	11.55
Total assets to equity (Times)	1.46	1.29	1.24	1.20	1.11	1.10	1.15	1.17	1.16	1.23
Net assets per Share (Rs)	360.86	281.66	260.33	221.16	311.49	295.01	253.69	284.41	249.27	214.76
Market Value per share (as at 31st March)	132.75	150.25	74.00	110.00	158.10	117.00	114.50	140.00	107.10	108.30
Return on equity (%)	7.38	7.47	2.89	(1.43)	4.66	4.59	1.19	(0.02)	0.48	4.26
Return on Total Assets (%)	6.37	5.80	2.24	(1.19)	4.21	4.18	1.04	(0.02)	0.42	3.47
Gross Profit Ratio (%)	14.95	14.18	9.89	9.05	17.33	15.04	14.53	7.87	10.34	16.81
Net Profit/(Loss) Ratio (%)	10.90	11.08	4.34	(2.35)	10.72	10.32	2.39	(0.05)	1.06	6.76
Current Ratio (Times)	1.26	1.71	1.44	1.91	2.65	2.91	1.90	1.49	1.66	1.42
Liquidity Ratio (Times)	0.77	0.87	0.79	0.80	1.31	1.61	1.02	0.71	0.84	0.77

TEN YEAR SUMMARY

Company - Rs.000	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
OPERATING RESULT										
Revenue	3,423,954	3,101,450	3,030,915	1,922,137	1,840,687	2,053,427	2,394,015	1,957,046	2,446,113	3,711,003
Gross Profit	170,947	120,289	156,610	26,721	100,936	154,936	222,274	63,033	171,232	514,890
Profit /(Loss) before Tax	463,618	307,486	182,385	115,405	278,346	216,919	(37,470)	22,029	14,062	263,876
Taxation	3,261	(14,436)	(52,449)	(13,922)	(1,945)	16,925	20,014	46,264	29,957	(32,516)
Profit/(Loss) after Tax	466,879	293,050	129,936	101,483	276,401	233,844	(17,456)	68,293	44,019	231,360
Dividends	299,985	199,990	99,995	49,998	99,995	99,995	49,998	49,998	-	59,998
STATEMENT OF FINANCIAL POSITION										
Property, Plant and Equipment	125,751	143,283	136,964	136,226	143,342	162,710	186,883	214,959	235,513	244,602
Short-term Investment	153,778	197,002	209,061	209,839	270,283	244,838	247,029	305,929	236,453	227,893
Current Assets	3,188,130	1,895,777	1,549,565	1,608,901	1,582,904	1,784,555	1,567,493	2,038,196	1,762,864	2,292,285
Total Assets	11,242,692	10,693,007	10,213,076	9,015,246	12,077,838	11,780,962	10,405,826	12,192,882	10,471,571	9,631,641
Total Equity	9,598,677	10,034,770	9,716,254	8,319,369	11,701,440	11,344,714	10,000,059	11,370,598	9,882,818	8,516,730
Non Current Liabilities	69,797	86,459	63,695	58,007	62,227	51,429	44,765	38,826	30,028	85,776
Current Liabilities	1,574,218	571,778	433,127	637,870	314,171	384,819	361,002	783,458	558,725	1,029,135
RATIOS										
Earnings per shares(Rs)	11.67	7.33	3.25	2.54	6.91	5.85	(0.44)	1.71	1.10	5.78
Dividend per shares (Rs)	7.50	5.00	2.50	1.25	2.50	2.50	1.25	1.25	-	1.50
Dividend cover (Times)	1.56	1.47	1.30	2.03	2.76	2.34	(0.35)	1.37	-	6.20
Dividend payout Ratio %	64.27	68.21	76.92	49.27	36.18	42.74	(35.20)	73.10	-	25.96
Price earning ratio (Times)	11.37	20.50	22.78	43.30	22.88	20.01	(260.22)	81.87	97.32	18.74
Total assets to equity (Times)	1.17	1.07	1.05	1.08	1.03	1.04	1.04	1.07	1.06	-
Net assets per Share (Rs)	239.98	250.88	242.92	207.99	292.55	283.63	250.01	284.28	247.08	212.93
Market Value per share (as at 31st March)	132.75	150.25	74.00	110.00	158.10	117.00	114.50	140.00	107.10	108.30
Return on equity (%)	4.87	2.92	1.34	1.22	2.37	2.06	(0.18)	0.61	0.45	2.72
Return on Total Assets (%)	4.16	2.74	1.27	1.12	2.29	1.98	(0.18)	0.56	0.42	2.4
Gross Profit Ratio (%)	5.00	3.88	5.17	1.39	5.48	7.55	9.29	3.22	7	13.87
Net Profit/(Loss) Ratio (%)	13.64	9.45	4.28	5.28	15.02	11.39	(0.73)	3.49	1.8	6.23
Current Ratio (Times)	2.02	3.32	3.58	2.52	5.04	4.64	4.34	2.6	3.16	2.23
Liquidity Ratio (Times)	1.77	2.55	2.75	1.49	3.45	3.95	3.4	1.81	2.53	1.62

NOTICE OF MEETING

Notice is hereby given that the Fortieth (40th) Annual General Meeting of Lanka Milk Foods (CWE) PLC* will be held at Lanka Milk Foods (CWE) PLC, Welisara, Ragama on Tuesday, the 20th September 2022 at 10.00 a.m., for the following purposes.

1. To receive and consider the Report of the Directors, the Financial Statements of the Company for the year ended 31st March 2022 with the Auditors' Report thereon.
2. To re-elect Mr. D. Hasitha S. Jayawardena who retires by rotation at the Annual General Meeting in terms of Article No.94 of the Articles of Association, as a Director of the Company.
3. To re-elect Mr. D.H.S. Jayawardena, who is over the age of 70 years and who retires in terms of section 210 and 211 of the Companies Act No. 7 of 2007 as a Director of the Company by passing the following Resolution.

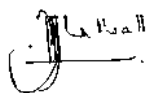
"That Mr. D.H.S. Jayawardena who attained the age of 70 on 17th August 2012 be and is hereby re-elected as a Director of the Company and it is hereby declared that the age limit of 70 years referred to in section 210 of the companies Act No.7 of 2007 shall not apply to the said Mr. D.H.S. Jayawardena."

4. To re-elect Dr. A. Shakthevale who is over the age of 70 years and who retires in terms of section 210 and 211 of the Companies Act No. 7 of 2007 as a Director of the Company by passing the following Resolution.

"That Dr. A. Shakthevale who attained the age of 70 on 04th September 2012 be and is hereby re-elected as a Director of the Company and it is hereby declared that the age limit of 70 years referred to in section 210 of the companies Act No.7 of 2007 shall not apply to the said Dr. A. Shakthevale."

5. To re-appoint Messrs. KPMG, (Chartered Accountants) as the Auditors for the ensuing year and to authorize the Directors to determine their remuneration.
6. To authorize the Directors to determine payments for the year 2023, for charitable and other purposes, as set out in the Company's Donations Act (Cap 147).

By Order of the Board



Ms. H. K. Bulathwatte

Company Secretary
Lanka Milk Foods (CWE) PLC
26th August 2022

***NOTE:**

1. In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka, the Fortieth (40th) Annual General Meeting of Lanka Milk Foods (CWE) PLC will be a virtual meeting held by participants joining in person or by proxy, through audio or audio-visual means in the manner specified below:

i. Attendance of the Chairman and the Board of Directors

The Chairman, members of the Board of Directors, certain Key Management Personnel, the Company Secretary and the External Auditors will be available on the virtual platform on Tuesday, 20th September 2022 at 10.00 a.m.

ii. Shareholder participation

- a) The shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.

- b) The shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through audio or audiovisual means only.

- c) The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audiovisual means only. To facilitate this process, the shareholders are required to furnish their details by perfecting Annexure II to the circular to shareholders and forward same to reach the Company Secretary via e-mail to agm_2022@lmfgroup.lk or facsimile on +94 11 2956266 or by post to the registered address of the Company No. 579/1, Welisara, Ragama, not less than five (05) days before the date of the meeting so that the meeting login information could be forwarded to the e-mail addresses so provided. The circular to the shareholders will be posted to all the shareholders along with the Notice of Meeting and the Form of Proxy.

- d) To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly completed Forms of Proxy should be sent to reach the Company Secretary via e-mail to legal@lmfgroup.lk or facsimile on +94 11 2956266 or by post to the registered address of the Company No. 579/1, Welisara, Ragama, not less than forty-eight (48) hours before the time fixed for the meeting.

iii. Shareholders' queries

The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to reach the Company Secretary, via e-mail to legal@lmfgroup.lk or facsimile on +94 11 2956266 or by post to the registered address of the Company No. 579/1, Welisara, Ragama, not less than five (5) days before the date of the meeting. This is in order to enable the Company Secretary to compile the queries and forward same to the attention of the Board of Directors so that such queries could be addressed at the meeting.

2. The Annual Report of the Company for the year 2021/2022 will be available for perusal on the website on www.lmfgroup.lk and on the Colombo Stock Exchange website on www.cse.lk.

FORM OF PROXY

LANKA MILK FOODS (CWE) PLC

I/Weof

being a shareholder/s of the above Company, hereby appoint

.....of.....

..... (whom failing)

Don Harold Stassen Jayawardena, (whom failing)

Cedric Royle Jansz, (whom failing)

Don Stasshani Therese Jayawardena, (whom failing)

Don Soshan Kamantha Amarasekera, (whom failing)

Shakthevale Arinesarajah, (whom failing)

Don Hasitha Stassen Jayawardena,

as my/our proxy to represent me/us, to speak and to vote on my/our behalf at the Fortieth (40th) Annual General Meeting of the Company to be held on the 20th September 2022, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	Resolution	For	Against
1	To re-elect Mr. D. Hasitha .S. Jayawardena, who retires in terms of Article No.94 of the Articles of Association of the Company		
2	To re-elect Mr. D. H .S. Jayawardena, who retires in terms of section 210 and 211 of the Companies Act No. 7 of 2007		
3	To re-elect Dr. A. Shakthevale, who retires in terms of section 210 and 211 of the Companies Act No. 7 of 2007		
4	To re-appoint Auditors and to authorise the Directors to determine their remuneration		
5	To authorise the Directors to determine payments for charitable and other purposes in terms of Company's Donation Act. (Cap 147)		

Signed this day of September Two Thousand Twenty Two

.....
Shareholder's Signature/(s)

.....
Shareholder's NIC/ Folio No.

.....
Proxyholder's NIC

FORM OF PROXY

Notes:

- (a) In terms of Article 72 of the Article of Association of the Company:-

The instrument appointing a proxy shall be in writing and,

- (i) In the case of an individual shall be signed by the appointer or by his Attorney; and
- (ii) In the case of a Corporation shall be either under its common seal or signed by its Attorney or an officer on behalf of the corporation.

The Company may, but shall not be bound to, require evidence of the authority of any such Attorney or Officer. A proxy need not be a member of the Company.

In terms of Article 73 of the Article of Association of the Company:-

The Instrument appointing a proxy shall be lodged, and the Power of Attorney (if any) under which it is signed or a copy certified by a Notary thereof shall if required to be deposited for inspection, at the office in each case not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll before the time appointed for the taking of the poll at which the person named in the instrument proposed to vote, and in default, the instrument of proxy shall not be treated as valid.

In terms of Article 67 of the Article of Association of the Company:-

In the case of joint-holders of a share the senior who tenders a vote, whether in person or by proxy or Attorney or by a representative, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint-holding.

The first joint-holder thereby has the power to sign the proxy without the concurrence of the other joint-holding.

- (b) The full name and the registered address of the shareholder appointing the proxy should be legibly entered in the form of proxy.
- (c) In the case of non-resident shareholders, the stamping can be attended to on return of the signed form of proxy to Sri Lanka.
- (d) To be valid the completed form of proxy should be deposited with the Secretary, Lanka Milk Foods (CWE) PLC at the registered office of the company at Welisara, Ragama, not later than 48 hours before the time appointed for the holding of the meeting.
- (e) Every alteration or addition to the form of proxy must be duly authenticated by the full signature of the shareholder signing the form of proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intend to be authenticated.

Please provide the following details (mandatory):

NIC/PP/Company Registration No. of the Shareholder/s	:	
	:	
Folio No.	:	
E-mail Address of the Shareholder/(s) or Proxyholder (Other than a Director appointed as proxy)	:	
Contact No. (Mobile)	:	
Contact No. (Fixed Line)	:	

CORPORATE INFORMATION

Name of the Company	Lanka Milk Foods (CWE) PLC
Legal Form	A Public Company with Limited Liability under the provisions of Companies Act No. 7 of 2007, Quoted in the Colombo Stock Exchange in January 1983
Company Registration Number	PQ 142
Date of Incorporation	12th November 1981
Accounting Year End	31st March
Registered Office	579/1, Welisara, Ragama, Sri Lanka
Board of Directors	Mr. D. H. S. Jayawardena - <i>Executive Chairman</i> Mr. C. R. Jansz - <i>Executive Director</i> Ms. D. S. T. Jayawardena - <i>Executive Director</i> Mr. D. S. K. Amarasekera - <i>Independent Non-Executive Director</i> Dr. A. Shakthevale - <i>Independent Non-Executive Director</i> Mr. D. Hasitha. S. Jayawardena - <i>Non-Independent Non-Executive Director</i>
Group Chief Executive Officer	Mr. Manjula Dahanayake
Company Secretary	Ms. H. K. Bulathwatte
Auditors	Messrs. KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha P O Box 186 Colombo 3, Sri Lanka.
Subsidiary Companies	Lanka Dairies (Private) Limited Ambewela Livestock Company Limited Pattipola Livestock Company Limited Ambewela Products (Private) Limited United Dairies Lanka (Private) Limited Indo Lanka Exports (Private) Limited
Bankers	Hatton National Bank PLC Commercial Bank of Ceylon PLC DFCC Bank PLC Hong Kong & Shanghai Banking Corporation Ltd Bank of Ceylon Standard Chartered Bank
Contact Details	579/1, Welisara, Ragama, Sri Lanka Tel: +9411 2956263-5, +9411 5222600 Fax: +9411 2956266 Email: lakspray@lmfgroup.lk Website: www.lmfgroup.lk

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